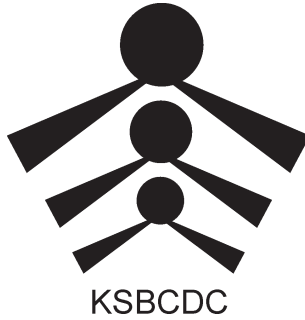


TWELTH ANNUAL REPORT

2006 - 2007



**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 2006 - 2007

CONTENTS

	Page No.
1. Board of Directors	3
2. Notice Convening AGM (Adjourned)	4
3. Directors' Report	5
4. Replies to the Comments of Comptroller & Auditor General of India	9
5. Replies to the Comments/Observation of Principal Secretary (Finance)	10
6. Replies to Statutory Auditor's Report	11
7. Annual Accounts 2006-2007	13
8. Comments of Principal Secretary (Finance)	32
9. Statutory Auditors Report	33
10. Review and Comments on accounts by Comptroller & Auditor General of India	38

BOARD OF DIRECTORS

Shri. V.R. Padmanabhan	Chairman
Shri. M.A. Francis	Director
Smt. Sabath Joseph Thoundassery	Director
Shri. Suresh Kumar. V.S.	Director
Shri. Ragi Varghese. P	Director
Smt. A.A. Naqvi	Director
Shri. B. Dileepkumar	Managing Director

Company Secretary

Shri. V. Rajendran

Auditors

M/s. Ravi and Sabin
Chartered Accountants
Athira, Pallimukku
TC 13/66(1)
Thiruvananthapuram - 695 024

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/2006-07

Dated : 17 - 11 - 2011

NOTICE

NOTICE is hereby given that the Twelfth Adjourned Annual General Meeting of Kerala State Backward Classes Development Corporation Ltd., will be held at 11 am on Saturday, the 17th December 2011 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 2007, 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 : ksbcdd@gmail.com Web : www.ksbcdd.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 Twelfth Annual Report on the business and operations of your Corporation together with the Audited statement of Accounts for the year ended 31st March 2007.

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 ₹. 75.96 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 2007 (₹. in lakhs)	For the year ended 31st March 2006 (₹. in lakhs)
A. INCOME		
Interest on loan disbursed	1556.77	1426.99
Interest on Bank Deposits	154.22	109.60
Other Income	105.87	72.53
	1816.86	1609.12
B. EXPENDITURE		
Interest on loan received	316.39	331.62
Administrative Expenses	413.43	423.40
Other Expenses	921.29	233.58
Depreciation	16.43	13.42
	1667.54	1002.02
Net Profit (A-B)	149.32	607.10

The profit earned by the Corporation during the period under report is ₹. 1051.46 lakhs before appropriating 'prior period adjustment' and Fringe Benefit Tax' as against ₹. 607.10 lakhs during the previous year. The total profit was transferred to Reserves and Surplus so as to endorse the total reserve to ₹. 5000.47 lakhs (including Special Reserve of ₹. 23.93 lakhs from 'Loanees Distress Relief Fund').

2. BOARD OF DIRECTORS

The appointment and cessation of Chairmanship and Directorship during the relevant accounting year 2006-2007 is as below.

Name		Date	
		Appointment	Cessation
Shri. T.A. Vijayan	Chairman	25-06-2004	03-08-2006
Shri. C.T. Krishnan	Chairman	02-11-2006	Continuing
Shri. K. Kunhappa	Director	04-11-2006	Continuing
Shri. K.V. Rajendran	Director	04-11-2006	Continuing
Shri. A. Ramachandran	Director	17-11-2006	08-06-2010
Shri. Romanus Horo	Director	03-08-2006	28-08-2006
Shri. K. Ajithkumar	Director	18-10-2006	20-07-2007
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. 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 ₹. 4831 lakhs from previous year's capital base of ₹. 4606 lakhs.

During the year, the loan assistance from NBCFDC, guaranteed by Government of Kerala is ₹. 2700 lakhs and from NMDFC is ₹. 2450 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 11171 families belonging to Backward and Minority communities under various projects with a total disbursement of ₹. 6119 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 ksbc dc 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. Ravi & Sabin, Chartered Accountants, Thiruvananthapuram was appointed by the Comptroller and Auditor General of India, New Delhi, as Statutory Auditors for the year 2006-07 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: 17-11-2011

Sd/-
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 2007 - Replies thereto :

I COMMENTS ON FINANCIAL POSITION

Balance Sheet

Application of Funds

Fixed Assets (Schedule-4) - ₹. 0.60 Crore

This stands understated by ₹. 0.05 crore due to writing off the value of 80.5 cents of land, based on the decision of Government of Kerala (June 2007) to take over the same. In accordance with AS 4, since the decision to take over the land did not relate to conditions existing at the date of the Balance Sheet and since the land was with the Company as on the Balance Sheet date, the writing off of land was unwarranted.

As it is mandatory as per Accounting Standard AS-4, 'Contingencies and Events Occurring After the Balance Sheet Date' to provide for impairment of the asset, the same was made and as such there is no understatement of fixed assets or overstatement of depreciation or understatement of profit as remarked.

2. Comments on Profitability

Profit and Loss Account for the year ended 31 March 2007

Profit for the year : ₹. 10.51 crore

The profit for the year is overstated by ₹. 0.43 crore due to :

	(₹. in crore)
i. Non provision for pay revision arrears for the period 2005-06 and 2006-07	0.37
ii) Non provision for service tax liability for the period 2005-06 and 2006-07	0.06
	<u>0.43</u>

Necessary provision made in the accounts for the year 2007-08.

**REPLIES TO COMMENTS OF PRINCIPAL SECRETARY (FINANCE)
ON THE AUDITED ANNUAL ACCOUNTS OF KERALA STATE BACKWARD
CLASSES DEVELOPMENT CORPORATION LTD., FOR THE YEAR 2006-07**

1. *The turnover of the Corporation has increased to ₹.18.17 crore during the period under review from ₹.16.09 crore during the previous year. The profit has improved to ₹.10.51 crore from ₹. 6.07 crore in the previous year.*
2. *The authorized capital of the Corporation may be suitably enhanced to accommodate the advance share capital of ₹. 2.25 crore.*

Government permitted to enhance authorised capital from 50 crores to 100 crores as per G.O (M/S) No.65/07/SCSTDD dated 05/11/2007. The enhancement of authorised capital to 100 crores was effected through a resolution passed by the 2nd Extra Ordinary General Meeting held on 18th March 2008 and necessary filing made with the ROC and allotment was made for the advance share capital of ₹. 2.25 Crores.

3. *The Corporation should quickly formulate and adopt its prudential norms.*

NBFC prudential norms as per RBI notification No. DFC.119/DG(SPT)/98 has been complied to the maximum extent possible in the accounts for the year 2007-08.

The Corporation being a welfare organization it is difficult to comply all the provisions of prudential norms.

4. *Amount payable to Government of Kerala towards Guarantee Commission should be paid immediately*

The amount payable has been remitted to the treasury account and no dues is outstanding.

5. *The issue of recovery of the amount of ₹. 16,37,955.47 misappropriated by late K.R.Mohanam should be settled without further delay. Similarly the case of fraudulent entry in loan passbooks in Alappuzha office should be dealt with quickly.*

Orders have been issued by the Government of Kerala to recover the money from the DCRG of the said employee and the amount due is only ₹. 307,500. The Board is yet to take a decision upon the balance sum due of ₹. 1330,455.47.

A police and departmental enquiry are going on simultaneously 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,

6. *The company should put in place a system of inspections and vigilance to avoid recurrence of fraudulent/misappropriate dealings.*

Internal Audit System; 'Internal Check' and 'Internal Control System' are working at full swing to avoid occurrence of such incidence in future.

The Manager (A&P) has been assigned as Vigilance Officer and empowered to make inspections of all units of the Corporation as per Delegation of Powers resolved by 81st Meeting of the Board of Directors held on 27/07/2005. Sufficient vigilance is ensured to avoid such occurrence in future.

**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 2006-07**

Comments in the Auditors' Report

III (f)

- (i) *The Corporation is following a system of recognising penal interest on the loans given to beneficiaries on accrual basis, which is not consistent with the accounting standard AS -9 'Revenue Recognition' issued by the Institute of Chartered Accountants of India. Such interest recognised as on the balance sheet date is ₹.1100.04 lakhs.*

As per the terms of agreement with the loanees the rate of penal interest is *certain*. As such the Corporation has been consistently following a system of accounting penal interest on accrual Basis, on loans given to beneficiaries and realised accordingly. However, the 'revenue recognition' of penal interest would be changed in a phased manner in compliance of AS 9.

- (ii) *Guarantee fee due for current year paid to the Government of Kerala resulted in an excess payment of ₹. 5.57 lakhs.*

As per the Guidelines of Government, principal and interest outstanding as at the last day of previous financial year is the amount to be considered for computing Guarantee Commission. As such, no excess amount has been paid as per the computation insisted in Govt. Guidelines.

- (iii) *The term deposit ₹. 2546.42 Lakhs with scheduled banks as stated in the balance sheet is subject to confirmation of balance from the bankers concerned and reconciliation, if any.*

During the period only short term deposits against standing instruction, for very short duration ranging from 15 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, deposit-wise details was not received from bank. However detailed information available in the bank statement was made available for audit.

- (iv) *Attention of members is also invited to Schedule No. 15 regarding non-provision in the accounts for funds misappropriated by employees of the Corporation ₹.16.38 Lakhs (Note No. 7); non-compliance with provisions of Micro, Small and Medium Enterprises Development Act, 2006 (Note No. 9); and maintenance of accounts in digital format and a transitional book adjustment of ₹. 898.77 Lakhs (Note No.17).*

We further report that we are not in a position to determine the effect of the above observations made by us in paragraph (i) to (iv).

Necessary disclosure has been made in the Schedule 15 'Notes on Accounts'.

For paras (i) to (iv), necessary explanations is furnished above.

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



**ANNUAL ACCOUNTS
2006-2007**

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

BALANCE SHEET AS AT 31st MARCH 2007

PARTICULARS	SCH. No.		Current Year ₹.	Previous Year ₹.
I. SOURCES OF FUNDS				
(1) Shareholders Funds:				
(a) Share Capital	1		483,100,000	460,600,000
(b) Advance for Share Capital	-		22,500,000	-
(c) Reserves & Surplus	2		500,047,077	482,721,875
(2) Loan Funds :				
(a) Secured Loans	3		1,654,099,381	1,363,954,461
(b) Unsecured Loans	-		Nil	Nil
Total			2,659,746,458	2,307,276,336
II. APPLICATION OF FUNDS				
(1) Fixed Assets	4			
(a) Gross Block			18,883,244	16,079,955
(b) Less: Depreciation			12,900,462	11,257,433
(c) Net Block			5,982,781	4,822,522
(2) Investments			Nil	Nil
(3) Current Assets, Loans & Advances				
(a) Cash & Bank Balances	5	619,038,438		371,611,360
(b) Loans and Advances	6	2,034,907,328		1,938,776,941
(c) Other Current Assets	7	8,530,622		386,726
		2,662,476,388		2,310,775,027
4 Current Liabilities & Provisions				
(a) Current Liabilities	8	2,671,846		5,172,541
(b) Provisions	9	6,040,865		3,148,672
		8,712,711		8,321,213
Net Current Assets (3 - 4)			2,653,763,677	2,302,453,814
Total			2,659,746,458	2,307,276,336
5 Notes on Accounts	15			

The Schedules numbered 01 to 09 and 15 are integral part of this 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
Chairman

Place: Thiruvananthapuram
Date : 10-03-2011

As per Report of date
For **RAVI & SABIN**
Chartered Accountants

(Sd/-)
CA SABIN BABU. A
Partner

**KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED,
THIRUVANANTHAPURAM
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007**

	SCH. No.	Current Year ₹.	Previous Year ₹.
I. INCOME			
Interest Earned	10	171,098,399	153,659,533
Other Income	11	7,914,007	7,253,205
Prior Period Income	-	2,673,172	Nil
Total		181,685,577	160,912,738
II. EXPENDITURE			
Interest expended	12	42,211,463	43,436,242
Payment & Provision for Employees	13	23,913,599	25,013,354
Administrative and Other Expenses	14	8,771,817	8,970,181
Depreciation	04	1,643,029	1,342,302
Total		76,539,907	78,762,079
Profit / (Loss) for the year		105,145,670	82,150,659
III. APPROPRIATION			
Provision for Fringe Benefit Tax		336,715	Nil
Prior Period Adjustments		89,876,875	21,440,625
Transfer to General Reserve		14,932,081	60,710,034
		105,145,670	82,150,659
Basic Earnings per Equity Share of Rs. 100 each		3.24	13.18
Diluted Earnings per Equity Share of Rs. 100 each		3.09	-
Notes on Accounts	15		

The Schedules numbered 01 to 09 and 15 are integral part of this 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
Chairman

Place: Thiruvananthapuram
Date : 10-03-2011

As per Report of date
For **RAVI & SABIN**
Chartered Accountants

(Sd/-)
CA SABIN BABU. A
Partner

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007

		Figures in ₹. Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year		1,051.46
Adjustments for :		
Depreciation	16.43	
Prior period items	(898.77)	
		(882.34)
Operating Profit before Working Capital changes		169.12
Adjustment for (Increase)/Decrease in Working Capital		
Current Assets	(1,042.74)	
Current Liabilities and Provision	3.91	
Cash generated from operations		(1,038.83)
		(869.71)
Direct Taxes Paid		(3.37)
Net Cash from Operating Activities	(A)	(873.08)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(28.03)	
		(28.03)
Net cash used in Investing Activities	(B)	(28.03)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Share Capital	225.00	
Share Application money received	225.00	
Increase in Reverses	23.93	
Long term Loans availed / (Paid) - Net	2,901.45	
Net Cash used in Financing Activities		3,375.38
	(C)	3,375.38
Net Increase in Cash and Cash Equivalents	(A+B+C)	2,474.27
Cash and Cash Equivalents at the beginning of the year		3,716.11
Cash and Cash Equivalents at the end of the year		6,190.38

NOTES :

The Cash Flow Statement has been prepared under 'Indirect Method' as set out in Accounting Standard AS-3 'Cash Statements'

For and on behalf of the Board of Directors

(Sd/-)
V. RAJENDRAN
Company Secretary

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

(Sd/-)
C.T. KRISHNAN
Chairman

Place: Thiruvananthapuram
Date : 10-03-2011

As per Report of date
For **RAVI & SABIN**
Chartered Accountants

(Sd/-)
CA SABIN BABU. A
Partner

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

SCHEDULES FORMATING PART OF ANNUAL ACCOUNTS 2006-07

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
SCHEDULE 01		
SHARE CAPITAL		
Authorised Capital		
50,00,000 Equity shares of Rs. 100 each	500,000,000	500,000,000
Issued, subscribed and paid up capital		
48,31,000 Equity shares of Rs. 100 each fully paidup	483,100,000	460,600,000
(Previous year 46,06,000 Equity shares of Rs. 100 each fully paid up)		
	483,100,000	460,600,000
SCHEDULE 02		
RESERVES AND SURPLUS		
1. General Reserve		
As per last balance sheet	482,721,875	422,011,841
Add : Credit balance in Profit and Loss Account	14,932,081	60,710,034
	497,653,956	482,721,875
2. Special Reserve :		
BCDC Loanees Distress Relief Fund		
Contribution from beneficiaries	2,393,121	Nil
	2,393,121	
Total 1+2+3	500,047,077	482,721,875
SCHEDULE 03		
SECURED LOANS		
a) Term Loan Schemes :		
National Backward Class Finance and Development Corporation	905,487,586	759,182,043
National Minority Development and Finance Corporation	673,507,799	519,565,893
b) Micro Finance Schemes :		
National Backward Class Finance and Development Corporation	30,312,326	46,248,189
National Mionority Development and Finance Corporation	44,791,670	38,958,336
	1,654,099,381	1,363,954,461
SCHEDULE 04		
FIXED ASSETS		
(See Next Page)		

SCHEDULE - 04

K.S.B.C.D.C

STATEMENT OF FIXED ASSETS AS ON 31-03-2007

Amount in Rs.

Sl. No.	Description of Assets	GROSS BLOCK (AT COST)				DEPRECIATION / IMPAIRMENT					NET BLOCK	
		as on 01.04.06	Additions	Sales/ Adj.	as at 31.03.07	Rate in %	as at 31.03.06	Sales/ Adj.	For the Year	as at 31.03.07	as at 31-03-2007	as at 31-03-2006
1	Freehold Land	483,332.00	-	-	483,332.00	-	-	-	483,332.00	483,332.00	-	483,332.00
2	Furniture & Fixtures	3,215,218.18	270,232.00	-	3,485,450.18	18.1	2,287,900.71	-	207,545.59	2,495,446.30	990,003.88	927,317.47
3	Office Equipment	1,250,736.20	4,765.00	-	1,255,501.20	13.91	760,526.01	-	73,314.99	833,841.00	421,660.20	490,210.19
4	Electrical Fittings	677,589.40	16,880.00	-	694,469.40	20	338,455.03	-	56,287.01	394,742.04	299,727.36	339,134.37
5	Computers	4,804,097.00	1,190,856.00	-	5,994,953.00	40	3,534,278.89	-	461,569.98	3,995,848.87	1,999,104.13	1,269,818.11
6	Vehicles	5,648,982.00	1,320,556.00	-	6,969,538.00	25.89	4,336,272.78	-	360,979.38	4,697,252.16	2,272,285.84	1,312,709.22
	Total	16,079,954.78	2,803,289.00	-	18,883,243.78	-	11,257,433.42	-	1,643,028.95	12,900,462.37	5,982,781.41	4,822,521.36
	Previous Year	14,960,583.78	1,119,371.00	-	16,079,954.78	-	9,915,131.05	-	1,342,302.37	11,257,433.42	4,822,521.36	5,066,009.73

19

NOTES :-

1. The Gross Block as on 31-03-2007 do not involve any foreign exchange for its acquisition
2. Impairment for the year is disclosed in Note No. 3 to Schedule 15.

SCHEDULE 05**CASH AND BANK BALANCES**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Cash on Hand	2,857,455	2,346,174
Stock of Stamps	22,262	29,028
Balance with scheduled banks :		
In Current Accounts	27,653,749	83,320,222
In Savings Bank Accounts	1,572,366	3,232,325
In Term Deposit Accounts	254,642,148	233,903,246
Funds in transit	249,000,000	640,000
Balance with Government of Kerala Treasury SB Account (The account is held as per instructions from Government of Kerala and none of the Directors are interested in this deposit Maximum balance outstanding at any time during the year Rs. 832.90 Lakhs; Previous Year Rs. 531.40 Lakh)	83,290,459	48,140,365
	619,038,438	371,611,360

SCHEDULE 06**LOANS AND ADVANCES (Unsecured considered good)**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
a) General Term Loans :		
i) Loans out of NBCFDC Funds	791,738,005	
Add: Interest accrued and due	51,787,213	
	843,525,218	802,266,129
ii) Loans out of NMDFC Funds	573,128,559	
Add: Interest accrued and due	20,806,343	
	593,934,902	479,942,461
b) Micro Finance Scheme :		
i) Loans out of NBCFDC Funds	9,936,681	
Add: Interest accrued and due	68,420	
	10,005,101	37,048,513
ii) Loans out of NMDFC Funds	9,578,183	
Add: Interest accrued and due	17,943	
	9,596,126	22,389,526
c) Loans out of Own Funds	408,712,318	
Add: Interest accrued and due	21,386,554	
	430,098,872	354,695,678
d) Loan out of HUDCO Fund	26,463,330	
Add: Interest accrued and due	10,932,194	
	37,395,524	39,152,715
e) Employees Personal Loan Scheme	347,101	5,817,319
f) Penal interest accrued	110,004,484	197,464,600
	2,034,907,328	1,938,776,941

SCHEDULE 07**OTHER CURRENT ASSETS**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Recoverable in cash or kind for value to be received	2,251,974	386,726
Interest accrued but not due on deposits with Banks	39,822	-
Income tax deducted at source	531,631	-
Interest Receivable	4,956,286	-
BCDC Loanees Distree Relief Fund Receivable	750,908	Nil
	8,530,621	386,726

SCHEDULE 08**CURRENT LIABILITIES**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Creditors for Expenses	1,713,706	5,172,541
Security Deposits	15,145	-
Loan repayable	848,495	-
Training Assistance Fund from NMDFC	94,500	-
	2,671,846	5,172,541

SCHEDULE 09**PROVISIONS**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Fringe Benefit Tax Payable	336,715	-
Gratuity Payable	3,590,410	3,148,672
Guarantee Commission - OB	13,340	-
Earned Leave Salary	2,100,400	-
	6,040,865	3,148,672

SCHEDULE 10**INTEREST EARNED**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Interest on Term Loans	86,303,130	106,199,321
Interest on Micro Finance		
Interest on Employees Personal Loan Scheme	50,328	115,853
Interest from Banks	13,060,163	9,114,189
Interest from SB Accounts	2,361,735	1,845,851
Penal Interest	76,742,079	36,384,319
Interest waiver allowed in Adalath	(7,419,037)	-
	171,098,399	153,659,533

SCHEDULE 11**OTHER INCOME**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Interest Rebate from NBCFDC	1,714,896	1,864,094
Interest Rebate from NMDFC	870,670	1,234,959
Loan Process Fee	3,297,792	2,301,542
Miscellaneous Receipts	2,030,649	1,852,610
	7,914,007	7,253,205

SCHEDULE 12**INTEREST EXPENDED**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
NBCFDC Fund	19,190,605	18,804,295
NMDFC Fund	12,448,179	13,044,674
Guarantee Fee to Govt. of Kerala	10,572,679	10,274,704
Others	-	1,312,569
	42,211,463	43,436,242

SCHEDULE 13**PAYMENT AND PROVISION FOR EMPLOYEES**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Salaries, Allowances and Bonus	21,960,012	23,555,946
Contribution to Provident and Other Funds	1,778,392	1,444,027
Staff Welfare Expenses	175,195	13,381
	23,913,599	25,013,354

SCHEDULE 14**ADMINISTRATION AND OTHER EXPENSES**

	CURRENT YEAR ₹.	PREVIOUS YEAR ₹.
Rent, Rates, Taxes and Insurance	1,539,870	1,420,917
Printing & Stationery	1,263,148	1,004,943
Postage and Telephone Charges	1,461,394	1,643,914
Travelling & Conveyance	722,280	717,456
Loan Mela and Awareness Programme Expenses	176,191	697,346
Audit Fee	46,000	25,000
Fee for Professional Services	305,818	429,226
Filing Fee	11,350	-
Electricity and Water Charges	279,448	291,821
Advertisements	689,679	542,327
Maintenance & Up-keep	1,227,407	1,227,703
General Expenses	719,232	749,528
Scholarships	330,000	220,000
	8,771,817	8,970,181

SCHEDULE-15

NOTES ON ACCOUNTS

I. Significant Accounting Policies

a Accounting Concepts:

The financial statements have been prepared under historical cost convention, on an accrual basis of accounting, in conformity with the accounting principles generally accepted in India and the applicable mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956. However, taxes, other Government levies, income, and expenses that cannot be identified with certainty are accounted for on cash basis.

b. Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost less depreciation. Costs comprise of cost of acquisition, cost of improvements and any cost attributable for bringing the asset to the condition of its intended use. Interest on loans, if any, taken for procurement of specific assets accrued up to the date of acquisition / installation of the said asset is capitalized along with the cost of the asset.
- b) Depreciation has been provided on written down value method on all fixed assets in accordance with Schedule XIV of the Companies Act, 1956. In respect of assets added/ disposed of during the year, depreciation is charged on pro-rata basis with reference to the date of addition / disposal. Individual assets costing less than 5000 rupees is fully written off in the year of purchase.
- c) Expenditure on computer software is capitalized along with computers and depreciation is charged at the prescribed rates.
- d) Impairment: At each balance sheet date, the Corporation reviews the carrying value of tangible and intangible assets for any possible impairment. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount

c. Impairment of Assets:

Carrying amount of assets is reviewed at each balance sheet date, if there is indication of impairment, based on the internal and external factors. The assets are treated as impaired when the carrying amount of the assets exceeds its recoverable amount and such impairment loss is charged to Profit and Loss account in the year in which such impairment is identified. The impairment loss recognised in prior accounting period(s) is reversed to the extent of decrease in the impairment loss.

d. Investments

Long term investments are carried at cost. However, provision for diminution in the value is made only if such a decline is other than temporary in the opinion of the management.

e. Revenue Recognition

- a) Interest on loans and advances to borrowers is recognised on accrual basis.
- b) Penal interest on delay in repayments is recognised on realization in accordance with Accounting Standard AS - 9 since realization of this income is uncertain; however, penal interest relating to current period realised in subsequent year(s) are recognised during the current year itself.
- c) Any other income is recognized as and when it is received.

f. Grants sanctioned by Government or the channel partners for programmes undertaken for the development of the target group are recognised and deducted from related expenses in the profit and loss account. Unspent grants and grants received in advance are taken to current liabilities. Grants receivable as compensation for expenses incurred in a previous, accounting period are recognised in the profit and loss account of the period in which it becomes receivable.

g. Retirement Benefits

Retirement benefits to employees are provided for by contribution to provident and other funds. The accrued liability for gratuity and leave encashment are ascertained under the assumption that such benefit is payable to all employees at the end of the accounting year. Contribution as is applicable to the employees on deputation is paid to the respective parent Departments.

h. Taxation

Provision for income tax has not been made in the accounts as the income of the Corporation is exempt under section 10(26B) of the Income Tax Act, 1961, Consequently the Accounting Standard AS-22 on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India on deferred taxes is not applicable to the Corporation.

Provision for taxation on fringe benefits is made in accordance with the "provisions of the income Tax Act, 1961 and the relevant Finance Act.

i. Dividend

Final dividend proposed by the Board of Directors and dividend tax due thereon as provided in the accounts is subject to approval of members at the Annual General Meeting.

j. Contingent Liabilities

Contingent liabilities are disclosed by way of notes to the balance sheet. Provision is made in the accounts in respect of those contingencies that are likely to materialise into liabilities after the year-end, until the finalisation of the accounts that have material effect on the position stated in the balance sheet.

k. Prior Period Items

Identifiable items of income and expenditure pertaining to previous years are accounted in prior period expenses / income account.

II. Notes on Account:

1. Secured Loan represent loan availed from National Backward Classes Finance and Development Corporation, and National Minority Development and Finance Corporation, bearing interest as determined by the said agencies from time to time and are repayable in four installments as and when demanded by the national agencies. A penal interest is payable for default, if any. The loans have been fully covered under a block guarantee given by the Government of Kerala.
2. During the year the Corporation set up a fund styled 'BCDC Loanees Distress Relief Fund' which is considered adequate to meet any future contingencies that may arise out of death or accidental disablement of the loanees. The Fund is raised out of one-time marginal contribution from the beneficiaries, appropriation of a certain portion of the annual profits of the Corporation as determined by the Board of Directors of the Corporation from time to time, and out of possible contributions from Related Parties. The reserve is not represented by any earmarked investments.

3. The Corporation was in possession of 80.5 cents of freehold land in Thiruvananthapuram which has been surrendered to Government of Kerala for the development of the Trivandrum International Airport. Though there were promises to provide alternate immovable property, in lieu of monetary consideration, the matter is still pending before the Government. However, the asset has been written off in accordance with the accounting standard AS-28 'Impairment of Assets' issued by the Institute of Chartered Accountants of India.
4. In the opinion of the Directors, the Current Assets, Loans & Advances have the value as stated in the balance sheet if realised in the ordinary course of business. The balances stated under current liabilities are subject to confirmation and reconciliation from the parties concerned.
5. The Corporation is holding registration as a Non-Banking Financial Company with Reserve Bank of India. In view of the Notification No. DNBC (PD) CC No. 12/02-02/99-2000 dated 13-01-2000, being a Government Company, the Corporation is exempted from following the prudential norms applicable to non-banking financial institutions. However, the Corporation is in the process of formulating its own norms for making provisions on certain overdue loans since the business carried on has been categorized as "financial institution".
6. Loans and Advances of Rs. 2034,907,328 (Previous Year Rs. 1938,776,941) consists of 60,695 loan accounts and are subject to confirmation by the borrowers. The beneficiaries' loan pass books, the recovery notices issued from time to time and not disputed by the borrowers is considered as a vogue alternative to balance conformation. Consistent follow-up is being made to obtain the individual confirmations for all loan accounts.
7. Advances Recoverable include Rs. 1637,955.47 misappropriated by the late K R Mohanan at District Office, Idukki. Orders have been issued by the Government of Kerala to recover the money from the DCRG due to the said individual; however, the possible amount of recovery is limited to Rs. 307,500. The Board is yet to take a decision upon the fate of the balance sum due Rs. 1330,455.47. No provision has been made in this respect in the books of account.
8. Certain beneficiaries' who availed loans from the Alappuzha District Office has raised an allegation that the watchman of the said District Office has collected repayments made by them against the loan accounts and marked entries in loan pass books. However, the Corporation is yet to quantify the money fraudulently collected by the delinquent employee, and the extent of possible forgery he has made on the loan records. No provision has been made in this respect in the books of account.
9. As the management is in the process of obtaining requisite information pertaining to parties who may be falling within the purview of Micro, Small and Medium Enterprises Development Act, 2006, the disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act have not been disclosed herein.
10. Interest accrued but not due represent interest accrued on term deposits with scheduled banks.
11. Payment to Directors of the Company:

Sl.No.	Particulars	Current Year	Previous Year
		₹.	₹.
a.	Salaries & Allowances (Managing Director)	395,589	300,027
b.	Honorarium to Chairman	11,867	24,000
c.	Travelling Expenses (Managing Director)	149,020	167,715
d.	Travelling Expenses (Directors)	72,007	114,100
e.	Leave Travel Concession	NIL	NIL
f.	Sitting Fee	12,000	30,938
g.	Value of Perquisites in cash or in kind	NIL	NIL

12. Debit due by Directors or other Officers of the Company and the maximum amount outstanding at any time during the year.

	Maximum amount due at Any time during the year	Amount due at the close of the year
Directors	Nil (Previous Year Nil)	Nil (Previous Year Nil)
Officers	Nil (Previous Year Nil)	Nil (Previous Year Nil)

13. The remuneration to statutory auditors for statutory audit of accounts (net of service tax) for the year is Rs. 46,000 (Previous year is Rs. 46,000), for other services Rs. NIL (Previous Year Rs. NIL).

14. The information required as per item 4C of Part II of Schedule VI to the Companies Act about licensed capacity, installed capacity and quantitative particulars of the consumption of raw material, turn over etc are not applicable to the Company.

15. Information required as per item 4D of Part II of Schedule VI to the Companies Act :

a) Value of Imports calculated on CIF basis	NIL	Previous Year	NIL
b) Expenditure in foreign currency	NIL	"	NIL
c) Amount remitted in foreign currency towards dividends	NIL	"	NIL
d) Earning In Foreign exchange	NIL	"	NIL
e) Value imported and indigenous raw material, spare parts and components, consumed and % of each to total consumption	NIL	"	NIL

16. Every employee who has completed five years or more service receives gratuity on leaving the Corporation at 15 days last drawn salary for each completed year of service. The present value of obligation is determined on arithmetical basis on the' assumption that such benefits are payable to all employees at the end of the accounting year. Provision for earned leave salary has been provided for based on the eligible leaves of each employee as at the balance sheet date .

17. During the year the Corporation switched over to the in-house software 'BCDC Online' to monitor its lending business all over Kerala State. The adjustments that were required in the accounts for transition into 'BCDC Online' have been charged to Prior Period Adjustments and adjusted in the Profit and Loss Account for the year. The statutory financial books of account are maintained with the aid of Tally Accounting Software in the head office and branches of the Corporation. The strength and reliability of the software's have been vetted thoroughly by the System Administrator of the Corporation as fool-proof, and has been relied upon by the Statutory Auditors.

18. Since the Corporation has only one reportable business segment which is providing finances at concessional rate of interest to eligible persons belonging to the backward classes of Kerala State. Accordingly, no separate disclosures of segment information have been made as per Accounting Standard AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

19. As per Accounting Standard AS-18 on Related Party disclosures issued by the Institute of Chartered Accountants of India, the disclosure of transactions with related party as defined in the Accounting Standard are given below :

- a) Nature of relationship of related parties as identified by the Corporation and relied upon by the Auditors:

Nature of Relationship	Nature of Related Party
Entities having significant influence in the enterprise	a. National Backward Classes Finance and Development Corporation (NBCFDC)
	b. National Minority Development and Finance Corporation (NMDFC)
Key Management Personnel	Mr. B. Dileep Kumar, Managing Director

b) Transactions with related parties during the year :

Transactions with NBCFDC and NMDFC	NBCFDC		NMDFC	
	Term Loan Scheme	Micro Fin. Scheme	Term Loan Scheme	Micro Fin. Scheme
Opening balance	759,182,043	46,248,189	519,565,893	39,791,669
Funds Received during the year	270,000,000	Nil	230,000,000	15,000,000
Repayment during the year	123,694,457	15,935,863	76,058,094	9,999,999
Closing Balance	905,487,586	30,312,326	673,507,799	44,791,670
Interest due and paid	18,379,824	810,781	12,201,412	246,767
Key Management Personnel Remuneration Paid	Rs. 395,589 (Previous Year Rs. 300,026)			

20. The disclosure required by Accounting Standard 19 - "Leases" : The Corporation has taken various offices and residential premises under operating lease or license agreements. These are generally not non-cancelable and range between 11 months to 3 years and are renewable by mutual consent on mutually agreeable terms. The Corporation has given refundable, interest free security deposits under these agreements. Lease payments are recognised in the Profit and Loss Account under 'Rent' in Schedule 14.

21. Earnings per share

Earnings per equity share are calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. However, the fresh issue of equity shares made by the Corporation on 30 March 2007 has not been considered. The numbers used in calculating basic and diluted earnings per equity share are as stated below :

Sl. No.	Description	Current Year	Previous Year
(a)	Net Profit available for equity shareholders in Rupees	14,932,081	60,710,034
(b)	Weighted average number of equity shares in Nos.	48,31,000	46,06,000
(c)	Basic Earnings per share (Face Value ₹. 100 each)	3.24	13.18
(d)	Diluted Earnings per share (Face Value ₹. 100 each)	3.09	-

22. Claim against the company not acknowledged as debt Rs. Nil (Previous Year Nil)
23. Contingent Liabilities not provided for
 - a) The Central Excise & Customs Department has raised a demand of Rs. 626,790 towards Service Tax due for the fiscal years 2005-06 and 2006-07, which is being disputed by the Corporation. The Corporation has approached the Competent Authority seeking exemption under section 93 of the Finance Act, 1991 and similar representations made before the Service Tax authorities, Thiruvananthapuram is pending for final disposal. No liability has been provided for in this respect in the accounts.
 - b) The Government of Kerala has raised a demand for Rs. 57,354 towards penal interest on delayed payment of guarantee fee paid for the current financial year.
24. The previous year's figures have been recast and regrouped wherever necessary to suit current year's groupings. Current year figures have been rounded off to the nearest rupee, wherever applicable.

25. Balance Sheet Abstract and Company's Business Profile.

I. Registration Details

Registration Number	CIN	U75122KL 1995SGC008705	
State Code	09	Balance Sheet Date	31-03-2007

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	22,500

III. Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	2,668,459	Total Assets	2,668,459
<i>Source of Funds</i>			
Paid up Capital	505,600	Reserve and Surplus	500,047
Secured Loans	1,654,099	Unsecured Loans / deposits	Nil
<i>Application of funds :</i>			
Net Fixed Assets	5,983	Investments	Nil
Net Current Assets	2,653,763	Miscs. Expenditure	Nil
Accumulated Losses	Nil		

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

Turnover	181,686	Total Expenditure	76,540
Profit/(Loss) before Tax	105,146	Earnings per share	3.09
Dividend rate	Nil		

V. Generic Names of Three Products / Services of the Company (As per monetary terms)

Item Code No. (ITC Code)
Product Description

For and on behalf of the Board of Directors,

Sd/-
V. RAJENDRAN
Company Secretary

Sd/-
I.A. CHAKKO
Managing Director

Sd/-
C.T. KRISHNAN
Chairman

Place: Thiruvananthapuram

Date : 10-03-2011

As per our Report of date
For **RAVI & SABIN**
Chartered Accountants
(Sd/-)
CA SABIN BABU. A
Partner



GOVERNMENT OF KERALA

Finance (PUC) Department

Thiruvananthapuram

Dated: 18-05-2011

No. 21988/PUC3/2010/Fin.

From

The Principal 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:- KSBCDC Ltd., Audited Annual Accounts for the year 2006-07
Comments forwarding of - reg :-

Ref:- Your D.O. Lr. No. A2/2006-07/KSBCDC dated : 14-03-2011

The Comments of Principal Secretary (Finance) on the Audited Annual Accounts of Kerala State Backward Classes Development Corporation Ltd. for the year 2006-07 is forwarded herewith and you are requested to forward 5 printed copies of Annual Report incorporating the above comments to this Department.

Yours faithfully

N.M. RAVEENDRAN

Deputy Secretary (Finance)
for Principal Secretary (Finance)

Approved for Issue

Sd/-

Section Officer



GOVERNMENT OF KERALA

NO. 21988 / PUC3 / 11 / FIN.

FINANCE (PUC) DEPARTMENT

COMMENTS OF PRINCIPAL SECRETARY (FINANCE) ON THE AUDITED ANNUAL ACCOUNTS OF KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED FOR THE YEAR 2006 - 2007

1. The turnover of the Corporation has increased to ₹. 18.17 crore during the period under review from ₹. 16.09 crore during the previous year. The profit has improved to ₹. 10.51 crore from ₹. 6.07 crore in the previous year.
2. The authorized capital of the Corporation may be suitably enhanced to accommodate the advance share capital of ₹. 2.25 crore
3. The Corporation should quickly formulate and adopt its own prudential norms.
4. Amount payable to Government of Kerala towards Guarantee Commission should be paid immediately.
5. The issue of recovery of the amount of ₹. 16,37,955.47 misappropriated by late K.R. Mohanan should be settled without further delay. Similarly the case of fraudulent entry in loan pass books in the Alapuzha office should be dealt with quickly.
6. The company should put in place a system of inspections and vigilance to avoid recurrence of fraudulent / misappropriate dealings.

Sd/-

Dr. A.K. DUBEY

Principal secretary (Finance)

Thiruvananthapuram

Dated : 13-05-2011

RAVI & SABIN

CHARTERED ACCOUNTANTS

29, Subhash Nagar, Airport Road, Thiruvananthapuram-695 008, India

☎ : 91-471-2471352, 2476196 Fax : 2469462

PAN : AACFR76531; STR : AACFR76531LST001

E-mail : ravi.sabin@vsnl.net

AUDITORS' REPORT

TO THE MEMBERS OF

KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LTD.

- I. We have audited the attached Balance Sheet of **KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED** as at 31st March 2007, and the Profit and Loss Account and the Cash Flow Statement of the Corporation for the year ended on that date, annexed thereto. These financial statements are the responsibility of the management of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.
- II. 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 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.
- III. We report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit
 - b) In our opinion, proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books
 - c) The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) 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.
 - e) It being a Government Corporation, pursuant to the Notification No. GSR 829 (E) dated 21-10-2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 are not applicable to the Corporation;
 - f) On the basis of the audit as indicated above, attention of the members is drawn to the following :
 - i) The Corporation is following a system of recognising penal interest on the loans given to beneficiaries on accrual basis, which is not consistent with the accounting standard AS-9 'Revenue Recognition' issued by the institute of Chartered Accountants of India. Such interest recognised as on the balance sheet date is ₹. 1100.04 Lakhs.

- ii) Guarantee fee due for current year paid to the Government of Kerala resulted in an excess payment of ₹. 5.57 Lakhs.
- iii) The term deposit ₹. 2546.42 Lakhs with scheduled banks as stated in the balance sheet is subject to confirmation of balance from the bankers concerned and reconciliation, if any.
- iv) Attention of members is also invited to Schedule No. 15 regarding non-provision in the accounts for funds misappropriated by employees of the Corporation ₹. 16.38 Lakhs (*Note No. 7*); non-compliance with provisions of Micro, Small and Medium Enterprises Development Act, 2006 (*Note No.9*); and maintenance of accounts in digital format and a transitional book adjustment of ₹. 214.41 Lakhs (*Note No. 17*).

We further report that we are not in a position to determine the effect of the above observations made by us in paragraphs (i) to (iv).

- (g) In our opinion, and to the best of our information and according to the explanations given to us, and subject to paragraph III (f) above, the said accounts read with the Significant Accounting Policies and Notes on Accounts thereon in Schedule 15, 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:
 - i. in the case of Balance Sheet, of the state of affairs of the Corporation as at 31 March 2007;
 - ii. in the case of the Profit and Loas Account, of the profit for the year ended on that date, and
 - iii. in the case of Cash Flow Statement, of the cash flows of the Corporation for the year ended on that date.
- IV. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of Indian in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we set out below a statement on the matters specified in paragraph 4 and 5 of the said Order.
 - 1
 - a) The Corporation has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) Annual physical verification of fixed assets has been carried out by the management, which in our opinion is considered reasonable having regard to the size and nature of Its assets. No material discrepancies were noticed on such verification.
 - c) Major/ substantial part of the fixed assets has not been disposed off during the year.
 - 2 The Corporation does not have inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable to it.
 - 3
 - a) The Corporation has not granted any loans secured or unsecured to any Company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the clauses (iii) (b), (iii) (c), and (iii) (d) are not applicable.
 - b) The Corporation has not taken any loans secured or unsecured from any Company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the clauses (iii) (f), and (iii) (g) are not applicable.
 - 4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Corporation and nature of its business

for purchase of fixed assets and for realization of its income During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.

5. The Corporation had no transaction that required to be entered in the register maintained under section 301 of the Companies Act, 1956 and hence clauses (v) (a) and (v) (b) is not applicable.
6. The Corporation has not accepted deposits from the public and therefore, provisions of Clause (vi) of the Order are not applicable.
7. On the basis of information furnished to us, the Corporation is in the process of implementing a full-fledged internal audit system that commensurate with the size and nature of its business; however, the said internal audit system did not apply to the financial year covered by our audit.
8. The maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 is not applicable to the Corporation.
- 9
 - a) Undisputed statutory dues including income tax, sales tax, wealth tax, Cess, provident fund, and other statutory dues have generally been regularly deposited within a period of six months from the date they became payable with appropriate authorities.

We are informed that the provisions related to income tax, excise duty, customs duty, service tax, investors' education and protection fund, employees' state insurance, etc., along with related provisions of clause (ix) (b) are not applicable to the Corporation.
 - b) According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty, and cess, which have not been deposited on account of any dispute.
- 10 The Corporation has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 11 In our opinion and according to the information and explanation given to us, the Corporation has not defaulted in repayment of dues to a financial institution, or bank The Corporation has no debenture holders.
- 12 The Corporation has not granted any loans and advances on the basis of security by way of pledge of shares, and other securities and hence clause (xii) is not applicable.
- 13 The Corporation is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- 14 The Corporation is not dealing in or trading in shares, securities, debentures, and other investments and accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- 15 The Corporation has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 To the best of our knowledge and belief and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- 17 The Corporation has not used funds raised on short term basis for long-term investment. No long-term funds have been used to finance short-term assets, except permanent working capital.

- 18 During the year the Corporation allotted 225,000 fully paid equity shares of ₹. 100 each to the Governor of Kerala as per directions in the Government of Kerala Order No.191/07/SCSTDD DATED 24-02-2007.
- 19 The Corporation did not issue any debentures nor have any outstanding debentures during the year.
- 20 The Corporation has not raised any money through a public issue during the year.
- 21 In our opinion and according to the information and explanations given to us, no material fraud on or by the Corporation has been noticed or reported during the year.

(Sd/-)

CA SABIN BABU. A
(Membership No. 203719)
Partner

For **RAVI & SABIN**
Chartered Accountants

Thiruvananthapuram
10-03-2011



भारतीय लेखा तथा लेखापरीक्षा विभाग,
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
प्रधान महालेखाकार (सिविल एवं वाणिज्यिक लेखापरीक्षा)
का कार्यालय
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL
(CIVIL & COMML. AUDIT)
केरल, तिरुवनन्तपुरम - 695 001
KERALA, THIRUVANANTHAPURAM - 695 001
P.B. No. 5608

No. CA IV/B/12- 6486/32

Dated : 11-05-2011

To

The Managing Director
Kerala State Backward Classes Development Corporation Ltd.,
T.C. 27/588 (7) & (8), "SENTINEL",
2nd Floor, Pattoor, Vanchiyoor. P.O.
Thriuvananthapuram - 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 2007.

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 2007.

The draft comments on accounting of penal interest income on accrual basis, contrary to AS 9 and to the Company's significant accounting policies; non disclosure of the nature of security in the case of term loan schemes and micro finance scheme under 'Secured Loans' and that on non disclosure of separate details regarding rent, rates & taxes were dropped on the basis of assurance to correct the same in the accounts for the year 2008-09. It may also be noted that if 'Interest on term loans' includes interest on Micro Finance Schemes, own funds and HUDCO funds, the nomenclature of the account may be changed suitably.

With respect to item No. 23 (a) of the Notes forming part of the Accounts, it is brought to your notice that the application made by the Company under Section 93(1) of the Finance Act, 1994 cannot be treated as a dispute. Rather, it is in the nature of a request made to the Government of India for exempting the Company from the purview of Service Tax. Moreover, the Company has registered itself with CBEC and had also paid the entire service tax demand made by the Department. Hence the first part of the note pertaining to the service tax demand being disputed is incorrect and may be corrected in the accounts for the year 2008-09.

The amount of ₹. 214.41 lakh, as stated in Para No. III (f) (iv) of the Auditor's Report may be corrected as ₹. 8 crore during the printing of the accounts.

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 2006-07 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 2007 को समाप्त वर्ष के लिए दि केरला स्टेट बकवार्ड 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 LTD., THIRUVANANTHAPURAM FOR THE YEAR ENDED 31 MARCH 2007.

The preparation of financial statements of **Kerala State Backward Classes Development Corporation, Ltd. Thiruvananthapuram** for the year ended 31st March 2007 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 **10 March 2011**.

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 2007**. 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

Fixed Assets (Schedule 4) - ₹. 0.60 crore

This stands understated by ₹. 0.05 crore due to writing off the value of 80.5 cents

of land, based on the decision of Government of Kerala (June 2007) to take over the same. In accordance with AS 4, since the decision to take over the land did not relate to conditions existing at the date of the Balance Sheet and since the land was with the Company as on the Balance Sheet date, the writing off of land was unwarranted.

2. COMMENTS ON PROFITABILITY

Profit & Loss Account for the year ended 31st March 2007

Profit for the year : ₹. 10.51 crore

The profit for the year is overstated by ₹. 0.43 crore due to :

	(₹. in crore)
i. Non provision for pay revision arrears for the period 2005-06 and 2006-07	0.37
ii. Non provision for service tax liability for the period 2005-06 and 2006-07	<u>0.06</u>
	<u>0.43</u>

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

Sd/-

जी.एन. सुन्दर राजा
G.N. SUNDER RAJA

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

तिरुवनन्तपुरम
Thiruvananthapuram
Date : 11-05-2011