



Defining the Future

KERALA INFRASTRUCTURE INVESTMENT FUND BOARD

**FIDELITY CERTIFICATE
ANNUAL REPORT
&
ANNUAL ACCOUNTS
2016-17**



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&
ANNUAL ACCOUNTS
FOR THE FINANCIAL YEAR 2016-17**

www.kiifb.org

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INTRODUCTION

As per Section 3(8) of the Kerala Infrastructure Investment Act, “the Government shall lay before the State Legislative Assembly along with the presentation of the Annual budget the following documents, —

- (a) a statement of the sources and application of the funds of the Board;**
- (b) a certificate from the Fund Trustee and Advisory Commission to the effect that the funds of the Board have been deployed for the purposes intended and that surplus funds have been managed as laid down under the provisions of this Act.**

This booklet contains the above documents alongwith the Annual Report and the Audited Accounts of KIIFB for the Financial Year 2016-17.

FOREWORD

Kerala Infrastructure Investment Fund was conceived through the Kerala Infrastructure Investment Fund Act 1999 to finance infrastructure development projects in selected sectors. The Act basically enabled the providing of loan assistance for projects implemented mainly through the State PSUs and the limitations of the Act prevented the effective utilisation of the Fund. Now, the KIIF Act has been comprehensively revamped to overcome the limitations and to bridge the widening gap in infrastructure development through innovative fund mobilisation and utilisation methods.

Commensurate with this development, the Government declared the Second Anti-Recession Package to tackle the aggravating economic recession by providing capital outlays for projects like large roads, bridges, buildings and infrastructure parks and others. The Nava Kerala Karma Padhathi declared for initiating a vigorous wave of reforms to address the many pressing needs of the people, includes schemes such as Aardhram Mission for improving the health care system, Comprehensive Public Education Rejuvenation Mission for upgrading 1000 government schools to international standards, etc. were declared. The rejuvenated KIIFB has been entrusted with the major infrastructure development projects envisaged under the Second Anti-Recession Package as well as some of the projects under the Aardhram Mission and Comprehensive Public Education Rejuvenation Mission. Accordingly, Government has announced 92 projects with total outlay **Rs.54,179 crore**. The Government proposes to implement infrastructure projects to the tune of Rs.50,000 crore over a period of 5 years through KIIFB. KIIFB proposes to raise the required funds through financial instruments, long-term loans, investment structures like Alternative Investment Fund (AIF), Infrastructure Debt Fund (IDF), Infrastructure Investment Trust (InVIT), etc. Repayment of debt so raised is proposed to be over a period of 15 years. Besides the prospects of obtaining direct returns from revenue generating projects for repayment of debt, assured revenue streams from Government to cover any gap in repayment obligations of KIIFB have been provided for through the amended KIIF Act. Government has issued the detailed guidelines for the conception, preparation, and submission of KIIFB projects. For the fast track approval of projects and for hassle-free fund release, KIIFB has put in place comprehensive online project submission and payment systems. Through KIIFB the Government has laid the ground work for rapid development of basic infrastructure to attract and facilitate further investment leading all round development of the State.

29.01.2018

Dr.K.M.Abraham CFA, IAS (Retd.)
Chief Executive Officer



KERALA INFRASTRUCTURE INVESTMENT FUND BOARD



FIDELITY CERTIFICATE

We, the members of the Fund Trustee and Advisory Commission, have examined the relevant records of the Kerala Infrastructure Investment Fund Board (the Board) for the year **April 2016- March 2017** (period under scrutiny) as is necessary for the fulfilment of our responsibilities under the Kerala Infrastructure Investment Fund Act, 1999 (the Act) .

The Kerala Infrastructure Investment Fund Board is responsible for the maintenance of the proper books and records in accordance with generally accepted accounting principles and practices and for the preparation and presentation of the statements annexed hereto that give a true and fair view and are free from material misstatement, whether due to fraud or error. The Board is also responsible for establishing and maintaining internal financial controls commensurate with the size and operation of the Board. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Board's policies and directions/decisions of the Fund Trustee and Advisory Committee, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Board, its officers and agents, we certify that, -

1. in respect of the period under scrutiny, the application of funds by the Board has been in compliance with the provisions of the Act. Statement of source and application of funds by the Board as of **March 31, 2017** and comments on the same are provided in Annexure A.
2. in respect of the period under scrutiny, the investment of surplus funds by the Board has also been in compliance with the provisions of the Act. Statement regarding the investment of surplus by the Board as of **March 31, 2017** is provided as Annexure B.

Sri Vinod Rai
Chairman

24-01-2018

Annexure A

Source and Application of funds for the year ended 31.03.2017

A. Opening Balances of funds :		Amount INR.	C. Application of Funds		Amount INR.
Balance with Banks:			a. Project Disbursements :		
Balance in Treasury A/c No 701011400000177	57,37,61,048.00		b Finance Cost		NIL
Balance in Treasury A/c No. 13557 (Escrow Account)	1,985.00		c Administrative expenses		NIL
Balance in Treasury A/c No. 14014 (Escrow Account)	42,705.00		1 Salary & Allowances	10,31,589.00	
Balance in Treasury A/c No. 14015 (Escrow Account)	708.00		2 Consultancy Charges	10,51,480.00	
Balance in Treasury A/c No 701011400000479	8,73,85,52,778.00		3 Electricity Charges	2,36,053.90	
Current Account with HDFC Bank 0630350000127	23.27		4 Meeting Expenses	6,77,712.00	
			5 Rent	24,26,008.10	
Cash in Hand	6,899.00		6 Technical Support Expenses	4,92,687.00	
			7 Vehicle Hire charges	3,94,800.00	
Investments :	NIL		8 Travelling and Conveyance	1,90,310.00	
			9 Sweeping charges & Other wages	3,04,100.00	
			10 Training Expenses	1,60,000.00	
Total Opening Balances	9,41,23,66,146.27		11 Rates and Taxes	1,27,508.00	
			12 Others	3,56,547.00	
B. Source of Funds			Total Administrative expenses	74,48,795.00	
Non Revenue Receipts			d Security Deposit	5,00,000.00	
a Grant from GoK	16,24,56,74,966.00		e Tax Deducted at Source	8,71,918.00	
b Petroleum Cess	4,48,10,00,000.00		f Fixed Asset Purchased	4,13,792.00	
c Share of Motor Vehicle tax	2,81,43,00,000.00				
d Redemption of investments	NIL		Total Application of funds	92,34,505.00	
e Loan repayments received	NIL				
Total Non Revenue Receipts	23,54,09,74,966.00				
Revenue Receipts			A. Closing Balances of funds:		
a Interest on deposits	2,18,30,248.00		Balance with Banks:		
Total Revenue Receipts	2,18,30,248.00		Balance in Treasury A/c No 701011400000177	66,53,98,323.00	
			Balance in Treasury A/c No. 13557 (Escrow Account)	1,985.00	
			Balance in Treasury A/c No. 14014 (Escrow Account)	42,705.00	
			Balance in Treasury A/c No. 14015 (Escrow Account)	708.00	
			Balance in Treasury A/c No 701011400000479	24,98,42,27,844.00	
			Balance in State Bank of India 67385808885	81,62,58,330.00	
			Current Account with HDFC Bank 0630350000127	23.27	
			Cash in Hand	6,937.00	28,46,59,36,855.27
			Investments :		
			Fixed Deposit (Canara Bank)	1,00,00,00,000.00	
			Fixed Deposit (Federal Bank)	2,50,00,00,000.00	
			Fixed Deposit (IDBI)	1,00,00,00,000.00	
			Fixed Deposit (SIB)	2,00,00,00,000.00	6,50,00,00,000.00
Total Source of funds	32,97,51,71,360.27		Total Closing Balances of funds		
			Total Application of funds		32,97,51,71,360.27

The KIIFB Board in its meeting held on 30.11.2017 considered the application of funds by the Board. After consideration of the audited accounts and based on the statements and records placed before it the KIIFB Board certified that in the period under scrutiny there has been no diversion of funds.


D.K.M. ABRAHAM, CFA
 CEO, KIIFB

Annexure B

Investment of Surplus by the Board as of 31st, March 2017

Balance maintained with Treasury

Account Type	Account No.	Tenure	Interest Rate	Amount
Savings Bank account	701011400000177	NA	-	6653,98,323.00 ✓
Escrow Account	133557	NA	-	1,985.00 ✓
Escrow Account	14014	NA	-	42,705.00 ✓
Escrow Account	14015	NA	-	708.00 ✓
Savings Bank account	701011400000479	NA	-	249842,27,844.00 ✓
Total		Total		256496,71,565.00

Balance maintained in Bank Accounts

State Bank Of India

Account Type	Account No.	Tenure	Interest Rate	Amount
Savings Bank account	67385808885	NA	3.25%	8162,58,330.00
Total		Total		8162,58,330.00



SHANIVAS. A.
District Treasury Officer
Thiruvananthapuram

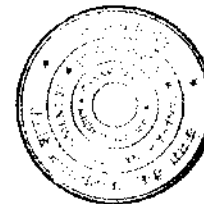
Canara Bank

Account Type	Account No.	Tenure	Interest Rate	Amount
Fixed Deposit	0819307000108/1	121 days	4.75%	10000,00,000.00
Total		Total		10000,00,000.00



For State Bank of India

Manager/Dy. Manager/Asst. Manager
Trivandrum City Branch



Manager

Asst. Manager
Trivandrum City Branch
Cantonment, Trivandrum 685001

Federal Bank

Account Type	Account No.	Tenure	Interest Rate	Amount
Fixed Deposit	1030040038855	91	6.51%	25000,00,000.00
Total	10300400238855	Total		25000,00,000.00

For THE FEDERAL BANK LTD
[Signature]
 Assistant Vice President & BH
 Manager Statue

IDBI Bank

Account Type	Account No.	Tenure	Interest Rate	Amount
Fixed Deposit	0000-0046105000072256	91	5.50%	10000,00,000.00
Total		Total		10000,00,000.00

[Signature]
 Manager
 663719

South Indian Bank

Account Type	Account No.	Tenure	Interest Rate	Amount
Fixed Deposit	721106000000183	91	6.35%	10000,00,000.00
Fixed Deposit	721106000000182	91	6.35%	10000,00,000.00
Total		Total		20000,00,000.00

FOR THE SOUTH INDIAN BANK LTD.

[Signature]
Manager
Corporate Branch
Thiruvananthapuram



Manager

HDFC Bank

Account Type	Account No.	Tenure	Interest Rate	Amount
Current Account	0630350000127	NA	-	23.27
Total		Total		23.27

Manager

Total Surplus as on the last working day of the period under scrutiny: 32,96,59,29,918.27

It hereby certified that the investment of surplus has been in accordance with the Investment Management Policy approved by the KIIF Board.

[Signature]
CEO, KIIFB

ANNUAL REPORT
2016 -17

1. THE BOARD

The Kerala Infrastructure Investment Fund Board (KIIFB), came into existence on 11.11.1999 under the Kerala Infrastructure Investment Fund Act 1999 to manage the Kerala Infrastructure Investment Fund. The original Board was chaired by the Chief Secretary, Government of Kerala with Secretaries of key government departments and two financial experts as Members. Secretary to Government (Finance -Resources) was the Fund Manager.

Now, the Board has been fully restructured through the Kerala Infrastructure Investment Fund (Amendment) Act 2016 notified vide Extraordinary Gazette No.1913 dated 5.11.2016. Accordingly, the Board now comprises of: -

- | | |
|--|-------------------|
| (a) Chief Minister | Chairperson |
| (b) Minister for Finance | Vice- Chairperson |
| (c) Chief Secretary | Member |
| (d) Vice-chairman State Planning Board | Member |
| (e) Secretary (Law) | Member |
| (f) Secretary (Finance) | Member |
| (g) Secretary (Finance Resources) | Member |
| (h) Seven independent members
who are experts, who have worked
in an institution of national repute in
one or more of the areas of Finance,
Banking, Economics | Members |
| (i) Chief Executive Officer | Member-Secretary |

The Board also has an **Executive Committee** consisting of:-

- | | |
|--|-----------------------|
| (a) Minister for Finance | Chairperson |
| (b) Chief Secretary | Member |
| (c) Secretary (Law) | Member |
| (d) Secretary (Finance) | Member |
| (e) Secretary (Finance - Resources) | Member |
| (f) Three independent members
of the Board, nominated by the
Government. | Members |
| (g) Chief Executive Officer | Member & Fund Manager |

The present Independent Members in the Board are:

1. Dr. D. Babu Paul
Former Finance Secretary,
Government of Kerala
2. Prof. C.P. Chandrasekhar
Professor, Centre for Economic Studies
and Planning
3. Prof. Sushil Khanna
Professor (Economics and Finance),
Indian Institute of Management, Calcutta
4. Sri. Salim Gangadharan
Former Regional Director, Reserve Bank
of India, Thiruvananthapuram
5. Sri. J.N. Gupta
Former Executive Director, SEBI and
Managing Director at Stakeholders
Empowerment Services
6. Sri. Radhakrishnan Nair
Former Executive Director Securities &
Exchange Board of India (SEBI)
7. Dr. Sudipto Mundle
Member 14th Finance Commission,
Former Director Strategy and Policy
Department, Asian Development Bank
(ADB), Emeritus Professor & Member
of Board of Governors, National Institute
of Public Finance & Policy (NIPFP)

Of the above Independent Members of the Board, Prof. Sushil Khanna, Sri. Salim Gangadharan and Sri. J.N. Gupta have been appointed as the Independent Members in the Executive Committee.

Dr. K.M.Abraham, Chief Secretary to Government is the present Chief Executive Officer of KIIFB.

The Fund Trustee & Advisory Commission (FTAC).

As per Section 6 C of the amended Act, the Board may, by general order, constitute with effect from such date as may be specified therein, a Commission to be called the 'Fund Trustee and Advisory Commission'. The Commission shall comprise of not less than three and not more than five members including a Chairperson. The term of office of the Commission shall be for a period of two years. The members shall hold office at their pleasure and shall not be removed by Government or the Board except on grounds of conviction, on any criminal charges involving moral turpitude, by a court of law. The members shall be experts with proven experience at the national or international levels in any of the fields of banking, financial regulation, financial markets, administration or economics. The Board shall nominate one of the members as the Chairperson of the Commission. The members of the Commission may, with the permission of the Chairperson, attend the meeting through video conferencing. The Commission shall meet once before September and February of each year and as many times, as it deems fit for carrying out its functions. The Chief Executive Officer shall be the Secretary to the Commission.

The Commission shall act as the trustee of the fund and help to ensure that all investments of the fund serve the purpose and intent of the Act and that there is no diversion of funds of the Board. The Commission shall with the approval of the majority of members issue a "Fidelity Certificate" every six months certifying that the

application of funds and the investment of surplus funds are in conformity with the Act and the Scheme.

The Commission shall have the following powers, namely: —

- (a) to call for periodical reports from the Board;
- (b) to call for any documents in possession of the Board necessary for the discharge of its functions under this Act;
- (c) to supervise the implementation of the conditions regarding creation of the securities by the Board for the purpose of raising funds;
- (d) to carry out such acts, as are necessary, for the protection of interest of the holders of the securities issued by Board;
- (e) to do all things necessary to resolve the grievances of the holders of the securities issued by the Board;
- (f) to ascertain that the funds necessary to discharge the interest and principal amount payable in respect of the securities is available with the Board as stipulated under this Act;
- (g) to ascertain that the funds so available with the Board are deployed in prudential investments;
- (h) to direct the Chief Executive Officer to convene meetings of the Fund Trustee and Advisory Commission as many times, as it deems appropriate, in addition to the two meetings specified in sub-section (8) of section 6C; Provided that the Chairperson shall issue such directions either on his own or at the request of at least two members.

The Organisational & Administrative Structure of KIIFB

The office of KIIFB is Headed by the Chief Executive Officer & Fund Manager with three independent divisions under his control, namely, Finance & Administration Division, Project Appraisal Division and Inspection Authority. The Finance & Administration Department headed by the Joint Fund Manager looks after the administrative and financial matters of KIIFB. This Division also includes an Institutional Finance Group which handles the legal and technical matters of fund mobilization.

Finance (Infrastructure) Department is the Government Administrative Department of KIIFB which is the directly under the control of Principal Secretary (Finance) with a Joint Secretary, a Deputy Secretary and a full-fledged section with efficient staff members. The Joint Secretary and Deputy Secretary also function as the Joint Fund Manager and Deputy Fund Manager of KIIFB respectively. This arrangement, while ensuring effective Government Control, facilitates unhindered and fast administrative clearances for KIIFB. The Administrative Department functions alongwith KIIFB. KIIFB will function as the key Special Purpose Vehicle (SPV) for mobilising and channelling the funds to the various infrastructure SPVs. KIIFB through its well organised and professional approach will act as the main arm of Government to facilitate planned, hassle-free and sustained development of both physical and social infrastructure ensuring all round wellbeing and prosperity in the State.

1. OPERATIONS:

In the Revised Budget Speech for 2016-17 the Government announced 73 infrastructure projects for Rs.28,231 crore for implementation through KIIFB. Government also issued the detailed guidelines vide G.O.(Ms)No.315/2016/Fin

dated 08-08-2016 for the conception, preparation, and submission of KIIFB projects. For the fast track approval of projects and for hassle-free fund release, KIIFB has, with the assistance of the National Informatics Centre, put in place comprehensive online project submission and payment systems called the Direct Payment System(DPS).

Since its re-constitution in November 2016, the General Body of KIIFB Chaired by the Hon'ble Chief Minister met twice during 2016-17. The meeting held on 7.11.2016 approved the Tranche-1 Projects for a total outlay of Rs.4022.08 crore. The meeting held on 21.03.2017 conditionally approved the Tranche-2 Projects for a total outlay of Rs.8041.65 crore subject to rectification of the defects pointed out in the appraisal report. The action for implementing the projects is in progress.

The other key decisions of the Board and operations thereof are summarized below:

i. Mobilising funds through the issue of General Obligation Bonds:-

With a view to arrange sufficient funds for the approved projects for the current year the Board has accorded approval for mobilizing funds to the tune of Rs.2000 cr through the issue of General Obligation Bonds. Action for engaging Rating Agencies and Arrangers is being taken. It is expected to issue the Bonds by December 2017.

ii. Availing NIDA Loan worth Rs.4000 crore from NABARD.

The National Bank for Agriculture & Rural Development (NABARD) has agreed in principle to mobilize and provide funds to the tune of Rs.4000 crore to KIIFB under its scheme **NABARD Infrastructure Development Assistance (NIDA)**. NIDA is a new line of credit support for funding rural infrastructure projects. NIDA is designed to fund state-owned institutions/ corporations on both on-budget as well as off-budget for creation of rural infrastructure outside the ambit of RIDF borrowing. The assistance under NIDA is available on flexible interest terms with repayment period upto 12 years including 2 years' repayment holiday. Accordingly, the road projects approved by the Board in the first tranche have been taken up and NABARD has initially agreed to sanction a Term Loan for a Total Project cost of Rs.628.15 crore on a 90:10 ratio i.e., Term loan through NIDA to the tune of Rs.565 crore and KIIFB share being 63.15 crore. The proposal covers 16 road projects spread across 4 districts of the State. After several negotiations it has been finally agreed to provide the NIDA assistance at a rate of 9.30% interest with reset options. The agreements are being executed.

iii. Setting up of Infrastructure Fund Management Company.

Sub-section (3) under Section 8 of Kerala Infrastructure Investment Fund Act as amended vide the Kerala Infrastructure Investment Fund (Amendment) Act, 2016 empowers the Board to act as sponsor for setting up infrastructure investment

structures like Alternative Investment Fund (AIF), Infrastructure Debt Fund (IDF), Infrastructure Investment Trust (InVIT), etc. as are required for facilitating the mobilization of resources for financing infrastructure projects in the State. The regulations issued by Securities & Exchange Board of India (SEBI) require a company like entity for sponsoring such investment structures. To comply with SEBI Regulations and to ensure functional autonomy for mobilizing funds a Fund Management Company is required to be set up under the sponsorship of KIIFB. Accordingly, Government vide G.O. (Rt.) 8409/2016/Fin dated 24.10.2016 appointed Sri. V.S. Senthil, IAS, Additional Chief Secretary (Planning and Economic Affairs) as special officer for preparing a project report for setting up an Asset Management Company on the lines of the Tamil Nadu Infrastructure Fund Management Corporation Ltd. Subsequently, the Board in its 27th meeting approved a proposal for sponsoring an Asset Management Company by the Board and resolved that recommendations of the report submitted by Sri. V.S Senthil shall be placed before the Executive Committee and thereafter the Board.

iv. Floating an NRI Chitty in association with KSFE.

The Kerala State Financial Enterprises Ltd.(KSFE) is one of the most successful non-banking finance companies under Government of Kerala. They have specialized in the 'Chitty' form of financial activity and are doing well in this area. Considering to utilize their resources for infrastructure funding through KIIFB preparations are being made to launch an online NRI chitty dovetailed with an insurance and pension cover package as a unique attraction, to mobilize funds from Non-Resident Indians. The chitty will be floated and funds collected by KSFE. The float fund will be made available to KIIFB as and when required for investment in infrastructure projects through a flexible online KIIFB bond. The Board, in its 27th Meeting, has resolved to associate with Kerala State Financial Enterprises Ltd. for availing the funds from the NRI Chitty and authorized the Chief Executive Officer to prepare a detailed scheme and design an IT based solution for easy and effective mobilisation of funds from NRIs. Preparations are fast progressing.

v. Issuing Land Bonds for facilitating Land Acquisition.

As per the Special Investment Plan announced under the 2nd Recession Package in the 2016-17 Revised State Budget Speech, Rs.8000 crore worth of land acquisition has been envisaged. The Special Investment Plan comprising of infrastructure projects is being implemented through KIIFB. The Board, in its 27th Meeting, has resolved to authorize the Chief Executive Officer to prepare a detailed scheme for issue of Land Bonds. Discussions have been initiated with the revenue authorities and departments requiring land acquisition for their infrastructure projects. It is also planned to hold seminars, workshops, etc. to establish a viable system of fast track land acquisition through Land Bonds. Out of the approved projects in the first tranche, 20 projects require land acquisition on an urgent basis to the extent of 617 acres. Accordingly, Hon'ble Finance Minister convened a video conference with the participation of Hon'ble Revenue Minister, Additional Chief Secretary (Finance), Additional Chief Secretary (Taxes), Inspector General of Registration and the District Collectors

concerned to discuss the various ways through which KIIFB funding can be infused into the process of land acquisition without prejudice to existing rules and procedures thereof. It was concluded that for meeting the current urgent needs KIIFB could finance the acquisition by the Collectors through funds now available with KIIFB till the inception of Land Bonds. Further action is being taken.

vi. Establishing the Direct Payment System (DPS).

The Board, in its 28th Meeting, resolved to implement online Direct Payment System (DPS) in KIIFB to ensure unhindered flow of funds for the timely completion of projects. As per this system, the project SPVs will identify those tasks or activities in the online Project Management Software (PMS) provided by KIIFB as milestones for release of payment to the contractors. These milestones have to be completed satisfactorily for payment to the contractors. It shall be part of the obligations that the contractors will have to fulfil as part of the contract between the SPVs and the contractors. KIIFB will release the instalments of funds direct to the contractors based on the payment milestones agreed to at the time of signing the contract between the SPVs and the contractors. Any subsequent changes or deviations from the milestones for payments recorded in the contract between the SPVs and the contractors shall be only with the consent of KIIFB. KIIFB shall give such consent only after satisfying itself that such changes or deviations in the payment milestones are reasonable and expedient to the completion of the project. The payment module is linked to the payment gateway. After due processing and authorisation at their end each payment authorisation can be made by the SPV on achieving the payment milestone mutually agreed upon and clearly demarcated in the Project Management Software (PMS). On uploading of payment proposal by SPV the KIIFB Administration & Finance Division will refer the same for the remarks of the Project Appraisal Division and the Inspection Authority for their remarks through the Digital Document Filing System (DDFS) module with a prefixed time-limit. If no remarks are received within the time-limit the payment process will proceed further. If valid remarks or objections are received, necessary clarifications will be notified to the SPV through the payment module and payment will be withheld till resolving the issue. The payment authorisation will be processed as per the set hierarchy through the Digital Document Filing System (DDFS) being used in KIIFB and on issuance of sanction order the same will be posted in the payment module and amount released to the contractor/supplier/service provider by KIIFB direct to their designated bank account with necessary notification to the SPV. The statutory deductions, if any, with respect to each payment will be transferred to the bank account of the SPV for remittance to the authorities concerned. The software development works undertaken by the National Informatics Centre (NIC) is fast progressing.

2. FINANCIAL HIGHLIGHTS:

<i>Details</i>	<i>Year ended 31.03.2016</i>	<i>Year ended 31.03.2017</i>
	<i>(Rs)</i>	<i>(Rs.)</i>
Grants from GoK for the year	873,85,52,778.00	235,40,97,497.00
Interest received during the year	Nil	7,04,09,683.06
Net Profit/Loss of the year	(27,39,401.50)	6,32,29,351.16

During 2016-17 Government Provided Rs.1624.57 crore towards the seed capital corpus of KIIFB to leverage borrowings from the financial market, the Government provided Rs.281.43 crore towards the share of Motor Vehicle Tax and Rs.448.1 crore towards the cess on petroleum products. The seed capital corpus is maintained in a non-interest bearing account in the government treasury and the other amounts partly maintained in a savings bank account in State Bank of India and partly deposited in various fixed deposits as the off-take of funds by the projects is yet to commence.

Depositing KIIFB Funds in Fixed Deposits.

In accordance with the amended KIIF Act, Government have transferred an amount of Rs.448.1 crore towards Petroleum Cess and Rs281.43 towards share of Motor Vehicle Tax collected during the Financial Year 2015-16. Initially a total amount of Rs.476.24 crore was released to KIIFB on 31.12.2016 and the balance amount of Rs.253.29 crore was released on 3.03.2017 the total thus being Rs.729.53 crore. Since the first tranche of projects worth Rs.4004.86 crore had already been approved in the 27th meeting of the Board held on 7.11.2016 and the banks were reluctant to accept bulk deposits as a fallout of the demonetisation, the funds were retained in the SB account in State Bank of Travancore (Now merged with SBI) in expectation of immediate disbursement of funds for short gestation projects. Since requests for fund disbursements have not come up as expected and the banks slowly resuming acceptance of bulk deposits at better rates than savings bank rates, major part of the funds have been moved to short term fixed deposits from 90-181 days with the local banks that have offered the best rates.

Financial Sustainability Statement of KIIFB.

The Board directed the CEO to prepare and submit a statement of impact of the fund mobilization on the State Budget, the principal repayment and interest burden thereof, the impact on budgetary revenues due to transfer of Motor Vehicle Tax and cess on Petroleum products, etc. Details of the impact of the fund mobilisation on Government Guarantees and long-term forecast of the entire fund mobilisation with its budgetary impact were also directed to be considered. Accordingly, a fifteen-year Financial Sustainability Statement of KIIFB for the period from 2016-17 to 2030-31 was prepared based on the estimated revenue & expenditure and Debt/GDP ratio before and after KIIFB financing, the outflow and inflow of funds expected to and from projects and quantum of debt required to be raised from various sources. The Financial Sustainability Statement is appended. The 28th Board Meeting considered the Statement and decided that as

the quantum and timings of the project cash outflows become clearer, the Financial Sustainability Statement would continue to be refined further.

5. AUDITORS:

The Board in its 28th meeting observed that in accordance with the Companies Act the same Auditors can be appointed for two consecutive periods of five years each with the approval of the Board. Any further extension can be given only on an annual basis by the Board. Now they have completed seventeen years with KIIFB. Though the Companies Act is not applicable to KIIFB, in the interest of good governance it is better to change the auditors over a period of time. However, considering the impeccable and valuable services rendered by M/s. Sridhar & Co., their continuance till 2018-19. The Auditors of the Board M/s Sridhar & Co., Chartered Accountants have also expressed their willingness to continue as Auditors.

6. GENERAL:

The Board places on record their appreciation for the services rendered by all agencies of the Government, Banks & Financial Institutions and the officers and employees of the fund.

For and on behalf of the Board

Sd/-

Dr. K.M.Abraham,CFA,IAS
Chief Secretary to Government
Chief Executive Officer & Fund Manager

Thiruvananthapuram
Dated: 26.09.2017

ANNUAL ACCOUNTS
2016 -17



**Independent Auditors' Report To the members of
Kerala Infrastructure Investment Fund Board**

Report on the financial statements

We have audited the accompanying financial statements of **KERALA INFRASTRUCTURE INVESTMENT FUND BOARD**, Government Secretariat, Thiruvananthapuram, which comprise the balance sheet as at March 31, 2017, the Profit and Loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

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- (a) in the case of the balance sheet, of the state of affairs of the board as at March 31, 2017;
- (b) in the case of the Profit and Loss account Stated , of the profit for the year ended on that date;

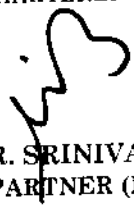
Report on other legal and regulatory requirements

We report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account are kept by the Board, so far as it appears from our examination of the books.
- c) The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts.

Thiruvananthapuram,
26-09-2017

For SRIDHAR & CO
CHARTERED ACCOUNTANTS (FRN.003978S)



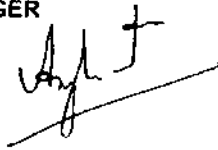
R. SRINIVASAN
PARTNER (M.No.200969)

Kerala Infrastructure Investment Fund Board
 Room No.420, I Floor, Government Secretariat, Thiruvananthapuram 695 001
Balance Sheet As On 31st March 2017

	SCHEDULE	31.03.2017	31.03.2016
I.SOURCES OF FUNDS			
Capital Fund	I	33,64,80,27,744.00	10,10,70,52,778.00
TOTAL		33,64,80,27,744.00	10,10,70,52,778.00
II.APPLICATION OF FUNDS			
Fixed Assets	II	9,10,521.48	7,94,643.48
Current Assets, Loans and Advances			
Cash & Bank Balances	III	33,01,45,16,290.33	9,41,23,66,146.27
Other Current Assets	IV	45,41,858.46	31,69,940.46
A		33,01,90,58,148.79	9,41,55,36,086.73
Less: Current Liabilities and Provisions			
Liabilities	V	85,37,568.40	91,03,945.50
Provisions		-	-
B		85,37,568.40	91,03,945.50
Net Current Assets (A-B)		33,01,05,20,580.39	9,40,64,32,141.23
Profit & Loss Account	VI	63,65,96,642.13	69,98,25,993.29
TOTAL		33,64,80,27,744.00	10,10,70,52,778.00

For KERALA INFRASTRUCTURE INVESTMENT FUND BOARD

Dr.K.M.ABRAHAM (CFA,IAS)
FUND MANAGER



Thiruvananthapuram
 26-09-2017

Notes Attached
 As per our report of even date attached
For SRIDHAR & CO (FRN.003978S)
CHARTERED ACCOUNTANTS



R.SRINIVASAN
(PARTNER(M.No 200969))

Kerala Infrastructure Investment Fund Board
Room No.420, I Floor, Government Secretariat, Thiruvananthapuram 695 001
Profit & Loss Account for the year ended on 31st March 2017


Particulars	31.03.2017	31.03.2016
INCOME		
Interest Received	7,04,09,683.06	-
TOTAL	7,04,09,683.06	-
EXPENDITURE		
Auditors Remuneration		
For Statutory Audit	25,000.00	10,000.00
Tax Audit	10,000.00	-
Books and periodicals	5,790.00	20,295.00
Compensatory Remuneration	80,000.00	-
Consultancy Charges	11,33,485.00	4,40,000.00
Depreciation	2,97,914.00	3,27,109.00
Electricity Charges	2,07,660.90	1,33,608.90
Employers Contribution to EPF	46,430.00	-
Honararium	-	14,000.00
Legal charges	-	1,60,000.00
Meeting Expenses	6,77,712.00	-
Miscellaneous Expenses	7,000.00	-
Office Expenses	3,788.00	10,914.70
Printing and Stationery	43,676.00	84,366.50
Penalty Charges	-	3,800.00
Professional Fees	79,000.00	1,05,000.00
Rates & Taxes	1,27,508.00	21,138.00
Refreshment	14,317.00	2,272.80
Rent	16,14,692.00	12,10,546.10
Repairs and Maintenance	8,759.00	3,091.50
Salary and Allowances	12,16,676.00	-
Sweeping charges	1,61,900.00	32,200.00
Technical Support	4,92,687.00	-
Telephone Charges	68,427.00	18,225.00
Training Expenses	1,60,000.00	-
Travelling and Conveyance	1,90,310.00	1,42,834.00
Vehicle Hire Charges	3,65,400.00	-
Wages	1,42,200.00	-
TOTAL	71,80,331.90	27,39,401.50
Profit / -Loss before tax	6,32,29,351.16	(27,39,401.50)
Prior Period Adjustment Account	-	-
Less: Provision for taxation	-	-
Profit /-Loss transferred to balance sheet	6,32,29,351.16	(27,39,401.50)

For KERALA INFRASTRUCTURE INVESTMENT FUND BOARD


Dr.K.M.ABRAMAM (CFA, IAS)
FUND MANAGER

Notes Attached
As per our report of even date attached
For SRIDHAR & CO (FRN.003978S)
CHARTERED ACCOUNTANTS

Thiruvananthapuram
26-09-2017


R. SRINIVASAN
21 PARTNER (M.No 200969)

Kerala Infrastructure Investment Fund Board
Schedules forming part of Balance Sheet as on 31.03.2017

31st March 2016

31st March 2017

Schedule I

Capital Fund

75,00,000.00	Fund from Contingency Fund of Government of Kerala
10,09,95,52,778.00	Grant from Govt. of Kerala
<u>10,10,70,52,778.00</u>	Total

75,00,000.00
<u>33,64,05,27,744.00</u>
<u>33,64,80,27,744.00</u>

Schedule III

Cash and Bank Balances

6,899.00	Cash in Hand
67,37,61,048.00	Balance in Treasury A/c. No. 177
1,985.00	Balance in Treasury A/c. No. 13557 (Escrow Account)
42,705.00	Balance in Treasury A/c. No. 14014 (Escrow Account)
708.00	Balance in Treasury A/c. No. 14015 (Escrow Account)
8,73,85,52,778.00	Balance in Treasury A/c. No.479
-	Balance in SBT 8885
23.27	Current Account with HDFC Bank, TVM
-	FD Canara Bank 0108/1
-	FD Federal Bank 8855
-	FD IDBI 2256
-	FD SIB 0182
-	FD SIB 0183

6,937.00
66,53,98,323.00
1,985.00
42,705.00
708.00
24,98,42,27,844.00
81,62,58,330.00
23.27
1,00,78,47,260.08
2,50,75,80,136.98
1,01,00,95,890.00
1,01,15,28,074.00
1,01,15,28,074.00

9,41,23,66,146.27

Total

33,01,45,16,290.33

Schedule IV

Other Current Assets

2,000.00	Telephone Deposit
23,60,426.00	Income Tax Deposit
6,21,514.46	Income Tax refund due
1,86,000.00	Advance for Capital asset
-	Security Deposits
-	Tax Deducted at Source

2,000.00
23,60,426.00
6,21,514.46
1,86,000.00
5,00,000.00
8,71,918.00

31,69,940.46

Total

45,41,858.46

Schedule V

Current Liabilities & Provisions

Expenses Payable :

7,44,158.00	Unclaimed Interest (Bond)
52,29,041.00	Unclaimed Principal (Bond)
10,000.00	Audit fee payable
17,03,500.00	Surveillance Fee Payable
-	Salaries and allowances payable
36,000.00	Consultancy charges payable
1,600.00	TDS payable
20,000.00	Vehicle rent payable
33,608.90	Electricity charges Payable
3,091.50	Waste Disposal Charges payable
12,10,546.10	Rent Payable
-	Employees Contribution to EPF

7,44,158.00
52,29,041.00
35,000.00
17,03,500.00
1,85,087.00
40,000.00
82,605.00
-
1,05,215.90
1,030.50
3,99,230.00
12,701.00

91,03,945.50

Total

85,37,568.40

Schedule VI

Profit & Loss Account

69,70,86,591.79	Balance as per last Balance Sheet
27,39,401.50	Add: Loss/(Profit) for the year
<u>69,98,25,993.29</u>	Total

69,98,25,993.29
(6,32,29,351.16)
<u>63,65,96,642.13</u>

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Dr. K. M. ABRAHAM CFA, IAS
Chief Executive Officer
& Fund Manager
Kerala Infrastructure Investment Fund Board

Schedule II

Fixed Assets and Depreciation Statement For the period 01-04-2016 to 31-03-2017

PARTICULARS		GROSS BLOCK				DEPRECIATION					NET BLOCK		
SL. No.	ITEM	As on 01.04.2016	Additions		Deletion during the year	Total As on 31.03.2017	Rate %	As on 01.04.2016	For the year	Deletion during the year	Up to 31.03.2017	WDV As On 31.03.2016	WDV As On 31.03.2017
			Before 01.10.2016	On/After 01.10.2016									
1	Air Cooler	5,430.00	-	-	-	5,430.00	25	5,374.27	14.00	-	5,388.27	55.73	41.73
2	Computer	6,56,020.00	-	-	-	6,56,020.00	60	4,72,020.00	1,10,400.00	-	5,82,420.00	1,84,000.00	73,600.00
3	Communication Equipments	28,944.00	3,48,615.00	-	-	3,77,559.00	25	28,417.91	87,285.00	-	1,15,702.91	526.09	2,61,856.09
4	Furniture & Fittings	6,57,851.00	-	-	-	6,57,851.00	15	53,372.34	90,672.00	-	1,44,044.34	6,04,478.66	5,13,806.66
5	Photostat Machine	46,909.00	-	65,177.00	-	1,12,086.00	25	41,326.00	9,543.00	-	50,869.00	5,583.00	61,217.00
	TOTAL	13,95,154.00	3,48,615.00	65,177.00	-	18,08,946.00		6,00,510.52	2,97,914.00	-	8,98,424.52	7,94,643.48	9,10,521.48

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Dr. K. M. ABRAHAM CFA, IAS
Chief Executive Officer
& Fund Manager
Kerala Infrastructure Investment Fund Board

NOTES ON ACCOUNTS FOR THE YEAR 2016-17

1. SIGNIFICANT ACCOUNTING POLICIES:

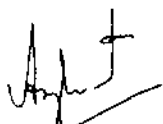
A. Basis of preparation of Financial Statements

- a) The Financial Statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles.
- b) The Board follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis except pension contribution and gratuity.

B. Fixed Assets and Depreciation:

- a) Fixed Assets: Fixed Assets are recorded at cost of acquisition or construction. Cost comprises of purchase price, duties, levies, and any direct attributable cost of bringing the asset to its working condition for the intended use.
 - b) Depreciation: Depreciation has been provided on Written down Value Method at the rates prescribed in appendix to the income tax rules.
 - c) Expenses: On the basis of information made available, all material known liabilities are accounted for in the accounts.
2. An amount of Rs.2536.07 crores has been provided in Budget 2016-17 under the Head of Account "Major Infrastructural Development Projects" for seventeen major projects of the State. After the allocation of Rs. 911.50 Crores during this financial year, balance amount of Rs 1624.57 crores has been transferred to KIFB as per G.O.(Ms) No. 18/2017/Plg dt 30-03-2017. Since the amount received is in the nature of Government Grant, it is accounted as "Grant from Government of Kerala" and shown under "Capital Fund".
3. Government has provided further fund in Budget 2016-17 to meet additional expenditure to the tune of Rs.476.24 crores as per G.O.(Rt)No.9899/2016/Fin dt 22-12-2016 and Rs.253.29 crores as per G.O.(Rt)No.1132/2017/Fin dt 11-02-2017 under the Heads of Account "Capital Outlay On Other General Economic Services" and " Other Expenditure" Since the amount received is in the nature of Government Grant, it is accounted as "Grant from Government of Kerala" and shown under "Capital Fund".
4. Contingent Liabilities - NIL.

For Kerala Infrastructure Investment Fund Board



Dr.K.M.ABRAHAM (CFA, IAS)
FUND MANAGER

Thiruvananthapuram,
26-09-2017

As per our Report of even date attached.

For SRIDHAR & CO
CHARTERED ACCOUNTANTS (FRN.003978S)



R. SRINIVASAN
PARTNER (M.No 200969)



GOVERNMENT OF KERALA

Infra-3/1/2018-FIN

dated 05.01.2018

**COMMENTS OF PRINCIPAL SECRETARY (FINANCE) ON THE AUDITED
ANNUAL ACCOUNTS OF KERALA INFRASTRUCTURE INVESTMENT FUND
BOARD (KIIFB) FOR THE FINANCIAL YEAR 2016-17**

1. The financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.
2. Auditors' Report does not contain any qualification, reservation or adverse remark.
3. As per the Audited Annual Accounts of KIIFB there are no major weaknesses or continuous failures to correct any major weakness in the operations of the Board.
4. Income during the period under review is from the interest accrued on bank deposits only. 5. Proper books of accounts as required by the law has been kept by the board.

Sd/-

**Manoj Joshi , IAS
Principal Secretary (Finance)**

LIABILITY ANALYSIS FOR KIIF FUND RAISING OF Rs.50000 Crores over FOUR Years						BORROWING SCHEDULE			
in Rs. Crore		Rate of bonds		9.00%					
		Discount Factor		10.00%					
		Rate of Growth in MVT		16.00%					
		Rate of Growth in Petrol Cess		10.00%					
		Share of Projects with returns		10.00%					
YEAR		MVT	KIIF SHARE	CESS	TOTAL FOR KIIF	2017-18	2018-19	2019-20	2020-21
	2016-17				2203.38				
1	2017-18	3890.64	778.13	492.91	1271.04	5000			
2	2018-19	4513.14	1353.94	542.20	1896.14		10000		
3	2019-20	5235.25	2094.10	596.42	2690.52			20000	
4	2020-21	6072.88	3036.44	656.06	3692.51				15000
5	2021-22	7044.55	3522.27	721.67	4243.94				
6	2022-23	8171.67	4085.84	793.84	4879.67				
7	2023-24	9479.14	4739.57	873.22	5612.79				
8	2024-25	10995.80	5497.90	960.54	6458.44	-1282.62			
9	2025-26	12755.13	6377.57	1056.60	7434.16		-2565.23		
10	2026-27	14795.95	7397.98	1162.26	8560.23			-5130.47	
11	2027-28	17163.31	8581.65	1278.48	9860.13				-3847.85
12	2028-29	19909.43	9954.72	1406.33	11361.05				
13	2029-30	23094.94	11547.47	1546.96	13094.43				
14	2030-31	26790.14	13395.07	1701.66	15096.73				
						-8978.32	-17956.63	-35913.27	-26934.95
					98355.17				
					89783.17				
						747945	845178	955051	1079207
						0.67%	1.18%	2.09%	1.39%
						27.68%	27.50%	27.33%	27.33%
						28.35%	28.68%	29.42%	28.72%