

ELEVENTH ANNUAL REPORT

2005 - 2006



**Kerala State Backward Classes
Development Corporation Limited,**

“SENTINEL” 2nd Floor
T.C. No. 27/588 (7) & (8),
Pattoor, Vanchiyoor P.O.,
Thiruvananthapuram - 695 035
Phone : 2577539, 2577550

ANNUAL REPORT 2005 - 2006

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BOARD OF DIRECTORS

Shri. C.T. Krishnan Ex. MLA	Chairman
Shri. K.V. Rajendran	Director
Shri. K.Kunhappa	Director
Shri. Kunhu Meenadathur	Director
Shri. R. Krishnakumar	Director
Smt. E. Ambika Amma	Director
Shri. V. Anilkumar	Director
Shri. A.A. Naqvi	Director
Shri. V. Rajappan	Director
Shri. I.A. Chakko	Managing Director

Company Secretary

Shri. V. Rajendran

Auditors

M/s. ARSB & ASSOCIATES
Chartered Accountants
Bala Nilayam
Vazhuthacaud
Thiruvananthapuram - 695 033

Our Bankers

State Bank of Travancore
Kaithamukku Branch

**KERALA STATE BACKWARD CLASSES
DEVELOPMENT CORPORATION LTD.**

(A Government of Kerala Undertaking)

No. CS/Ad.AGM 11/KSBCDC/2005-06

Dated : 17 - 08 - 2010

NOTICE

NOTICE is hereby given that the Eleventh Adjourned Annual General Meeting of Kerala State Backward Classes Development Corporation Ltd., will be held at 2 pm on Wednesday, the 8th September 2010 at the Registered office of the Corporation at "SENTINEL" 2nd Floor, T.C. No. 27/588(7) & (8), Pattoor, Vanchiyoor P.O., Thiruvananthapuram - 695 035 to transact the following business.

"To receive, consider and adopt the Directors Report, Audited Accounts for the year ended 31st March 2006, Auditors Report, the comments of Comptroller and Auditor General of India, the comments of Principal Secretary (Finance) and the replies thereon".

By order of the Board of Directors

Sd/-
Managing Director

Note : A member entitled to attend and vote at the time of meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a member.

Regd. Office: "SENTINEL", 2nd Floor, T.C. 27/588(7) & (8), Pattoor,
Vanchiyoor, P.O., Thiruvananthapuram - 695 035

Phone: 0471-2577539, 2577550, Fax : 0471-2577539 E-mail : keralabcdc@gmail.com Web : www.ksbcdc.org.

"Freedom from Poverty and Backwardness"

THE KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LTD., PATTOOR, THIRUVANANTHAPURAM

DIRECTORS' REPORT

Dear Shareholder,

Your Directors are pleased to present the Eleventh Annual Report on the business and operations of your Corporation together with the Audited statement of Accounts for the year ended 31st March 2006.

As you are aware, your Corporation was incorporated on 28th February, 1995 under the Companies Act 1956 wholly owned by the Government of Kerala under the administrative control of the SC/ST Development Department.

The Authorised share capital of the Corporation is Rs.100 crores out of which equity shares worth Rs. 68.96 crores has already been issued. The main objective of the Corporation is the upliftment of Backward Classes and Minority communities in the State of Kerala by rendering financial assistance to set up self-employment ventures and to undertake other welfare activities.

I. Operational activities and working results

1.Financial Results	For the year ended 31st March 2006 (Rs. in lakhs)	For the year ended 31st March 2005 (Rs. in lakhs)
A. INCOME		
Interest on loan disbursed	1426.99	2459.07
Interest on Bank Deposits	109.60	36.00
Other Income	72.53	47.66
	1609.12	2542.73
B. EXPENDITURE		
Interest on loan received	331.62	325.77
Administrative Expenses	423.40	351.15
Other Expenses	233.58	14.14
Depreciation	13.42	14.29
	1002.02	705.35
Net Profit (A-B)	607.10	1837.38

The profit earned by the Corporation during the period under report is Rs. 607.10 lakhs as against Rs. 1837.38 lakhs during the previous year. The total profit was transferred to Reserves and Surplus so as to endorse the total reserve to Rs. 4827.22 lakhs.

2. BOARD OF DIRECTORS

The appointment and ceasure of Chairmanship and Directorship during the relevant accounting year 2005-2006 is as below.

Name		Date	
		Appointment	Ceasure
Shri. T.A. Vijayan	Chairman	25-06-2004	03-08-2006
Smt. S.G. Sushama Devi	Director	23-12-2004	25-11-2005
Shri. Shaduli. P	Director	28-02-2004	03-08-2006
Shri. Muralidharan. T.K.	Director	28-02-2004	03-08-2006
Shri. Sugadhan. B	Director	16-07-2003	03-08-2006
Shri. A. Ramachandran Achari	Director	28-02-2004	03-08-2006
Shri. Felix J. Pulloodan	Director	28-02-2004	03-08-2006
Shri. N.A. Krishnankutty	Director	28-02-2004	16-02-2006
Shri. A.A. Naqvi	Director	30-12-1997	Continuing
Shri. B. Dileepkumar	Director	05-01-2004	30-04-2007
Smt. V.S. Shylaja	Director	25-11-2005	03-08-2006
Smt. N. Maya Devi	Director	25-11-2005	21-08-2007
Smt. K. Amritakumari	Director	16-02-2006	21-08-2007

The Board would like to place on record the valuable services rendered by them during their tenure on the Board of Directors of Kerala State Backward Classes Development Corporation Ltd.

3. DIRECTORS RESPONSIBILITY STATEMENT

In pursuance of section 217 (2AA) of Companies Act 1956, we confirm :

- that in the preparation of annual accounts, the applicable accounting standards have been followed to the extent possible.
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and the profit of the company for that period.
- that the directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- that directors had prepared the annual accounts on a going concern basis.

4. AUDIT COMMITTEE

The Board of Directors in their 110th meeting held on 29-01-2009 constituted an Audit Committee with Shri. K.V. Rajendran as Chairman and Directors Shri. R. Krishnakumar, Smt. E. Ambika Amma and Shri. V. Rajappan as its members.

5. CAPITAL STRUCTURE

During the year the Paid up Equity Share Capital was raised to Rs. 4606 lakhs from previous year's capital base of Rs. 4176 lakhs.

During the year, the loan assistance from NBCFDC, guaranteed by Government of Kerala is Rs. 2000 lakhs and from NMDFC is Rs. 1700 lakhs.

6. ACHIEVEMENTS DURING THE YEAR

By utilizing the resources mobilized from NBCFDC, NMDFC and the equity capital contributed by Government of Kerala, financial assistance was provided to 30800 families belonging to Backward and Minority communities under various projects with a total disbursement of Rs. 4935.61 lakhs.

7. PROJECTS UNDERTAKEN

- i) As a measure to improve the working efficiency of the Corporation all its activities has been computerised with the launching of KSDCBC online.
- ii) Microcredit scheme of the Corporation has been implemented through neighbourhood groups of CDS and Kudumbasree as an effort to extend the scheme to the grass root level.

8. PERSONNEL

During the year, the affairs of the Corporation were carried on by regular employees of the Corporation, employees of various Government Departments and Public Sector Undertakings hired on deputation, contract employees and by those who were engaged on daily rate basis. With regard to disclosure of particulars of employees in terms of Section 217(2A) of the Companies Act 1956, read with the Companies (particulars of employees) Rules 1975, it may report that none of the employees was in receipt of remuneration prescribed therein during the year.

9. STATUTORY AUDITORS

M/s. ARSB and Associates, Chartered Accountants, Thiruvananthapuram was appointed by the Comptroller and Auditor General of India, New Delhi, as Statutory Auditors for the year 2005-06 in terms of Section 619(2) of the Companies Act 1956. The comments of Statutory Auditors were replied in the Addendum to the Directors Report.

10. DIVIDEND

The Directors consider it in the best interest of the Corporation to conserve its resources for strengthening the company's financial position to accomplish its objectives of better serving the target population and hence not declared any dividend during the year under report.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

As required by the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988, it may be reported that Kerala State Backward Classes Development Corporation Ltd., being a non-manufacturing concern, the provisions of the said Rules have no application to the Corporation.

12. ACKNOWLEDGE

The Board of Directors would like to place on record its gratitude and appreciation to Government of Kerala, NBCFDC and NMDFC for the financial support and other valuable guidance rendered during the year under report. The Board would also like to express its thanks to its

innumerable beneficiaries who have actively co-operated with various schemes that were implemented by the Corporation. The Board would also express its gratitude and sincere thanks for the co-operation and enthusiastic support received from the officers and staff of the Corporation in all its endeavours.

For and on behalf of the
Board of Directors

Thiruvananthapuram
Dt: 17-08-2010

-Sd-
C.T. KRISHNAN (Ex. MLA)
Chairman

ADDENDUM TO DIRECTORS' REPORT

Replies to the Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act 1956, on the Accounts of Kerala State Backward Classes Development Corporation Ltd., Thiruvananthapuram for the year ended 31 March 2006 - Replies thereto :

I COMMENTS ON FINANCIAL POSITION

Balance Sheet

Application of Funds

Current Assets, Loans and Advances (Schedule 12)

1. Loans to beneficiaries : Rs. 173.55 Crore

Out of the principal outstanding amounting to Rs.173.55 crore as on 31-03-2006, Rs.1.77 crore relating to other than Old Lending Policy loan is outstanding for more than three years till the balance sheet date and seven years as on date. Recovery of these loans is doubtful and has to be provided for. Due to this non provisioning, profit for the year is overstated to the extent of Rs.1.77 crore with corresponding under statement of provision'.

The principal portion of loan outstanding of Rs.1.77 crores as on 31-03-2006 has not been provided for, as there is no uncertainty as to its realisability though it is late and is in a phased manner. During the month of June & July 2010, repayment collection towards 24 such loans including 16 nos. of R.R initiated cases was Rs.3,53,791/- , including one closure with full repayment. Further, as a Govt. Company, the Corporation is exempted from the compliance of certain provisions of NBFC prudential norms as notified in DNBS Ref.DNBS.(PD).CCNo.I2/02.01/99-2000 dt.January 13, 2000 of Reserve Bank of India's 'Amendments to NBFC Regulations'. Provision for 'bad & doubtful debts' as required under Schedule VI of the Companies Act 1956 shall be complied in a phased manner.

2. Interest Accrued on Scheme Loans (Schedule 13) - Rs.19.75 Crore

This includes Rs. 1.11 crore relating to other than OLP loan outstanding for more than three years till the date of balance sheet and seven years as on date. Since the recovery of the amount is doubtful, required provision should have been made. Non-provision for the same has resulted in overstatement of profit for the year by Rs. 1.11 crore with corresponding under statement of 'provision'.

Penal interest in respect of all the OLP loans amounting to Rs.2.47 crores has already been provided and deducted from the income of the year. Further interest and penal interest waiver under OTS and Adalath in other loans are also considered and not included in the income of the year. Substantial portion of these long pending loans are also recovered through effective recovery measures like revenue recovery and there is no incidence of writing off of such loans and hence not provided for.

II COMMENTS ON PROFITABILITY

Profit and Loss Account

The Board in its 100th meeting held on 24-01-2007 resolved to change the method of apportioning the repayment made by beneficiaries. As per the new method, proportionate penal interest on defaulted EMI alone was to be charged rather than charging the entire amount on penal interest before apportioning the amount to interest and principal. However the difference in Principal outstanding amounting to Rs.4.43 Crore due to change in the method of apportioning repayment was not written off in the accounts for the year 2005-06

as required under Accounting Standard -4. This has resulted in overstatement of profit for the year to the extent of Rs.4.43 crore with corresponding overstatement of loans and advances.

The Board in its 100th meeting resolved to change the policy of apportioning repayment by beneficiaries. As a result, the asset base was reduced by loans & advances to the extent of Rs.4.43 crores which was not considered in the accounts. Profit accumulated over the years has been reduced to that extent through prior period adjustment and in fact there is no over statement of profit during the year.

III COMMENTS ON AUDITOR'S REPORT

1. *The Statutory Auditors have qualified (no.I) that "the difference in opening balance of Loans to Beneficiaries with respect to the data-base has been rectified by passing a debit of Rs.4,09,08,298 to 'Prior Period Adjustment' account and corresponding credits to Principal Rs. 1,27,09,96, interest Rs.1,28,53,812 and penal interest Rs. 1,53,44,540 thereby understating the current year profit by Rs. 1,27,09,946". The amount of understatement of profit for the year on this account was Rs.4.09 crore instead of Rs.1.27 crore as stated by the Statutory Auditors and therefore the Auditor's report is incorrect to this extent.*

The entire amount of Rs.4.09 crores was debited to 'prior period adjustment account' and the accumulated profit has been reduced to the extent.

2. *Accounting Standard - 15 of ICAI provides that, the accrued liability towards gratuity should be provided for on the basis of actuarial valuation. The Company has not complied with this requirement and the fact of non-compliance of AS 15 has not been qualified by the Statutory Auditors in their report.*

The retirement benefits have been duly provided in compliance of AS 15. By taking necessary policy from the Life Insurance Corporation of India under Group Gratuity Scheme, in the year 2008-09, the statutory requirement of actuarial computation and insurance coverage have been complied.

3. *As per para no.41 of AAS 28, 'the auditor should mention unless impracticable, a quantification of the possible effect(s), individually and in aggregate, on the financial statements'. This has not been complied with to the extent that the aggregate effect of the qualifications on the financial statements have not been quantified.*

The effect of such changes shall be notified.

IV GENERAL

Profit and Loss Account Earning per Share (EPS)

As per para 10 of the Accounting Standard - 20 the basic earning per share should be calculated by dividing the Net Profit or Loss for the period attributed to equity shares outstanding during that period. The company has calculated the EPS based on the total number of share outstanding as on 31st March 2006, instead of weighted average number of shares. Thus the EPS is depicted erroneously as Rs.13.18, in place of correct amount of Rs.14.45.

Shall be complied.

Other Expenses - Rs. 2.34 Crore (Schedule 19)

This included prior period adjustment amounting to Rs.2.14 Crore. As per para no.15 of the Accounting Standard - 5 (Prior period items and changes in Accounting Policies), the nature and amount of prior period items should be separately disclosed in the Statement of Profit or Loss in a manner that their impact on the current Profit or Loss can be perceived. This has not been complied with.

The effect of Rs.2.14 crores towards 'prior period adjustment' has been properly treated which caused to reduce the profit to that extent. The requirement of AS 5 with regard to the impact in accounts of the year shall be complied in subsequent year's accounts.

**REPLIES TO COMMENTS OF ADDITIONAL CHIEF SECRETARY (FINANCE) ON THE
AUDITED ANNUAL ACCOUNTS OF KERALA STATE BACKWARD CLASSES
DEVELOPMENT CORPORATION LIMITED FOR THE YEAR 2005-06**

The profit for the year has shrunk by 2/3rd over the previous year's profit, which was mainly due to a huge drop in interest income. The Corporation shall take steps to recover the outstanding loans and advances as well as interest and limit the NPA to the minimum.

During previous year, the accrued income computed under the head interest and penal interest had undergone a material difference due to the switch-over from manual computation of personal loan ledger to a well-defined software. The short reporting of interest and penal interest income for about nine years accumulated to an amount of Rs.12.44 crores which reflected in the profit of previous year. This was disclosed in the 'notes on accounts' of previous year. Therefore there is no material difference in current year's profit.

At present the recovery rate is above 91% and by conducting adalats and through OTS, we are taking all necessary steps to reduce the accumulated arrears and NPA.

REPLIES TO COMMENTS / REMARKS OF STATUTORY AUDITORS IN THEIR REPORT ON THE ANNUAL ACCOUNTS OF KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED FOR THE YEAR 2005-06

Comments in the Auditors' Report

1. *The difference in opening balance of "Loans to Beneficiaries" with respect to the database has been rectified by passing a debit of Rs.4,09,08,298 to "Prior period adjustment account" and corresponding credits to Principal Rs.1,27,09,946, Interest Rs.1,28,53,812 & Penal Interest Rs.1,53,44,540 thereby understating the current year profits by Rs.1,27,09,946.*

The entire amount of Rs.4.09 crores was debited to 'prior period adjustment account' and the accumulated profit has been reduced to the extent.

2. *The opening balances of Expenses payable have not been settled upto the end of financial year. Most of them exist in the accounts for a long period of time. List of such accounts are given in Annexure I*

Steps are being taken to identify such expenses and will be rectified in the next year's accounts.

3. *The difference in opening balance of "Loan from NBCFDC" has been adjusted by making a debit of Rs. 1,26,23,666 and a corresponding credit to "Prior Period adjustment account", thereby overstating the current year profit by equal amount.*

The difference in the opening balance was due to the effect of change in reconciliation in the repayment to NBCFDC to principal and interest over the years corrected by making appropriate entry in prior period adjustment which is in order.

4. *The difference in opening balance of "Loan from NMDFC" has been adjusted by making a debit of Rs.67,24,999 and a corresponding credit to "Prior Period adjustment account", thereby overstating the current year profit by equal amount.*

The difference in the opening balance was due to the effect of change in reconciliation in the repayment to NMDFC to principal and interest over the years corrected by making appropriate entry in prior period adjustment which is in order.

5. *The alleged misappropriation of funds in Idukki DO during 2000-01 has not been settled before the Vigilance and Anti Corruption Bureau, Thodupuzha and hence the reasons for a credit balance of Rs.3,01,627 in Fixed Deposit Account couldn't be ascertained.*

The case has been settled by Vigilance and Anticorruption Bureau, Thodupuzha. The credit balance of Fixed Deposit account shall be rectified in the next year's accounts.

6. *The bank reconciliation statement of Kollam DO for Syndicate Bank A/C No.40981 includes two cheques numbered 882457 and 882473 issued on 06-02-2003 and 07-03-2003 respectively which has not been presented till the date of closing of books of accounts. Similarly cheque no.279820 dated 01-04-2004 for Rs.24,000 by Ernakulam DO in IOB A/C No.14902 which was classified as stale cheque upto the end of the previous year has been removed from such list during the year. The manner of adjustment made in this regard was not explained.*

Steps have been taken for locating and rectifying the same.

7. *The balance confirmation statement of Vijaya Bank A/C No.11664 at Kollam DO was not made available for audit.*

Shall be complied.

8. *The details and confirmation of Fixed Deposits maintained by branches, except for branches at Thrissur and Ernakulam, were not presented at the time of audit.*

During the period, no fixed deposit was made for long period. Only short term deposit against standing instruction, for very short duration ranging from 15 days to 45 days were made. There were no F.D receipts for such short duration deposits. As the deposits were made for very short duration and were released as and when required and were also voluminous in number, depositwise details is not received from bank. However detailed information is available in the bank statement which was produced at audit.

9. *Out of the opening balance in staff advance of Rs.12,615 at Kollam DO an amount of Rs. 2,000 alone has been settled during the year.*

Action is being taken for clearing the same.

10. *The balance outstanding with loan to beneficiaries as on 31-03-2006 is subject to confirmation.*

It is impractical to obtain confirmation from the beneficiaries extending all over the 14 districts as it is voluminous in number.

11. *Loans & Advances includes an amount of Rs. 15,33,400.42 shown as suspense account for which no information is available.*

The amount includes the fund misappropriation in Idukki DO which has been settled to an amount of Rs.15,27,480/- by Vigilance and Anticorruption Bureau, Thodupuzha and the matter has been taken up with the Government, Finance Department for recovering the amount from the retirement benefits of the person concerned. The fact has been disclosed in the 'notes on accounts' forming integral part of Balance Sheet.

12. *The Micro credit loan and General loan are not shown separately in the accounts when the loans obtained from the Central bodies were for specific purposes.*

Shall be complied in the coming year's accounts.

13. *The company has not complied with the statutory requirement as per Schedule VI of the Companies Act in respect of Loans & Advances.*

Shall be complied.

14. *A departmental enquiry is going on against alleged forgery of records and embezzlement of cash against the watchman of the District Office, Alappuzha. But the exact impact of it on the accounts of the corporation is yet to be ascertained as it involve money fraudulently collected directly from the loanees by the delinquent employee and hence no provision is made*

The fact has been disclosed in the 'notes on accounts' forming part of Balance Sheet.

15. *Opening Balance of Fixed Assets shows the following difference*

Gross Block of Currency Note detector, Library Books its corresponding depreciation has not been carried forward to the current year. Generator which was included in electrical fittings in the previous year has been reclassified under the head Generator. However the same was reduced from the gross block of Electrical fittings but shown as an addition during the year under the head Generator.

Corrected in subsequent year's accounts. Regrouped for correct classification as specified in schedule XIV of Companies Act.

16. *No provision is made for Service Tax liability since the introduction of the statute and we are unable to quantify the actual liability till the end of the financial year.*

The primary objective of the Corporation is the welfare of backward and minority Communities

and the income of the Corporation is exempted under section 10 (26) (B) and 10 (26) (BB) of the Income Tax Act, 1961 and we legitimately expect similar exemption from payment of service tax also. As an initiative we have moved before the Ministry of Finance; Govt. of India for getting exemption under sec.93. Since liability being uncertain no provision is made. The fact has been disclosed in the 'notes on accounts'.

17. *No provision has been created for Interest & Penal Interest for 68 number of period over loans to which no remittances has been made till date.*

Provision has been made towards penal interest accrued on these 68 loans. Necessary provision has also been made on interest till 31st March 2007 in the subsequent year's accounts on these 68 number of loans.

18. *Waiver of Interest & Penal Interest through OTS settlement for the year 2005-06 for Rs.84,01,576 includes the interest and penal interest for previous years also, but no segregation is made in the accounts. Similarly subsequent waivers in the years 2006-07, 2007-08, 2009-10 also includes interest and penal interest pertaining to the year 2005-06 for which no adjustments have been made in the accounts.*

Shall be complied.

19. *Out of the total provision of Rs. 15,74,364.30 for earned leave, Rs.9,11,762.52 relates to prior period, however the whole amount has been treated as current year expense.*

The audit remark noted.

20. *List of accounts which has to be classified as prior period expenses is listed as per Annexure - II*

Noted.

21. *Guarantee Commission includes an amount of Rs.13,340 which is payable as on 31-03-2006 related to penal interest towards short fall in payment of commission of 1st installment. The penal interest has not been shown under a separate head.*

Shall be complied.

22. *The company has not been regular in making statutory payments.*

Shall be complied.

23. *An amount of Rs.2,00,000/- received from NMDFC as cash award for 2nd best performance at national level is classified under current liability instead of being shown as income.*

The amount was transferred to 'Staff Welfare Fund' and hence the classification.

24. *Accrued interest on Fixed Deposit has not been provided in books of accounts.*

Shall be complied.

25. *No provision has been made for ESI.*

At present the provisions of ESI is not made applicable as the employees are enjoying more benefits than under the Act and the Corporation is eligible for exemption.

ANNEXURE TO THE AUDITOR'S REPORT

1. In respect of the Fixed Assets:

- a) *the company is not maintaining proper records showing full particulars including quantitative details and situation of fixed assets.*

Proper records with respect to Fixed Assets are maintained at all the District Offices duly noting the quantitative details, value and situation of Fixed Assets.

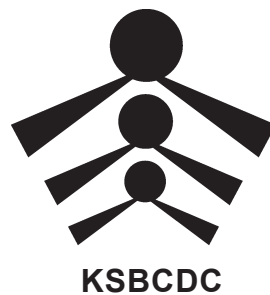
- b) *The assets have not been physically verified by the management during the year and confirmation certificate is obtained from the management of respective DOs.*

Physical verification is carried out properly and regularly with due certification thereof.

6. *In our opinion, the company does not have an internal audit system commensurate with the size and nature of its business. However the same has been implemented during the current period.*

The internal audit system has "been introduced to carry out the work from 01-04-2009 in all the 14 District Offices, the report of which has been placed before the Audit Committee for review and follow up action. Steps are also taken to complete the internal audit work of the year 2009-10.

**KERALA STATE BACKWARD CLASSES
DEVELOPMENT CORPORATION LIMITED
THIRUVANANTHAPURAM**



**ANNUAL ACCOUNTS
2005-2006**

**KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED,
THIRUVANANTHAPURAM.**

BALANCE SHEET AS AT 31st MARCH 2006

PARTICULARS	SCHEDULE No.	AMOUNT (Rs)			
		2005-06		2004-2005	
		Rs.	Ps.	Rs.	Ps.
I. SOURCES OF FUNDS					
(1) Shareholders Funds:					
(a) Share Capital	1	460,600,000.00		417,600,000.00	
(b) Advance for Share Capital	2		-	3,000,000.00	
(c) Reserves & Surplus	3	482,721,875.00		422,011,841.00	
(2) Loan Funds :					
(a) Secured Loans	4	1,363,954,461.00		1,230,747,653.00	
(b) Unsecured Loans			NIL		NIL
Total		2,307,276,336.00		2,073,359,494.00	
II. APPLICATION OF FUNDS					
(1) Fixed Assets					
Gross Block	5	16,079,955.00		14,989,528.00	
Less: Depreciation		11,257,433.00		9,923,518.00	
Net Block		4,822,522.00		5,066,010.00	
(2) Investments			Nil		Nil
(3) Current Assets, Loans & Advances					
(a) Cash in hand	6	2,346,174.00		1,179,964.00	
(b) Cash in transit	7	640,000.00		75,000,000.00	
(c) Cash at Banks	8	134,692,912.00		93,953,831.00	
(d) Fixed Deposits	9	233,903,246.00		93,905,495.00	
(e) Stock of Stamp	10	29,028.00		14,576.00	
(f) Deposits	11	386,726.00		387,476.00	
(g) Loans & Advances	12	1,741,312,341.00		1,634,352,312.00	
(h) Interest accrued on scheme loans	13	197,464,600.00		186,655,117.00	
Total Current Assets		2,310,775,027.00		2,085,448,771.00	
Less:					
Current Liabilities & Provisions	14			17,155,287.00	
Current Liabilities		5,172,541.00			
Provisions		3,148,672.00			
Net Current assets		2,302,453,814.00		2,068,293,484.00	
Total		2,307,276,336.00		2,073,359,494.00	

Schedule 1 to 14 and 20 to 21 form an integral part of the Balance sheet

For and on behalf of the Board of Directors

(Sd/-)
V. RAJENDRAN
Company Secretary

(Sd/-)
I.A. CHAKKO
Managing Director

(Sd/-)
C.T. KRISHNAN Ex MLA
Chairman

Place: Thiruvananthapuram
Date : 27.05.2010

Vide our report of even date attached
For **ARSB & ASSOCIATES**
Chartered Accountants

(Sd/-)
C.A. C. SURESHBABU FCA
Partner

**KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED,
THIRUVANANTHAPURAM
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006**

PARTICULARS	SCHEDULE No.	AMOUNT			
		2005 - 06		2004-05	
		Rs.	Ps.	Rs.	Ps.
A. INCOME					
Interest Income	15	153,659,533.57		249,508,221.84	
Other Income	16	7,253,205.00		4,766,488.28	
Total Income		160,912,738.57		254,274,710.12	
B. EXPENDITURE					
Interest expended	17	33,161,538.00		32,577,465.00	
Administrative Expenses	18	42,340,434.00		35,114,681.00	
Other Expenses	19	23,358,430.00		1,414,242.00	
Depreciation		1,342,302.00		1,429,431.00	
Total Expenditure		100,202,704.00		70,535,819.00	
Net Profit for the Year (A-B)		60,710,034.57		183,738,891.12	
Earning Per Share			13.18		43.99
Balance brought forward from previous year		422,011,840.82		238,272,949.70	
Profit Transferred to Balance Sheet		482,721,875.39		422,011,840.82	

Schedule 15 to 19 form an integral part of the Profit and Loss Account
For and on behalf of the Board of Directors

(Sd/-)
V. RAJENDRAN
Company Secretary

(Sd/-)
I.A. CHAKKO
Managing Director

(Sd/-)
C.T. KRISHNAN Ex MLA
Chairman

Place: Thiruvananthapuram
Date : 27.05.2010

Vide our report of even date attached
For **ARSB & ASSOCIATES**
Chartered Accountants

(Sd/-)
C.A. C. SURESHBABU FCA
Partner

**KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED,
THIRUVANANTHAPURAM
SCHEDULES TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH-2006**

	Amount in Rs. 2005-06	Amount in Rs. 2004-05
1. SHARE CAPITAL		
Authorised 50,00,000 Equity shares @ Rs. 100/- each	500,000,000.00	500,000,000.00
Issued and Subscribed :	460,600,000.00	417,600,000.00
4606000 Equity Shares of Rs. 100/- each		
2. ADVANCE FOR SHARE CAPITAL		
From Government of Kerala (30000 Equity shares of Rs. 100/- each)	-	3,000,000.00
3. RESERVES & SURPLUS		
Balance transferred from Profit & Loss Account	482,721,875.39	605,750,731.94
General Reserve	Nil	Nil
Total Reserves & Surplus	482,721,875.39	605,750,731.94
4. SECURED LOANS (Guaranteed by Govt. of Kerala)		
Loans from NBCFDC	805,430,232.00	732,083,282.00
Loans from NMDFC	558,524,229.00	463,789,371.00
Housing Loan -UBI	-	34,875,000.00
Total Secured Loans	1,363,954,461.00	1,230,747,653.00

SCHEDULE - 5

K.S.B.C.D.C

STATEMENT OF FIXED ASSETS AS ON 31-03-2006

Amount in Rs.

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	as on 01.04.05	Additions	Deduction	as on 01.04.05	For the year	On Deduction	as on 31-03-2006	as on 31-03-2005
Land	483,332.00	-	-	0	-	-	483,332.00	483,332.00
Computer	3,492,224.00	856,063.00	-	2,866,900.09	459,781.00	3,346,681.09	1,001,605.91	605,323.91
Computer Accessories	427,181.00	28,629.00	-	135,083.90	52,513.90	187,597.80	268,212.20	292,097.10
LCD Projector	185,640.00	-	-	47,627.00	19,198.00	-	118,815.00	138,013.00
Photocopier	385,104.00	-	-	199,639.43	25,798.51	225,437.94	159,666.06	185,464.57
Air Conditioner	53,256.00	-	-	23,420.60	4,150.00	27,570.60	25,685.40	29,835.40
Office Equipments	508,052.20	70,745.00	-	380,269.67	28,790.80	409,060.47	169,736.73	127,782.53
EPABX System	44,245.00	-	-	32,986.91	1,565.59	34,552.50	9,692.50	11,258.09
Electrical Fittings	287,429.40	12,700.00	-	236,708.88	14,849.88	251,558.76	48,570.64	71,277.52
Fax Machine	46,750.00	-	-	15,070.00	4,407.00	19,477.60	27,272.40	31,679.40
Fire Extinguisher	3,960.00	-	-	1686.90	316.00	2,002.90	1,957.10	2,273.10
Water Purifier	6,240.00	-	-	2,673.60	496.00	3,169.60	3,070.40	3,566.40
Furniture & Fittings	3,084,982.18	130,236.00	-	2,066,906.79	230,993.92	2,287,900.71	927,317.47	1,028,075.39
Motor Vehicle	5,637,838.00	-	-	3,866,540.06	458,588.72	4,325,128.78	1,312,709.22	1,771,297.94
Bycyle	11,144.00	-	-	11,143.00	1.00	11,144.00	-	1.00
Generator	303,206.00	20,998.00	-	18,473.62	40,852.05	59,325.67	264,878.33	284,732.38
Total	14,960,583.78	1,119,371.00	-	9,915,131.05	1,342,302.37	-	4,822,521.36	5,066,009.73
Previous Year	12,474,090.93	1,981,741.00	-	6,579,119.74	1,914,967.62	8,494,087.36	5,961,744.57	5,894,971.19

SCHEDULE - 6**CASH BALANCE AS ON 31.03.2006**

Amount in Rs.

	31-03-2006	31-03-2005
1. CASH IN HAND		
Registered Office	16,934.00	7,915.00
Thiruvananthapuram	644,699.00	231,524.00
Kollam	64,920.50	102,098.50
Pathanamthitta	5,320.00	1,870.00
Alappuzha	977.00	957.00
Kottayam	439.00	-
Idukki	295,667.00	75,859.00
Ernakulam	-	95,170.00
Thrissur	20,946.00	-
Palakkad	530,248.00	84,818.00
Malappuram	126,379.00	217,125.00
Kozhikode	297,879.00	85,084.00
Wayanad	9.00	72,497.00
Kannur	340,798.00	199,289.00
Kasargod	-	-
TOTAL(A)	2,345,215.50	1,174,206.50
2. PETTY CASH		
Ernakulam	-	1,000.00
Palakkad	958.00	4,757.00
TOTAL(B)	958.00	5,757.00
TOTAL CASH BALANCE (A) + (B)	2,346,173.50	1,179,963.50

SCHEDULE - 7**CASH IN TRANSIT**

Amount in Rs.

	31-03-2006	31-03-2005
Head Office		
a) NBCFDC Loan	-	30,000,000.00
b) NMDFC Loan	-	45,000,000.00
Alappuzha	150,000.00	
Kottayam	150,000.00	
Wayanad	60,000.00	
Idukki	140,000.00	
Kozhikode	140,000.00	
TOTAL	640,000.00	75,000,000.00

SCHEDULE - 8

CASH AT BANKS

Amount in Rs.

CURRENT / SB ACCOUNTS	AS AT 31 st MARCH 2006	AS AT 31 st MARCH 2005
HEAD OFFICE		
Canara Bank SB A/C No: 281849	7,239,137.65	57,261.65
Canara Bank SB A/C No: 281883	30,001,356.00	55,598.00
Indian Overseas Bank A/C No: 1857	15,882,135.23	1,456,707.77
Indian Overseas Bank A/C No:2301	2,314,001.00	138,065.00
Indian Overseas Bank A/C No:2688	40,192,421.58	702,412.58
Sub Treasury A/C No:5	48,140,365.00	31,060,118.00
Syndicate Bank A/C No: 20782	68,522.51	50,227.51
Syndicate Bank A/C No: 20783	104,914.04	71,448.17
Union Bank of India A/C No:21109	1,056,269.67	73,131.67
UCO Bank A/C No:7192	9,567.09	295,764.09
Total	113,244,419.31	33,960,734.44
Thiruvananthapuram		
Indian Overseas Bank A/C No:2819	1,056,820.10	2,771,854.10
Indian Overseas Bank A/C No:2820	2,846,243.61	5,858,141.61
Indian Overseas Bank A/C No:3226	93,335.30	238,340.70
Total	3,996,399.01	8,868,336.41
Kollam		
Syndicate Bank A/C No: 40977	758,774.13	30,609.74
Syndicate Bank A/C No: 40981	103,901.98	142,424.05
Syndicate Bank A/C No: 40996	641,337.81	4,167,195.92
Central Bank of India A/C No: 11285	7,543.00	7,285.00
Vijaya Bank A/C No: 11664	4,000.00	4,000.00
Total	1,515,556.92	4,351,514.71
Pathanamthitta		
Canara Bank A/C No: 51353	104,844.00	129,994.00
Canara Bank A/C No: 51354	1,553,657.00	307,292.00
Canara Bank A/C No: 51355	12,126.00	1,645,796.00
Total	1,670,627.00	2,083,082.00

Amount in Rs.

CURRENT / SB ACCOUNTS	AS AT 31 st MARCH 2006	AS AT 31 st MARCH 2005
Alappuzha		
Indian Ovearseas Bank A/c No: 11650	8,941.70	107,882.70
Union Bank of India A/C No: 11300	13,543.00	13,045.00
Indian Overseas Bank A/C No: 11980	1,983,175.00	4,213,768.00
Indian Overseas Bank A/C No: 11981	52,176.00	263,573.00
Total	2,057,835.70	4,598,268.70
Kottayam		
Indian Ovearseas Bank A/c No: 15170	767,291.90	1,731,458.90
Indian Ovearseas Bank A/c No: 15197	757,480.40	3,138,676.40
Indian Ovearseas Bank A/c No: 15291	80,553.80	262,133.80
Total	1,605,326.10	5,132,269.10
Idukki		
Union Bank of India A/C No: 7234	88,875.00	221,579.00
Union Bank of India A/C No: 7207	31,409.00	183,137.00
Union Bank of India A/C No: 7191	193,232.00	2,247,853.00
Total	313,516.00	2,652,569.00
Ernakulam		
Indian Overseas Bank A/C No: 15373	17,875.50	979,894.50
Indian Overseas Bank A/C No: 15962	1,423.40	237,628.40
Indian Overseas Bank A/C No: 15963	8,896.20	2,467,216.70
Union Bank of India A/C No. 21030	11,540.00	
Union Bank of India A/C No. 616377	163,275.00	
Union Bank of India A/C No. 616378	32,336.00	
Union Bank of India A/C No. 616379	153,101.00	
Union Bank of India A/C No. 740370	28,346.00	
Total	416,793.10	3,684,739.60
Thrissur		
Indian Overseas Bank A/C No: 10868	1,800,695.60	836,346.60
Indian Overseas Bank A/C No: 11604	15,985.50	3,062,375.50
Indian Overseas Bank A/C No: 11608	153,738.30	167,510.30
Total	1,970,419.40	4,066,232.40
Palakkad		
Indian Overseas Bank A/C No: 14074	2,140,687.00	241,487.00
Indian Overseas Bank A/C No: 14902	319,272.31	3,196,335.31
Indian Overseas Bank A/C No: 14903	178,576.00	184,418.00
Total	2,638,535.31	3,622,240.31

CURRENT / SB ACCOUNTS	AS AT 31 st MARCH 2006	AS AT 31 st MARCH 2005
Malappuram		
Canara Bank a/c No - 23807	14,850.00	2,847,499.00
Canara Bank a/c No - 23809	1,533,964.00	1,583,223.00
Canara Bank a/c No - 23808	130,176.00	208,833.00
Total	1,678,990.00	4,639,555.00
Kozhikode		
Canara Bank a/c No - 70255	100,340.00	159,031.00
Canara Bank a/c No - 70256	39,812.85	205,261.85
Canara Bank a/c No - 70203	31,744.65	2,724,040.65
Total	171,897.50	3,088,333.50
Wayanad		
Canara Bank a/c No. 16788	9,801.00	106,643.00
Canara Bank a/c No. 16789	1,578,333.00	71,826.00
Canara Bank a/c No. 16790	7,120.00	1,503,755.00
Total	1,595,254.00	1,682,224.00
Kannur		
Canara Bank a/c No. 51793	687,933.00	2,884,793.00
Canara Bank a/c No. 52601	64,254.00	4,249,321.00
Canara Bank a/c No. 52648	225,520.50	247,737.50
Total	977,707.50	7,381,851.50
Kasargod		
Canara Bank a/c No. 102043	731,605.00	1,863,041.00
Canara Bank a/c No. 102194	10,876.00	2,161,569.00
Canara Bank a/c No. 102195	97,154.00	117,270.00
Total	839,635.00	4,141,880.00
TOTAL BANK BALANCES	134,692,911.85	93,953,830.67

SCHEDULE - 9**FIXED DEPOSITS**

Amount in Rs.

CURRENT / SB ACCOUNTS	AS AT 31 st MARCH 2006	AS AT 31 st MARCH 2005
Head Office	184,032,357.50	94,107,121.50
Ernakulam	4,475,448.00	
Malappuram	3,435,000.00	1,00,000.00
Alappuzha	2,350,000.00	
Kozhikode	5,106,000.00	
Kollam	5,632,500.00	
Thrissur	4,087,000.00	
Kannur	5,667,948.00	
Kottayam	2,178,000.00	
Palakkad	3,946,128.00	
Kasargod	3,163,000.00	
Pathanamthitta	2,553,891.00	
Thiruvananthapuram	2,710.00.00	
Wayanad	1,760,000.00	
Idukki	3,107,600.00	
	(301,627.00)	(301,627.00)
TOTAL	233,903,245.50	93,905,494.50

SCHEDULE - 10**STOCK OF STAMPS**

Amount in Rs.

	31-03-2006	31-03-2005
Head Office	1,192.00	882.00
Thiruvananthapuram	815.00	426.00
Kollam	439.00	598.50
Pathanamthitta	11.50	-
Alappuzha	586.00	1,737.00
Kottayam	4,206.00	583.00
Idukki	2,741.00	625.50
Ernakulam	596.00	42.00
Thrissur	746.00	535.50
Palakkad	851.00	1,786.00
Malappuram	4,492.00	1,505.50
Kozhikode	3,931.00	757.25
Wayanad	5,363.00	2,222.50
Kannur	1,099.00	15.00
Kasargod	1,959.00	2,860.00
Total	29,027.50	14,575.75

SCHEDULE - 11

DEPOSITS

Amount in Rs.

	31-03-2006	31-03-2005
Head Office		
Rent Deposit	60,000.00	60,000.00
Telephone Deposit	101,732.00	101,732.00
Total	161,732.00	161,732.00
Kollam		
Electricity Deposit	615.00	615.00
Telephone Deposit	8,643.00	8,643.00
Total	9,258.00	9,258.00
Pathanamthitta		
Telephone Deposit	11,250.00	12,000.00
Alappuzha		
Telephone Deposit	3,000.00	3,000.00
Idukki		
Telephone Deposit	12,280.00	12,280.00
Ernakulam		
Deposit with Civil Supplies Corporation	12,500.00	2,500.00
Rent Deposit	28,326.00	28,326.00
Telephone Deposit	11,400.00	11,400.00
Total	52,226.00	52,226.00
Thrissur		
Rent Deposit	66,000.00	66,000.00
Telephone Deposit	2,000.00	2,000.00
Total	68,000.00	68,000.00
Palakkad		
Telephone Deposit	3,000.00	3,000.00
Malappuram		
Telephone Deposit	2,000.00	2,000.00
Kozhikkode		
Rent Deposit	34,800.00	34,800.00
Telephone Deposit	11,400.00	11,400.00
Total	46,200.00	46,200.00
Wayanad		
Telephone Deposit	500.00	500.00
Kannur		
Telephone Deposit	14,280.00	14,280.00
Kasaragod		
Telephone Deposit	3,000.00	3,000.00
TOTAL DEPOSITS	386,726.00	387,476.00

SCHEDULE - 12

LOANS AND ADVANCES

Amount in Rs.

	AS AT 31 st MARCH 2006	AS AT 31 st MARCH 2005
Loans to Beneficiaries	1,735,495,022.46	1,628,593,012.46
Fully Secured :		
NBCFDC - 309,303,156.20		
NMDFC - 203,359,241.75		
OWN - 174,666,985.21		
HUDCO - 39,152,715.31		
Not Fully Secured :		
NBCFDC - 530,011,485.76		
NMDFC - 298,972,745.25		
OWN - 180,028,692.98		
HUDCO -		
Employees Personal Loan Scheme		
Head Office	128,991.86	246,031.35
Thiruvananthapuram	104,802.59	183,990.45
Kollam	123,096.00	226,492.79
Pathanamthitta	52,838.00	82,501.00
Alappuzha	72,119.00	169,591.00
Kottayam	69,097.00	95,509.00
Idukki	29,728.53	38,849.50
Ernakulam	105,952.95	172,646.35
Thrissur	64,125.44	116,270.00
Palakkad	120,120.03	198,090.67
Malappuram	74,685.91	139,153.43
Kozhikkode	54,785.79	99,463.31
Wayanad	-	22,048.48
Kannur	64,791.00	93,265.25
Kasargod	39,916.12	91,862.26
Total	1,105,050.22	1,975,764.84

Amount in Rs.

	AS AT 31 st MARCH 2006	AS AT 31 st MARCH 2005
Other advances (Sub Schedule-3)		
Head Office	2,926,286.50	2,054,691.00
Thiruvananthapuram	17,567.00	9,030.00
Kollam	34,028.00	19,335.00
Alappuzha	31,847.00	2,712.00
Kottayam	24,489.00	1,378.00
Idukki	13,832.00	3,522.00
Ernakulam	19,749.00	15,341.00
Kannur	22,980.00	4,255.00
Malappuram	11,100.00	13,189.00
Kasargod	7,550.00	1,250.00
Thrissur	11,400.00	-
Pathanamthitta	11,776.00	1,505.00
Palakkad	15,075.00	-
Kozhikode	28,188.00	12,488.00
Wayanad	3,000.00	-
Suspense Account	1,533,400.42	1,644,838.42
Total	1,741,312,340.60	1,634,352,311.72

SCHEDULE - 13**INTEREST ACCRUED ON SCHEME LOANS****Amount in Rs.**

	31-03-2006	31-03-2005
Interest Accrued on HUDCO loans	15,640,130.00	17,818,195.10
Interest Accrued on NBCFDC funded loans	64,357,373.00	62,002,707.00
Interest Accrued on NBCFDC - Micro Credits	215,913.00	
Interest Accrued on NMDFC Funded loans	23,746,861.00	21,857,725.00
Interest Accrued on NMDFC - Micro Credits	22,632.00	
Interest Accrued on OWN funded loans	20,290,758.00	16,427,649.00
Penal Interest Accrued on HUDCO loans	3,118,020.00	4,147,491.60
Penal Interest Accrued on NBCFDC funded loans	40,700,525.30	39,961,332.00
Penal Interest Accrued on NBCFDC Micro credit	543,499.00	
Penal Interest Accrued on NMDFC Micro credit	65,110.00	
Penal Interest Accrued on NMDFC funded loans	17,666,541.80	16,416,373.00
Penal Interest Accrued on OWN Fund loans	11,097,236.90	8,562,356.00
Penal Interest Waiver	-	(538,712.00)
Total	197,464,600.00	186,655,116.70

SCHEDULE - 14

CURRENT LIABILITIES & PROVISIONS

Amount in Rs.

	31-03-2006	31-03-2005
Head Office	1,168,190.53	10,486,834.00
Thiruvananthapuram	223,664.73	407,191.00
Kollam	273,710.45	458,997.88
Pathanamthitta	173,726.86	142,264.00
Alappuzha	665,272.14	635,004.63
Kottayam	278,377.30	321,711.00
Idukki	134,140.25	162,130.02
Ernakulam	312,826.43	400,849.00
Thrissur	334,675.47	450,133.00
Palakkad	404,761.46	364,701.76
Malappuram	132,082.44	2,118,340.00
Kozhikode	179,092.32	226,952.00
Wayanad	59,728.00	57,884.00
Kannur	450,248.65	480,188.05
Kasargod	382,044.33	360,745.00
Suspense	-	81,362.00
Total	5,172,541.36	17,155,287.34

Amount in Rs.

Provision for gratuity		
Head Office	584,484.00	413,875.00
Thiruvananthapuram	183,818.00	154,523.00
Wayanad	25,491.00	20,135.00
Kozhikode	198,353.00	147,835.00
Pathanamthitta	131,365.00	76,090.00
Alappuzha	205,591.00	183,626.00
Kottayam	210,471.00	170,053.00
Idukki	100,568.00	89,761.00
Ernakulam	230,483.00	204,083.00
Thrissur	185,802.00	167,610.00
Palakkad	272,426.00	227,205.00
Malappuram	165,198.00	123,885.00
Kannur	217,302.00	154,982.00
Kasargod	126,737.00	109,242.00
Kollam	310,583.00	240,156.00
Total	3,148,672.00	2,483,061.00

**SCHEDULES TO AND FORMING PART OF PROFIT & LOSS ACCOUNT
AS ON 31ST MARCH 2006**

Amount in Rs.

PARTICULARS	2005 - 2006	2004 - 2005
SCHEDULE - 15		
INTEREST INCOME		
Interest on Scheme Loans	106,199,320.90	166,583,579.98
Penal Interest on Scheme Loans	36,384,319.40	79,159,377.70
Interest on EPLS	115,853.19	164,358.63
Interest on FD	9,114,189.52	879,313.90
Interest on SB A/c	1,845,850.56	2,721,591.63
Total	153,659,533.57	249,508,221.84
SCHEDULE - 16		
OTHER INCOME		
Processing Fees Collected	2,301,542.00	2,505,783.00
Sale of Application Forms	266,130.00	396,017.00
Incentives-1%-NBCDFC	1,864,094.00	1,043,557.00
Interest margin NMDFC	1,234,959.00	
NBCFDC Training Assistance	80,000.00	
NMDFC Training Assistance	22,155.00	
Grant From NMDFC - Workshop Expense		250,000.00
Postage recovered	466,624.00	71,407.00
Legal Fee	203,349.00	180,668.00
Other receipts	406,008.00	257,219.30
Notice charge Received	37,216.00	
Prior period Adjustment		19,429.98
R.R. Collection charge	4,398.00	9,199.00
Miscellaneous Income	366,730.00	33,208.00
Total	7,253,205.00	4,766,488.28
SCHEDULE - 17		
INTEREST EXPENDED		
Interest on NBCFDC Loans	18,804,295.00	21,174,973.00
Interest on UBI Housing Loan	1,312,569.00	3,175,866.00
Interest on NMDFC Loan	13,044,674.00	8,226,626.00
Total	33,161,538.00	32,577,465.00

SCHEDULE - 18**ADMINISTRATIVE EXPENSES***Amount in Rs.*

PARTICULARS	31-03-2006	31-03-2005
Salaries & Allowances to Managing Director	300,026.50	343,948.00
Salaries & Allowances to Staff (Sub schedule-1)	19,217,867.00	16,268,043.00
Wages	510,394.00	559,196.00
Bonus (Sub schedule-2)	9,940.00	152,714.00
Festival Allowance (Sub schedule-2)	148,476.00	-
Leave Salary & Pension Contribution	2,679,632.49	916,702.00
Travelling Expenses:		
Directors	79,086.00	58,889.00
Chairman	35,014.00	-
Managing Director	167,715.00	70,360.00
Travelling Expenses - Staff	435,641.00	434,499.00
Rent (Sub schedule-3)	1,369,459.00	1,284,089.00
Electricity & Water Charges (Sub schedule-4)	291,821.00	229,482.00
Printing & Stationery	1,004,943.00	739,573.50
PF-Employer's Contribution (Sub schedule-5)	1,444,027.00	1,460,986.00
Guarantee Commission	10,274,704.00	9,214,941.00
Director's Sitting fees	30,938.00	10,200.00
Postage & Telephone Charges (Sub schedule-6)	1,643,913.78	1,033,707.00
Fuel Charges - Vehicles	499,345.00	377,280.00
News Paper, Books & Periodicals	39,799.00	34,696.00
Hospitality Expenses	84,505.00	82,755.30
Audit Fees	25,000.00	25,000.00
Legal Charges	285,242.00	190,334.00
Rates & Taxes	1,693.00	2,500.00
Vehicle Insurance, Tax & Regn. Fees	81,359.50	162,545.00
Meeting Expenses (Sub schedule-7)	66,915.00	60,410.00
Rapairs & Maintenance (Sub schedule-8)	637,657.00	586,140.10
Honararium to Chairman	24,000.00	18,200.00
Professional Fees	143,984.00	6,000.00
Security Charges	141,727.00	151,732.00
Gratuity	665,610.08	639,759.00
Total	42,340,434.35	35,114,680.90

SCHEDULE - 19

OTHER EXPENSES

Amount in Rs.

PARTICULARS	31-03-2006	31-03-2005
Bank Charges	48,991.90	44,252.14
Insurance Charges	49,765.00	29,165.00
Advertisement Charges	542,327.00	153,810.00
Workshop Expenses		308,110.00
Office Shifting Expenses		19,613.00
Staff Training Expenses	345.00	12,378.00
Miscellaneous Expenses	117,122.00	89,178.40
Revenue recovery charges	328.00	13,457.00
Computer expenses	9,341.00	
Office Expenses	59,567.00	29,661.00
Photocopy charges	20,246.00	
Awareness camp expenses	26,274.00	6,737.00
Loan Mela Expenses	671,072.00	313,991.00
Staff welfare expenses	13,036.00	2,231.00
Merit scholarship	220,000.00	
PM'S High Level Committee Expenses	46,299.00	
Prior period Adjustment	21,440,624.50	62,745.61
Decennial celebration	93,092.00	70,836.00
Contribution to Chief Minister's Relief Fund		258,077.00
Total	23,358,430.40	1,414,242.15

SCHEDULE-20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ATTACHED TO AND FORMING PART OF FINAL ACCOUNTS FOR THE YEAR 2005-06.

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Assumptions

Financial statements have been drawn up on historical cost convention in accordance with the generally accepted accounting principles and provisions of the Companies Act 1956 on accrual basis except for accounting the following on cash basis:

Penal interest income on loan disbursed prior to 1.6.1999 and classified as OLP Loans.

The processing fee and legal fee are collected at the point of incidence viz; at the time of disbursement of loans except on OLP loans, the amount of which is insignificant.

2. Fixed Assets and Depreciation

Fixed Assets are accounted at its original cost of acquisition.

- a) Depreciation is charged under written down value method at the rate and manner specified under schedule XIV of the Companies Act 1956.
- b) Individual assets costing below Rs.5,000 is fully depreciated in the year of purchase.
- c) Depreciation on additions / deletions to assets is provided on pro-rata basis.

3. Employee Benefits

- a) Gratuity liability of the Corporation on the date of Balance sheet has been provided but is not on actuarial valuation. The formula used to calculate the same is $\text{Total Emoluments (i.e. Pay plus D.A.)} / 26 \times 15 \times \text{No. of years of service}$ Subsequently the computation has been made on actuarial basis by subscribing a policy under Group Gratuity Insurance Scheme of LIC, which covers both insurance and actuarial computation.
- b) Provision has been made for benefit under surrender of earned leave based on the number of leaves on their credit as on 31st march 2006.
- c) The DA arrear and Festival Allowance are not provided for, the amount of which is insignificant.

4. Cash Flow Statement

The Financial Statement is supported by Cash Flow Statement.

5. Loans & Advances

- i) Loans & Advances secured with landed property are classified under the head 'fully secured'
- ii) Loans & Advances secured with personal surety etc. are classified under the head 'not fully secured'.

6. Penal Interest Income - Policy Change in Appropriation

The ongoing system then, of apportioning repayment was charging entire amount of penal interest first, before apportioning the amount to interest and principal. The 100th meeting of Board held on 24-01-2008 resolved to change the method.

Under the new system, proportionate penal interest on defaulted EMI alone will be charged. The basis of apportioning repayment amount to penal interest, interest and principal shall continue.

7. Income Recognition

Penal Interest on OLP loans viz; loan disbursed prior to 01-06-1999 is recognized and

accounted on cash basis. There were 1,253 nos. of such loans during previous year as on 31 march 2005 and the Penal Interest recognized on these loans during the current year is Rs. 24,16,505/-

8. Accounting for Grant

Additional interest margin from NMDFC Rs. 12,34,959/-, and interest subsidy from NBCFDC Rs. 18,64,094/- received on the basis of performance on scheme implementation are treated as income and the related expenditure incurred are shown separately.

An amount of Rs. 2,00,000/- received from NMDFC as cash award for 2nd best performance at National Level has been transferred to KSBCDC Staff Welfare Society subsequently.

9. Impairment of Assets:

During the period of accounts, there is no impairment of assets for disclosure.

10. Remuneration to Statutory Auditors is provided for Rs.25,000/-. A request for hike in audit fee is received which is under consideration.

Notes on Accounts.

1. Freehold Landed Property

Freehold landed property owned and possessed by the Corporation, to the extent of 80.5 cents; survey no.2623 of Chackai. Kadakampalli Village was taken over by Government of Kerala for development of International Airport, Trivandrum, on the assurance to give alternate land which is not allotted so far.

2. Provision For Income Tax

The income of the Corporation is exempted under section 10 (26) (B) and 10 (26) (BB) of the Income Tax Act. 1961

3. Service Tax

C & AG's Annual Audit for the year 2008-09 qualified the report for not making payment towards service tax on processing fee collected during the year. Based on the comments of C&AG, Department of Central Excise and Customs issued a show cause notice to remit the amount. As per the demand notice, the liability of service tax on financial service is due from 2004-05 to 2008-09. The primary objective of the Corporation is the welfare of backward and minority communities and the income of the Corporation is exempted under section 10 (26) (B) and 10 (26) (BB) of the Income Tax Act, 1961 and we legitimately expect similar exemption from payment of service tax also. As an initiative, we are moving before the Ministry of Finance; Govt. of India for getting exemption under sec.93. Since liability being uncertain no provision is made.

4. The maximum amount outstanding at any time during the year 2005-06 on Government Treasury a/c 5 was Rs.5,31,40,365/-

5. Payment made To Managing Director

	Amount (Rs.)
a) Salaries and Allowances	- 3,00,026.50
b) Traveling Expenses	- 1,67,715.00
c) Telephone charge	- 1,962.00
	<hr/>
Total	- 4,69,703.50
	<hr/> <hr/>

6. Loan Liability

The loan liability due to NBCFDC is Rs. 80,54,30,232/- and the amount due to NMDFC is Rs. 55,85,24,229/- as on 31st March 2006. The repayment to the National Agencies which were not clearly defined into principal and interest during previous years, now rectified.

7. Loans & Advances:

The loans and advances include suspense account balance of Rs. 16,37,955.47 which is fund misappropriated in Idukki District Office. This has been settled to an amount Rs. 15,27,480/- by vigilance and anticorruption bureau, Thodupuzha and the matter has been taken up with the Government; Finance Department, for recovering the amount from the retirement benefits of the person concerned.

8. NBFC Prudential Norms:

The Govt Companies are exempted from the applicability of the provisions of RBI Act relating to prudential norms as to income recognition, asset classification, provision for bad & doubtful debts etc. as per Ref.DNBS.(PD).CC.No.12/02.01/99-2000 dt. January 13, 2000.

However as part of improving the quality of accounts we shall comply the requirement in the accounts of coming years.

9. Recovery of Over due Loans :

There are 68 no. of period over loans with no remittance till date. R.R action has been initiated in respect of all these loans and we expect realization of substantial portion of the amount and hence no provision made .

10. Alappuzha District Office - Embezzlement of Cash

A departmental enquiry is going on against alleged forgery of records and embezzlement of cash against the watchman of the District Office, Alappuzha. But the exact impact of it on the accounts of the Corporation is yet to ascertain as it involves money fraudulently collected directly from the loanees by the delinquent employee and hence no provision is made.

11. Waiver Through OTS, Adalaths, LDRF etc.

2005 - 06

OTS Settlement

Scheme	No. of Loans	Amount of P.I. Waived (Rs)
NBCFDC	483	53,56,083.00
NMDFC	255	22,52,015.00
KSBCDC	163	7,44,143.00
HUDCO	3	49,335.00
Total	904	84,01,576.00

Closure by Adalath

Scheme	No. of Loans	Interest Waived (Rs)	P.I. Waived (Rs)
HUDCO	55	13,46,350.00	5,17,985.00

2006 - 07

OTS Settlement

No. of OLP loans closed	No. RLP loans closed	Total PI waived (Rs)
289	2075	98,87,044.00

Housing Adalath :

No. of Loans	Total amount waived (Rs)
51	12,33,051.00

2007 - 08

Closure by OTS :

No. of Loans	Total Penal Interest waived (Rs)
3737	1,33,92,245.00

LDRF Settlement :

No. of Loans	Amount Waived (Rs)
49	8,89,161.00

OLP Adalath Settlement :

No. of Loans	Amount Waived (Rs)
24	11,39,085.00

Housing Adalath

No. of Loans	Total Amount Waived (Rs)
66	26,61,177.00

2008 - 09

Closure by OTS

Scheme	No. of Loans Closed	P.I. Waived (Rs)
OLP	96	23,39,898.00
RLP	3084	1,20,28,538.00
Housing	5	22,049.00
Total	3185	1,43,90,485.00

LDRF Settlement :

No. of Loans	Amount Waived (Rs)
23	3,36,143.00

OLP Adalath Settlement :

No. of Loans	Amount Waived (Rs)
61	33,88,191.00

Housing Adalath

No. of Loans	Total Amount Waived (Rs)
24	10,17,841.00

The waiver on OTS, Adalath, LDRF etc. in respect of housing loans, OLP Loans and other loans has been considered and accounted during respective year of waiver, except those loans which have been provided in advance.

Figures for the previous accounting period have been regrouped, rearranged and reclassified wherever necessary.

(Sd/-)
V. RAJENDRAN
Company Secretary

(Sd/-)
I.A. CHAKKO
Managing Director

(Sd/-)
C.T. KRISHNAN Ex MLA
Chairman

Place : Thiruvananthapuram
Date : 27-5-2010

Vide our report of even date attached
For **ARSB & ASSOCIATES**
Chartered Accountants

(Sd/-)
C.A. C. SURESHBABU FCA
Partner

SCHEDULE - 21**Part IV - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. REGISTRATION DETAILS**

Registration No. State Code (Refer Code List-1)

Balance Sheet Date
Date Month Year

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. POSITION OF MOBILIZATION & DEPLOYMENT OF FUNDS: (Amounts Rs. In Thousands)

Total Liabilities

Total Assets

SOURCE OF FUNDS

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Loss

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover/other income

Total Expenditure

+/- Profit/Loss before tax

+/- Profit/Loss After tax

Earning per share in Rs.

Dividend Rate %

V. Generic names of principal products/services of company (as per monetary terms)

Item Code No.
(ITC Code)

				N	A			
--	--	--	--	---	---	--	--	--

Product Description

				N	A			
--	--	--	--	---	---	--	--	--

For and on behalf of the Board of Directors,

Sd/-
V. RAJENDRAN
Company Secretary

Sd/-
I.A. CHAKKO
Managing Director

Sd/-
C.T. KRISHNAN Ex MLA
Chairman

Place: Thiruvananthapuram
Date : 27-05-2010

Vide our report of even date attached
For **ARSB & ASSOCIATES**
Chartered Accountants

(Sd/-)
C.A. C. SURESHBABU FCA
Partner

CASH FLOW STATEMENT		<i>Amount in Rs.</i>
Cash Flow from Operating Activities		
Net Profit before Tax		60,710,034.57
Adjustment for		
Depreciation	1,342,302	
Operating Profit before working capital changes		62,052,336.57
Adjustment for		
Increase in stock of stamp	(14,452.00)	
Increase in Interest Accrued	(10,809,483.00)	
Decrease in Current Liabilities	(8,834,074.00)	(19,658,009.00)
Cash Generated from Operation		42,394,327.57
Taxes Paid		
Net Cash from Operating Activities		42,394,327.57
Cash Flow from Investing activities		
Increase in FD	(139,997,751.00)	
Purchase of Asset	(1,098,814.57)	
Decrease in Deposit	750.00	
Increase in Loans & Advances	(106,960,029.00)	
Net Cash used in Investing Activities		(248,055,844.57)
Cash Flow From Financing Activities		
Increase in Share Capital	40,000,000.00	
Increase in Loan	133,206,808.00	
Net Cash From Financing Activities		173,206,808.00
Net Increase / Decrease in Cash & Cash Equivalents		(32,454,709.00)
Opening Balance with cash and Cash Equivalents		170,133,795.00
Closing Balance with Cash and Cash Equivalents		137,679,086.00

ARSB & ASSOCIATES

CHARTERED ACCOUNTANTS

Bala Nilayam, Vazhuthacaud, Trivandrum-695 014
© (BSNL): 0471 2326855, 2333081 E-mail: arsb@sify.com

AUDITORS' REPORT TO THE MEMBERS OF KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LTD.

We have audited the attached Balance Sheet of **KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED** as on 31st March 2006, the Profit and Loss Account for the year ended on that date and the Cash Flow Statements for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by Companies (Auditors Report) Order, 2003 issued by the Company Law Board in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Subject to the above and the following observations:

- 1. The difference in opening balance of "Loans to Beneficiaries" with respect to the database has been rectified by passing a debit of Rs. 4,09,08,298 to "Prior period adjustment account" and corresponding credits to Principal Rs 1,27,09,946, Interest Rs 1,28,53,812 & Penal Interest Rs 1,53,44,540 thereby understating the current year profits by Rs. 1,27,09,946.*
- 2. The opening balances of Expenses payable have not been settled upto the end of financial year. Most of them exist in the accounts for a long period of time. List of such accounts are given in Annexure I.*
- 3. The difference in opening balance of "Loan from NBCFDC" has been adjusted by making a debit of Rs. 1,26,23,666 and a corresponding credit to "Prior period adjustment account", thereby overstating the current year profit by equal amount.*
- 4. The difference in opening balance of "Loan from NMDFC" has been adjusted by making a debit of Rs. 67,24,999 and a corresponding credit to "Prior Period adjustment account", thereby overstating the current year profit by an equal amount.*
- 5. The alleged misappropriation of funds in Idukki DO during 2000-01 has not been settled before the Vigilance and Anti Corruption Bureau, Thodupuzha and hence the reasons for a credit balance of Rs. 3,01,627 in Fixed Deposit Account couldn't be ascertained.*
- 6. The bank reconciliation statement of Kollam DO for Syndicate Bank A/c No. 40981 includes two cheques numbered 882457 and 882473 issued on 06.02.2003 and 07.03.2003 respectively which has not been presented till the date of closing of books of accounts Similarly cheque no. 279820 dated 01.04.2004 for Rs 24,000 by Ernakulam DO in IOB A/c No 14902 which was classified as stale cheque upto the end of the previous year has been removed from such list*

during the year. The manner of adjustment made in this regard was not explained.

7. The balance confirmation statement of Vijaya Bank A/c No. 11664 at Kollam DO was not made available for audit.
8. The details and confirmation of Fixed Deposits maintained by branches, except for branches at Thrissur and Ernakulam, were not presented at the time of audit.
9. Out of the opening balance in staff advance of Rs.12,615 at Kollam DO an amount of Rs. 2,000 alone has been settled during the year.
10. The balance outstanding with loan to beneficiaries as on 31.03.2006 is subject to confirmation.
11. Loans & Advances includes an amount of Rs. 15,33,400.42 shown as suspense account for which no information is available.
12. The Micro credit loan and General loan are not shown separately in the accounts when the loans obtained from the central bodies were for specific purposes.
13. The company has not complied with the statutory requirement as per Schedule VI of the Companies Act in respect of Loans & Advances.
14. A departmental enquiry is going on against alleged forgery of records and embezzlement of cash against the watchman of the District Office, Alappuzha. But the exact impact of it on the accounts of the corporation is yet to be ascertained as it involves money fraudulently collected directly from the loanees by the delinquent employee and hence no provision is made.
15. Opening Balance of Fixed Assets shows the following difference
Gross Block of Currency Note detector, Library Books & its corresponding depreciation has not been carried forward to the current year. Generator which was included in electrical fittings in the previous year has been reclassified under the head Generator. However the same was reduced from the gross block of Electrical fittings but shown as an addition during the year under the head Generator.
16. No provision is made for Service Tax liability since the introduction of the statute and we are unable to quantify the actual liability till the end of the financial year.
17. No provision, has been created for Interest & Penal Interest for 68 number of period over loans to which no remittances has been made till date.
18. Waiver of Interest & Penal Interest through OTS Settlement for the year 2005-06 for Rs 84,01,576 includes the interest and penal interest for previous years also, but no segregation is made in the accounts. Similarly subsequent waivers in the years 2006-07, 2007-08, 2009-10 also includes interest and penal interest pertaining to the year 2005-06 for which no adjustments have been made in the accounts.
19. Out of the total provision of Rs 15,74,364.30 for earned leave, Rs 9,11,762.52 relates to prior period, however the whole amount has been treated as current year expense.
20. List of accounts which has to be classified as prior period expenses is listed as per Annexure-II
21. Guarantee Commission includes an amount of Rs 13,340 which is payable as on 31.03.2006 related to penal interest towards short fall in payment of commission of 1st installment. The penal interest has not been shown under a separate head.
22. The company has not been regular in making statutory payments.
23. An amount of Rs 2,00,000/- received from NMDFC as cash award for 2nd best performance at national Level is classified under current liability instead of being shown as income.
24. Accrued interest on Fixed Deposit has not been provided in books of accounts.
25. No provision has been made for ESI.

We report that:

- 1) 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
- 2) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books
- 3) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of accounts
- 4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- 5) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2006
 - In the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - In case of the Cash Flow Statement, of the cash flows for the year ended on that date.

CA. C. Suresh Babu
Membership No. 025522
Partner
ARSB & Associates
Chartered Accountants
FRN : 009803S
Date : May 27, 2010

ANNEXURE - I

Branch	Particulars	Amount
Head Office	Beneficiary Contribution	37,643.00
	Professional Fee Payable	2,16,550.00
	Stipend to Nursing Students Payable	45,250.00
	Audit Fee Payable	91,450.00
Pathanamthitta	Loan Repayable	7,272.00
Alappuzha	Beneficiary Contribution	47,000.00
	Loan Repayable	2,65,546.63
Kottayam	Beneficiary Contributions	234.00
	Loan Repayable	62,178.00
Ernakulam	Beneficiary Contributions	71,220.00
Trissur	Loan Repayable	1,18,278.00
Palakkad	Beneficiary Contributions	10,160.00
	Loan Repayable	46,579.76
Malappuram	Loan Repayable	6,151.00
Kannur	Loan Repayable	2,37,163.05
Kasargod	Loan Repayable	1,74,120.00
Trivandrum	Other Recoveries	6,710.00
Wayanad	Loan Repayable	60.00
Idukki	Loan Repayable	4313.02
Kollam	Beneficiary Contributions	29,550.00
	Loan Repayable	5,855.00
	Staff Loan Repayable	24,428.38
	Staff Loan Payable	5,771.00
	Total	34,71,409.82

ANNEXURE - II

Branch	Particulars	Amount
Kasargod	Rent	1,170.00
Kottayam	Salary	63,792.00
	Rent	21,360.00
	Total	86,322.00

ARSB & ASSOCIATES

CHARTERED ACCOUNTANTS

ANNEXURE TO THE AUDITOR'S REPORT (Referred to in Paragraph (I) of our report of even date)

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us by the management, we report that: -

1. In respect of the Fixed Assets:
 - a) the company is *not maintaining* proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The assets have not been physically verified by during the year and confirmation certificate is obtained form the management of respective DOs.
 - c) In our opinion, the company has not disposed off any substantial part of its fixed assets during the year so as to alter its ability to continue as a going concern.
2. In respect of the Inventories.
 - a) The company does not have any inventories
3. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to fixed assets. We have not noticed any major weakness in the internal controls.
4.
 - a) The company is a government company and is exempt from the provisions of section 301 of the Companies Act, 1956.
 - b) Not Applicable as the company is exempt from the provision of section 301 of the Companies Act, 1956.
5. The company has not accepted any deposits from the public during the year. We have neither come across nor have been informed about any order passed by the National Company Law Tribunal for the compliance by the company during the year under review.
6. In our opinion the company *does not have an internal audit system* commensurate with the size and nature of its business. However the same has been implemented during the current period.
7. The Central Government has not been prescribed maintenance of cost records by this company under section 209(1) (d) of the Companies Act, 1956.
8. According to the records furnished for our audit, during the year the company has been *irregular* in depositing undisputed statutory dues viz. provident Fund, Employee's State Insurance, Income tax, and such other statutory dues applicable to it with appropriate authorities and there exist arrears of statutory dues were outstanding at the last day of financial year for a period exceeding six months from the date it became payable. As per Section 10(26B)/(26BB) of the Income Tax 1961, The income of the corporation is totally exempted from the income tax and hence no provision has been made in the books of accounts
9. The company does not have any accumulated losses as at the end of the financial year 2005.
10. On the basis of the audit procedures applied by us, in our opinion, the company has not made any default in the repayment of dues to financial institution and bank during the year under review.

11. On the basis of the audit procedures applied by us and as explained, the company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and such other securities.
12. As the company is not engaged in business of Chit Fund, Nidhi or Mutual benefit Fund/ Society, in our opinion, the clause relevant to such activities is not applicable to the company.
13. To the best of our information and on the basis of examination of the records furnished and explanations given to us, we have not come across any such transaction of dealing with or trading in any share, securities or such other investments made by the company during the year under review.
14. As explained and based on the examination of the records furnished, we have not noticed any Guarantee given by the Company during the year for Loans taken by others from Bank or financial institutions.
15. The company has obtained loan during the year under review for the purpose of relenting.
16. To the best of our information, belief and as per explanation given regarding the temporary use of resources available to it by the management in its commercial prudence, in our opinion, *prima facie* the company has applied the term loans for the purpose for which they were raised.
17. The company is engaged in the business of the providing loans to backward classes and for this purpose the corporation obtains funds from various institutions for the purpose of relenting.
18. During the year under review the company has allotted shares to Government of Kerala to the tune of Rs 30 Lacs out of advance in share capital received in the previous year and further allotment of Rs. 400 lacs for cash.
19. During the Year under review, the company has not made any debenture issue.
20. During the year under review the company has not raised any money by public issues of shares.
21. To the best of our information, belief and based on the audit procedures performed, we report that no fraud on or by the company has been noticed or reported during the year under review.

CA. C. Suresh Babu
Membership No. 025522
Partner
ARSB & Associates
Chartered Accountants
FRN : 009803S
Date : May 27, 2010

ARSB & ASSOCIATES

AUDIT REPORT

UNDER SECTION 619(3)(a) OF THE COMPANIES ACT, 1956 OF KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED, TRIVANDRUM

1. Examine whether the Company has formulated new schemes of fund assistance / welfare activities for the target group?

By utilizing Own fund, the corporation launched the following new Welfare schemes

- Suvarnasree Loan
- Vidhya Sree (education) Loan
- Bhavana Sree (House maintenance Loan)
- Working Capital Loan
- Consumer Durable Loan
- Swastha Griha (House Maintenance Loan)
- Micro Credit Scheme through Kudumbasree CDS

2. Examine whether the funds ear marked by the Government for the target group has been diverted for other purposes

The utilization of funds obtained from the national bodies for the sake of Micro credit loan and General Loan has not been shown separately, hence the actual amount of fund utilized out of the funds received for the specific purpose of Micro credit could not be ascertained.

3. Examine whether the Company was able to utilize fully the fund allocated by National Funding Agencies

Total fund received from NBCFDC is Rs.28,633 lakhs and the utilization is Rs. 31,594 lakhs whereas that received from NMDFC is Rs.18,856 lakhs and the utilization thereof is Rs. 21,061 lakhs, over the years. Therefore there is optimum utilization of funds received. The details of fund received and utilization is as follows:

YEAR	NBCFDC SCHEMES		NMDFC SCHEMES	
	Fund received (Amount in Lakhs of Rupees)	Fund utilized (Amount in Lakhs of Rupees)	Fund received (Amount in Lakhs of Rupees)	Fund utilized (Amount in Lakhs of Rupees)
1995 - 96	742	908	0	0
1996 - 97	1033	310	224	156
1997 - 98	0	885	191	197

1998 - 99	680	697	379	429
1999 - 00	837	1191	612	817
2000 - 01	1523	2041	965	930
2001 - 02	1613	1670	925	1212
2002 - 03	2758	3217	1025	1165
2003 - 04	2820	2668	1025	660
2004 - 05	1500	1455	1850	1483
2005 - 06	2000	2398	1700	2077
2006 - 07	2700	2175	2450	2470
2007 - 08	3427	4432	2700	3943
2008 - 09	3500	4049	2910	3822
2009 - 10	3500	3498	1900	1700
Total	28633	31594	18856	21061

4. Indicate whether the Company could avail maximum interest incentive from National Agencies for strengthening of recovery, machinery, beneficiary identification etc

Corporation has availed maximum amount under interest incentive scheme.

5. Whether a proper financial control system with regard to loan receipts & disbursements has been evolved and was functioning effectively?

The receipt of fund is mainly from NBCFDC & NMDFC and is based on Annual Action Plan on anticipated fund requirement of the implementing year. The release of fund is in installments based on actual utilization & submission of utilization certificate to the National Funding Agencies. Before receiving fund from the agencies, files are being processed and got ready for disbursement to the beneficiaries. There is no wastage of time in receipt of fund and its utilization and strict financial control is seen exercised in receipt and disbursement of loan. There is a proper internal check and balance system on fund received and utilized. The fund received and repaid to national agencies are reconciled and confirmed periodically. The fund transferred to and repayment received from units is also reconciled periodically.

6. Whether the system of preparing individual loan file & recovery measures are adequate

There exists a system of preparing an individual loan files which are updated regularly. Remittance made by individual lonees & notice charges to be collected from them are entered in the Personal Loan Ledger maintained on online data base. The online system of maintaining personal loan ledger make it easy to trace the defaulters and help in recovery of the same. All

entries made in the ledger are verified and authenticated by the District Manager on a regular basis. Also cross verification of entire transactions is carried out at the time of loan closure by officers at different levels. Recovery Measures taken by the Corporation is found adequate. There is a Recovery Manual which clearly spells the recovery steps to be taken when a loan is at default. The recovery steps taken by the various district offices are monitored by the Recovery Cell at the Head Office.

7. Examine whether the Company was issuing notices & reminders to the loanees / sureties at intervals for remittance of dues

The Corporation has issued notices and reminders to lonees / sureties at regular intervals for remittance of dues .The recovery manual of the corporation has clearly laid down the various notices / reminders specifying the intervals at which each notice has to be issued .This manual is followed by all district offices of the Corporation, which is monitored by the head office .

8. Examine whether the Company has a regular system of sending teams to the field for effective follow up for realization of dues

The corporation has a regular system of sending teams to the field for effective follow up of realization of dues. Vehicles are provided to all district offices. A 'Field Inspection Register' is maintained in all district offices to record details of such field visits. Also monthly target for field visit is fixed for all offices and the compliance of the same is monitored at the head office level.

9. Indicate whether a Scientific system has been evolved by the Company for valuation of property offered as security

The valuation certificate issued by revenue authorities is the basis of property valuation and the staff has been trained for conducting valuation of property accepted as security and it is seen adequate.

10. Examine whether there exists a proper mechanism to verify the multiple liability of Loanee / surety & an effective system to verify genuineness of salary certificates

Confirmation letter to the salary drawing officer of the surety is being sent as registered post with acknowledgement card. The acknowledgement card returned is being filed in the respective file and only after that loan is being given. Salary surety index register is maintained in all district offices for prima facie scrutiny and for avoiding multiplicity of liability.

11. Whether the Directors nominated by the Government abstained continuously from the meetings in which major policy decisions were taken by the Board. If so enlist such cases?

The Directors nominated by Government are very prompt in attending board meetings except Shri. A.A.Naqvi, Managing Director of NBCFDC, New Delhi who is not regular in attending Board Meeting.

12. Whether any order / directions issued by Government of Kerala where detrimental to the financial interests of the Company? If so give a brief note indicating the impact of such orders / directions'?

No such order / direction issued by Govt. of Kerala are detrimental to the financial interests of the corporation.

13. In case of land possessed by the Company:

a) *Whether land allotted have been progressively utilized?*

No

b) *Whether title deed / lease deed exists with the company?*

Freehold landed property of 80.5 cents in Kadakampally Village was taken over by the Government of Kerala for development of International Airport of Thiruvananthapuram on the assurance to give alternate land for the Corporation by 2006, but no alternate land given so far.

c) *Whether any system is prevailing to prevent any unauthorized encroachment?*

N.A.

d) *Whether any dispute is pending? If so whether the same is disclosed in the accounts?*

The assurance to give alternate land is not fulfilled so far in spite of repeated request by the Corporation. The fact is disclosed in the notes on accounts.

14. Whether the charter of the Audit Committee has been framed by the Company? Review the composition and meetings, especially, issues relating to questionable accounting, internal accounting control and audit matters

Board of Director's in the 110th meeting held on 29th January 2009 constituted an audit committee with 5 members on the Board. The chairman of the committee is an independent non-executive director. Neither Chairman of the Board nor Managing Director is a member of the 'Audit Committee'. The Committee holds periodical meetings to review internal accounting control, audit matters and other related issues.

15. Mention the amount of (a) Bank balances, (b) Account receivables, (c) Account payable, (d) Loans & Advances for which third party confirmation was not received. Percentage of such unconfirmed amount to the total amount in the respective head in the balance sheet may be reported.

	Account Heads	Unconfirmed Amount	Percentage of unconfirmed amount
(a)	Bank Balances :		
	Current / SB Accounts	4,000.00	0.1%
	Fixed Deposit	22,53,40,797.50	96.33%
(b)	Account Receivables	19,74,64,600.00	100%
(c)	Account Payables	51,72,541.36	100%
(d)	Loans & Advances	1,74,13,12,341.00	100%

16. Whether balance confirmed by the parties has wide variations and such variations might not have been reconciled till the finalization of financial statements, percentage of the amount of such variations to the total amount of the accounting head in the balance sheet may be reported

In respect of receipt of funds and repayment to National Agencies, the balance are reconciled and confirmed periodically and there is no variance. In respect of beneficiaries, the loans outstanding is not confirmed except in such cases where recovery notices are issued which contains exact balance outstanding. Variations not noticed.

17. High value individual cases (say representing more than one per cent of the respective accounting head) of non confirmation of balances and wide variations in individual cases pending reconciliation may also be reported.

High value individual cases viz; NBCFDC and NMDFC balances are confirmed and also balance of bank accounts as well as Treasury account are also reconciled and confirmed and there is no variation. No other individual high value cases are there, to be reported.

18. Express your opinion on the adequacy of the system of the management for confirmation and reconciliation of balances. Whether the deficiencies, if any, on the above matter is reported to the audit committee?

- Bank accounts except Vijaya Bank of Kollam DO are properly reconciled.
- FDs and other deposits like Rent deposit, Telephone Deposits are subject to confirmation.
- The confirmation of loan balances from beneficiaries is also not been obtained.
- The system of the management for confirmation and reconciliation are not found to be adequate.

CA. C. Suresh Babu
Membership No. 025522
Partner
ARSB & Associates
Chartered Accountants
FRN : 009803S
Date : May 27, 2010



GOVERNMENT OF KERALA

Finance (PU-C) Department
Thiruvananthapuram
Dated: 1-7-2010

No. 42125/PU.C3/2010/Fin.

From

The Additional Chief Secretary (Finance)

To

The Managing Director
Kerala State Backward Classes
Development Corporation Limited,
Reg. Office, T.C. 27/588 (7) & (8)
"SENTINEL", 2nd Floor, Pattoor,
Thiruvananthapuram - 695 035

Sir,

Sub:- Kerala State Backward Classes Development Corporation Limited, Audited
Annual Accounts for the year 2005-06 - Comments Forwarding of -
Regarding.

Ref:- Your letter No. A2/2005-06/KSBCDC dated : 28.05.2010

I am to forward herewith the Comments of Additional Chief Secretary (Finance) on the Audited Annual Accounts of Kerala State Backward Classes Development Corporation Limited, for the year 2005-06. You are requested to forward 5 printed copies of Annual Report incorporating the above comments to this Department. Receipt of the Comments Certificate may be acknowledged.

Yours faithfully

N.M. RAVEENDRAN
Deputy Secretary
for Additional Chief Secretary (Finance)

Approved for Issue
Sd/-
Section Officer



GOVERNMENT OF KERALA

NO. 42125 / PUC3 /2010 / FIN.

FINANCE (PU-C) DEPARTMENT

COMMENTS OF ADDITIONAL CHIEF SECRETARY (FINANCE) ON THE AUDITED ANNUAL ACCOUNTS OF KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED FOR THE YEAR 2005 - 2006

The profit for the year has shrunk by 2/3rd over the previous year's profit, which was mainly due to a huge drop in interest income. The corporation shall take steps to recover the outstanding loan and advances as well as interest and limit the NPA to the minimum

Sd/-
L.C. GOYAL
ADDITIONAL CHIEF SECRETARY (FINANCE)

THIRUVANANTHAPURAM
DATED : 1-07-2010



भारतीय लेखा तथा लेखापरीक्षा विभाग,
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
केरल, तिरुवनन्तपुरम - 695 039
KERALA, THIRUVANANTHAPURAM - 695 039
P.B. No. 5608

No. CA IV/B/12- 6483/72

Dated : 29-07-2010

To

The Managing Director
Kerala State Backward Classes Development Corporation Limited,
T.C. 27/588 (7) & (8), "SENTINEL",
2nd Floor, Pattoor, Vanchiyoor. P.O.
Thiruvananthapuram - 695 035.

Sir,

Sub:- Comments under Section 619(4) of the Companies Act, 1956 on the accounts of Kerala State Backward Classes Development Corporation Ltd., Thiruvananthapuram for the year ended 31st March 2006.

I am to forward herewith the Comments under section 619(4) of the Companies Act, 1956 on the accounts of **Kerala State Backward Classes Development Corporation Ltd., Thiruvananthapuram** for the year ended 31st March 2006.

The following Comments have been dropped to rectify in the next years accounts :

A. COMMENTS ON FINANCIAL POSITION

BALANCE SHEET

Interest Accrued on Scheme Loans (Sch. 13) - Rs. 197,464,600/-

Understatement of interest accrued on scheme loans and corresponding understatement of provision for interest on OLP loans by Rs. 2.48 Core.

IV. COMMENTS ON AUDITOR'S REPORT

2. Since the company has applied for Service Tax exemption, the comment has been dropped. However the position will be verified during next audit.

The comments may be placed before the Annual General Meeting complying with the provisions of Section 619 (5) of the Act *ibid*.

Six copies of the printed Annual Report and Accounts of the Company for the year 2005-06 duly incorporating the Comments may be forwarded to this Office at the earliest.

Yours faithfully

Sd/-

Deputy Accountant General (Comml.)



प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय, केरल, तिरुवनन्तपुरम
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
KERALA, THIRUVANANTHAPURAM

31 मार्च 2006 को समाप्त वर्ष के लिए केरला स्टेट बैकवार्ड क्लासेस डेवलपमेन्ट कारपोरेशन लिमिटेड, तिरुवनन्तपुरम के लेखाओं पर कम्पनी अधिनियम 1956 की धारा 619(4) के अधीन भारत के नियंत्रक - महालेखापरीक्षक की टिप्पणियाँ

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED, FOR THE YEAR ENDED 31 MARCH 2006.

The preparation of financial statements of **Kerala State Backward Classes Development Corporation, Ltd. Thiruvananthapuram** for the year ended 31st March 2006 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619 (2) of the Companies Act 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated **27 May 2010**.

I, on behalf of the comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of **Kerala State Backward Classes Development Corporation, Ltd. Thiruvananthapuram for the year ended 31 March 2006**. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to enquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

1. Comments on Financial Position

Balance Sheet

Application of Funds

Current Assets, Loans and Advances (Schedule - 12)

1. Loans to Beneficiaries : Rs. 173.55 Crore

Out of the principal outstanding amounting to Rs. 173.55 crore as on 31.03.2006, Rs. 1.77 crore relating to other than Old Lending Policy loan is outstanding for more than three years till the balance sheet date and seven years as on date. Recovery of these loans is doubtful and has to be provided for. Due to this non provisioning profit for the year is overstated to the extent of Rs. 1.77 crore with corresponding under statement of 'provision'.

2. Interest Accrued on Scheme Loans (Schedule 13) - Rs. 19.75 Crore

This includes Rs. 1.11 crore relating to other than OLP loan outstanding for more than three years till the date of balance sheet and seven years as on date. Since the recovery of the amount is doubtful, required provision should have been made. Non-provision for the same has resulted in overstatement of profit for the year by Rs. 1.11 crore with corresponding under statement of 'provision'.

II COMMENTS ON PROFITABILITY

Profit and Loss Account

The Board in its 100th meeting held on 24.01.2008 resolved to change the method of apportioning the repayment made by beneficiaries. As per the new method, proportionate penal interest on defaulted EMI alone was to be charged rather than charging the entire amount on penal interest before apportioning the amount to interest and principal. However the difference in Principal amount outstanding amounting to Rs. 4.43 Crore due to change in the method of apportioning repayment was not written of in the accounts for the year 2005-06 as required under Accounting Standard - 4. This has resulted in overstatement of profit for the year to the extent of Rs. 4.43 Crore with corresponding overstatement of loans and advances.

III. COMMENTS ON AUDITOR'S REPORT

1. The Statutory Auditors have qualified (no. 1) that "the difference in opening balance of Loans to Beneficiaries with respect to the data-base has been rectified by passing a debit of Rs. 4,09,08,298 to 'Prior Period Adjustment' account and corresponding credits to Principal Rs. 1,27,09,946, interest Rs. 1,28,53,812 and penal interest 1,53,44,540 thereby understating the current year profit by Rs. 1,27,09,946. The amount of understatement of profit for the year on this account was Rs. 4.09 crore instead of Rs. 1.27 crore as stated by the Statutory Auditors and therefore the Auditor's report is incorrect to this extent.
2. Accounting Standard - 15 of ICAI provides that, the accrued liability towards gratuity should be provided for on the basis of actuarial valuation. The Company has not complied with this requirement and the fact of non-compliance of AS 15 has not been qualified by the Statutory Auditors in their report.
3. As per para no. 41 of AAS 28, 'the auditor should mention unless impracticable, a quantification of the possible effect(s), individually and in aggregate, on the financial statement'. This has not been complied with to the extent that the aggregate effect of the qualifications on the financial statements has not been quantified.

IV GENERAL

Profit & Loss Account

Earning per share (EPS)

As per para 10 of the Accounting Standard 20 the basic earning per share should be calculated by dividing the Net Profit or Loss for the period attributed to equity share holders by the weighted average number of equity shares outstanding during that period. The company has calculated the EPS based on the total number of shares outstanding as on 31st March 2006, instead of weighted average number of shares. Thus the EPS is depicted erroneously as Rs. 13.18 in place of correct amount of Rs. 14.45.

Other Expenses - Rs. 2.34 Crore (Schedule 19)

This includes prior period adjustment amounting to Rs. 2.14 Crore. As per para no. 15 of the Accounting Standard - 5 (Prior period items and changes in Accounting Policies), the nature and amount of prior period items should be separately disclosed in the Statement of Profit or Loss in a manner that their impact on the current Profit or Loss can be perceived. This has not been complied with.

For and on behalf of
The Comptroller & Auditor General of India

Sd/-

वि. कुरियन
V. KURIAN

महालेखाकार (नागर और वाणिज्य लेखा परीक्षा), केरल
ACCOUNTANT GENERAL (C & CA)
KERALA

तिरुवनन्तपुरम
Thiruvananthapuram
Date : 29-07-2010