



Govt. of Karnataka



**THE KARNATAK STATE FOREST  
INDUSTRIES CORPORATION LIMITED**

**43<sup>rd</sup> ANNUAL REPORT  
2015-2016**

"Vanavikas", 3<sup>rd</sup> Floor, 18<sup>th</sup> Cross  
Malleshwaram, Bangalore - 560 003



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

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REGD.NO. 2314



**THE KARNATK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
**(A GOVERNMENT OF KARNATAKA UNDERTAKING)**

*Registered Office:*

“VANA VIKAS” 3<sup>rd</sup> Floor, 18<sup>th</sup> Cross, Malleshwaram, Bangalore-560 003, Phone: 23345476, 23346 193-94, 23360557  
Tele Fax: 941-080-23345476

No. KSFIC/43-AGM/2016-17

**NOTICE**

**TO ALL THE SHARE HOLDERS**

NOTICE is hereby given that the 43<sup>rd</sup> Annual General Meeting of the Members of the Karnatak State Forest Industries Corporation Limited will be held on Monday the 26<sup>th</sup> day of December, 2016 at 12.00 P.M at the Registered office the Company, at Vanavikas, 18<sup>th</sup> Cross, Malleshwaram, Bangalore 560 003 to transact the following business:

**ORDINARY BUSINESS:**

- 01 To receive, consider and adopt
  - a) the audited standalone financial statements of the Company for the financial year ended 31<sup>st</sup> March, 2016 and the Reports of the Auditors and Directors together with the comments received from the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013
  - b) the audited consolidated financial statements of the Company for the financial year ended 31<sup>st</sup> March, 2016 and the Reports of the Auditors together with the comments received from the Comptroller and Auditor General of India under section 143(6)(a) of the Companies Act, 2013.
- 02 To authorize the Board of Directors to fix the remuneration to the Statutory Auditors M/s. NKD & Co., Chartered Accounts, Bengaluru who have been appointed as Statutory Auditors of the Company for the financial year 2016-17 by the Comptroller and Auditor General of India. New Delhi.

**By Order of the Board**

Sd/-

**(CS SHASHIDHARA G.S.)**  
**COMPANY SECRETARY IN PRACTICE**

Place : Bengaluru  
Dated : 14.12.2016

**NOTE:**

- 01 member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need be a member of the Company.
- 02 The Company being a Government Company, the Comptroller and Auditor General of India, New Delhi has appointed M/s. NKD & Co., Chartered Accounts, Bengaluru as Statutory Auditors of the Company for the financial year 2016-17 pursuant to the provisions of sub-section (5) of Section 139 of the Companies Act, 2013, vide letter dated 11.08.2016.



43<sup>rd</sup> Annual Report  
2015-2016



## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED

H.O.: "Vanavikas", 3rd Floor, 18th Cross, Malleshwaram, BANGALORE - 560 003

### UNITS

Saw Mills	:	Shimoga, Dandeli
Wood Preservation Plant	:	Shimoga
Block Board, Flush Door and Sandalwood white chips powder plant	:	Timber Yard Layout, Mysore Road, Bangalore.
Firewood	:	Shimoga, Dharwad, Mysore, Bangalore, Mangalore and Sirsi
Project	:	Plantation of Acacia/Eucalyptus Pulpwood and Medicinal plants at Banavasi (Uttara Kannada)
Logging works in the Forest Division	:	Shimoga, Dharwad, Sirsi, Mysore, Bangalore and Mangalore
Raw Materials Procurement	:	Bangalore



## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED

### 43<sup>rd</sup> Annual Report 2015-2016

BOARD OF DIRECTORS		FROM	TO
Sri T. Ishwar	Chairman	24.11.2014	24.08.2016
Sri Ramanath Rai	Chairman & Hon'ble Minister of Forests	25.08.2016	01.11.2016
Sri S.E. Sudheendra	Chairman	02.11.2016	
Sri M. Madan Gopal, IAS	Director & Additional Chief Secretary	22.02.2014	31.12.2015
Sri Mahendra Jain, IAS	Director & Additional Chief Secretary	08.02.2016	23.04.2016
Sri T.M. Vijaya Bhaskar, IAS	Director & Additional Chief Secretary	23.04.2016	
Sri G.V. Sugur, IFS	Director & PCCF (HOFF)	23.01.2014	30.06.2015
Sri Vinay Luthra, IFS	Director & PCCF (HOFF)	24.07.2015	31.03.2016
Sri A.K. Singh, IFS	Director & PCCF (HOFF)	01.04.2016	30.06.2016
Sri R.S. Suresh, IFS	Director & PCCF (HOFF)	16.08.2016	
Sri Kanwarpal, IFS	Managing Director	06.01.2014	31.07.2015
Sri R. S. Suresh, IFS	Managing Director	31.07.2015	30.06.2016
Sri K. S. Sugara, IFS	Managing Director	02.07.2016	31.10.2016
Sri A.K. Garg, IFS	Managing Director	01.11.2016	
Sri Selva Kumar, IFS	Director & MD, KFDC	01.04.2016	36.04.2016
Sri Vijaykumar Gogi, IFS	Director & Secretary Forest	28.09.2015	26.04.2016
Smt. Padmavathi	Director & S.O. Finance Dept	15.04.2015	26.04.2016
Sri M. Shankar	Director	26.04.2016	
Sri M. Lakkanna	Director	26.04.2016	
Sri H. Narasimhaiah	Director	26.04.2016	
Sri Rajashekar S Salimath	Director	26.04.2016	
Sri Chikkaswamy	Director	26.04.2016	
Sri Chkkerevasukuttappa	Director	26.04.2016	
Sri Mohammed Hussien	Director	26.04.2016	
Sri L. Nagendra Swamy	Director	26.04.2016	

#### Registered Office

"Vanavikas", 3rd Floor,  
18th Cross, Malleshwaram,  
Bangalore - 560 003.

#### Auditors

**M/s R. Singhvi & Associates**  
Chartered Accounts  
F-113, Central Chambers, Ground Floor  
2nd Main, Gandhinagar  
Bangalore- 560 009

#### Company Secretary

**CS. G.S. Shashidhara**  
Company Secretary  
No. 993A, 'SECRETARIAT'  
37th Cross, 22nd Main, 4th 'T' Block,  
Jayanagar, Bangalore-560 041.





**THE KARNATAK STATE FOREST INDUSTRIES  
CORPORATION LIMITED**  
(A GOVERNMENT OF KARNATAKA UNDERTAKING)

*Registered Office:*  
"VANA VIKAS" 3<sup>rd</sup> Floor, 18<sup>th</sup> Cross  
Malleswaram, Bangalore-560 003  
CIN No. U02005KA 1973SGC002314  
Phone: 23345476, 23346 193-94, 23360557  
Tele Fax: 941-080-23345476  
E-mail: md\_ksfic@rediffmail.com  
Website: www.ksfic.com

**DIRECTORS REPORT TO THE MEMBERS**

The Board of Directors of **M/s. Karnatak State Forest Industries Corporation Limited**, have great pleasure in presenting their **43<sup>rd</sup>** Annual Report along with the Audited Financial Statements for the financial year ended 31st March, 2016.

**01 FINANCIAL PERFORMANCE - STATE OF AFFAIRS OF THE COMPANY**

FINANCIAL PARTICULARS	FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH, 2016			
	STANDALONE		CONSOLIDATED	
	2016	2015	2016	2015
Revenue from operations	<b>4205.29</b>	4,059.80	<b>4205.29</b>	4,059.80
Other income	<b>197.70</b>	176.93	<b>197.70</b>	182.34
<b>Total Income</b>	<b>4402.99</b>	4,236.73	<b>4402.99</b>	4,242.14
Earnings before interest, tax	<b>660.38</b>	637.89	<b>657.19</b>	638.78
Depreciation and amortisation				
Finance Charges	-	-	-	-
Depreciation and amortisation	<b>25.53</b>	27.73	<b>25.53</b>	27.83
Extraordinary items	<b>35.51</b>	55.90	<b>53.97</b>	55.90
Profit before tax	<b>670.36</b>	666.06	<b>685.64</b>	666.85
Tax Expenses	<b>133.37</b>	43.04	<b>138.08</b>	43.04
Minority interest	-	-	<b>(4.82)</b>	(0.50)
<b>Profit for the year</b>	<b>536.99</b>	623.02	<b>542.73</b>	623.30
Surplus at the close of the reporting period.	<b>2157.12</b>	1,620.13	<b>2163.58</b>	1,620.85



## 02 COMPANY PERFORMANCE

Your Board of Directors report that your Company, on standalone basis, has earned a revenue from operations of Rs. 4205.29 Lakhs and from other income Rs. 197.70 Lakhs. Thus the total income earned by the Company during the year under report was Rs. 4402.99 Lakhs. Your Company has earned Profit before interest, tax, depreciation and amortisation of Rs. 695.89 lakhs and after adjusting the interest, depreciation, earned a profit before tax of Rs 670.36 lakhs. The Net Profit earned by the Company during the year under report was Rs. 536.99 lakhs.

On consolidated basis, total income for the financial year 2015-16 is Rs. 4,402.99 Lakhs, which is 4.81% more than the previous year's total income of Rs. 4,242.14 Lakhs correspondingly Profit before tax is Rs. 685.64 Lakhs and after tax is Rs 542.73 Lakhs after adjusting Minority interest of Rs. 4.82 lakhs

## 03 REVIEW OF BUSINESS OPERATIONS AND FUTURE PROSPECTS

During the Financial Year 2015-16, Corporation had earned a profit of Rs. 670.36 Lakhs after making additional contributions of Rs. 68.18 Lakhs towards additional contributions on funding to LIC on account of retirement benefit to employees over previous year. The major contribution to the performance of the corporation was from Pulpwood activities (26730 MTs) resulting net revenue of Rs. 844.88 Lakhs. In logging segment, the Corporation has achieved the performance well and had earned a net revenue of Rs. 335.42 Lakhs and similarly earned net revenue of Rs.215.82 Lakhs in Firewood segment and also a net revenue of Rs. 84.54 Lakhs in trading activities.

Your Board of Directors further wishes to inform that Mysore Match Company Limited is defunct subsidiary has earned a revenue of Rs. 18.47 lakhs from sale of old dilapidated sheds during the year under report & after maintenance expenses and provision for taxes, the net profit is Rs. 10.56 lakhs.

## 04 DIVIDEND

Considering the need to conserve the reserves, your Board of Directors do not recommend any dividend for the year under review.

## 05 TRANSFER TO RESERVES

Your Directors do not propose to carry any amount to reserves of the Company during the year under report.

## 06 NAMES OF THE HOLDING COMPANY, SUBSIDIARIES, AND ASSOCIATES OF THE COMPANY ALONG WITH THE PERCENTAGE AND AMOUNT OF HOLDING

	Name of the Company	Percentage and amount of holding
Subsidiary	M/s. The Mysore Match Company Limited	58.90% Rs. 2,94,550/-



**07 PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES**

During the year under review, there were no contract or arrangements entered into by the Company in accordance with provisions of section 188 of the Companies Act, 2013.

**08 MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND DATE OF REPORT**

Your Company has no material changes and commitments affecting the financial position between the end of the financial year and date of report.

**09 EXTRACT OF ANNUAL RETURN**

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in form MGT-9 is appended as **ANNEXURE - I** to this report.

**10 NUMBER OF MEETINGS OF BOARD**

The Board of Directors duly met FOUR times on 28.07.2015, 22.09.2015, 14.12.2015 & 29.03.2016 during the financial year 2015-16. The intervening gap between any two meetings was within the period prescribed under the provisions of section 173 of the Companies Act, 2013

**11 EXPLANATIONS OR COMMENTS BY THE BOARD ON EVERY QUALIFICATION RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE:**

**A) BY THE AUDITORS IN THEIR REPORT**

Sl. No.	Qualification/Reservation/Adverse Remark/Disclaimer by Auditor	Explanations or Comments by the Board
(i)	Point No. 17 of Note No. 31 of Notes to accounts forming part of the attached standalone financial Statements, concerning proportionate with drawal of Grants amounting to Rs.14,23,380/- related to Green Grass Dehydration Plant is not in accordance with AS-12.	The Corporation has not followed AS 12 in respect of accounting of grant related to GGDP as there was no Accounting standard during 1980-81.
(ii)	Provision & Expenses for Gratuity & Leave Encashment do not correspond to the actuarial valuation report given in the Point No.23 of Note No. 31 of notes to accounts forming part of the attached standalone financial statements. The effect is not given to extent of Rs. 30,78,316/- to GGP and 89,12,113/- to GLES. Correspondingly Net Profit is overstated by the amount GGP and not provided.	The GGP and GLES policy taken with LIC covers up the substantial portion of the contribution. However, the Corporation is making payment to LIC towards GGP regularly along with additional funds to meet the shortfall based on the requirement of liability.





(iii)	Point No.21 of Note No.31 of the notes to accounts forming part of the attached standalone financial statements regarding not giving effect of shortage of stock by one of the agent of the company amounting to Rs 2,08,308/-.	Due to dismissal of suit filed against the agent, Corporation is initiating steps to recover the amount from the official/officials who are responsible for the lapses.
(iv)	We invite attention to Point No. 12 of Note No.31 of notes to accounts forming part of the attached standalone financial statements regarding not giving effect to the transfer of 5.89 acres of land at Mangalore to Deputy Commissioner Mangalore by the KSFIC and transfer of 4.5 acres of land by revenue authorities to KSFIC. We are unable to quantify the amount in the absence of adequate information.	The Government in their order No. FEE 104 FPC 2014 dated: 14.11.2014 has granted permission to exchange the KSFIC land bearing Sy. 23/6A 1 B2, 23-4B,23-12B23-6A2B,23-6B & 23/3 (portion) totally measuring 5-89 acres in favour of Deputy Commissioner D.K. District for the proposed construction of District office Complex. In lieu the Deputy Commissioner, Dakshina Kannada District Mangalore has exchange lands to an extent of 4-50 acres in Sy.38-A of bangrakuluru Village of Mangalore Taluk to KSFIC Mangalore subject to certain conditions imposed in the order cited above. Accordingly the entries in the R.T.C. of the above said land has been incorporated. The Conditions imposed viz., construction of compound, granting of further 3-50 acres to compensate the excess 1-39 acres taken over, allotment of 5000 sqft building in new building, etc. have yet to be fulfilled. Pending fulfillment of above conditions, the lands have not been physically handed over to the Government & thus entries regarding the above have not been incorporated in the books of accounts.
V	The Company has not constituted a Corporate Social Responsibility Committee as stated under section 135(1) of the Companies Act, 2013 and further it has not spent amount on corporate social responsibility activity as specified under section 135(5) of the Companies Act, 2013	The subject is yet to be placed in the Board meeting to form a committee and initiate action accordingly.

**b) THE COMPANY SECRETARY IN PRACTICE IN HIS SECRETARIAL AUDIT REPORT:**

The Secretarial Audit Report by a Company Secretary in Practice pursuant to the provisions of the Section 204 of the Companies Act, 2013 is not applicable to the Company.

**12 PARTICULARS OF LOANS, GUARANTEES OF INVESTMENTS UNDER SECTION 186**

There were no loans, guarantees or investments made by the Company pursuant to the provisions of Section 186 of the Companies Act, 2013 during the year under report.



**13 CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

**A. Conservation of Energy**

a.	Steps taken or impact on energy Conservation	The Company is not a power intensive unit. Hence no impact on energy conservation.
b.	The steps taken by the company for utilizing alternate sources of energy	-NIL-
c.	The capital investment on energy conservation equipment	-NIL-

**B. Technology Absorption**

a.	The efforts made towards technology absorption	There is no technology involved which requires disclosure in the Boards' Report.
b.	The benefits derived like product improvement, cost reduction, product development or import substitution	Not applicable
c.	In case of imported technology imported during the last three years reckoned from the beginning of the financial year a) The details of technology imported; b) The year of import; c) Whether the technology been fully absorbed; d) If not fully absorbed, areas where absorption has not takenplace, and the reasons there of	No imported technology absorbed during the year.
d.	The expenditure incurred on research and development	-NIL-

**C. Foreign Exchange earnings and outgo**

a.	Foreign Exchange earned in terms of actual inflows during the year under report	-NIL-
b.	Foreign Exchange outgo in terms of actual outflows during the year under report	-NIL-



#### **14 DIRECTORS' RESPONSIBILITY STATEMENT**

Following is the Directors' Responsibility Statement pursuant to the provisions of sub-section (5) of section 134 of the Companies Act, 2013, referred to in clause (c) of sub-section (3) of the said section, in respect of the financial statements of the Company:

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) The Directors had selected such accounting policies and applied them consistently and made judgments 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 of the profit and loss of the Company for that period;
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors had prepared the annual accounts on a going concern basis
- e) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **15 DETAILS IN RESPECT OF FRAUDS REPORTED BY AUDITORS UNDER SUB-SECTION (12) OF SECTION 143 OF THE COMPANIES ACT, 2013 OTHER THAN THOSE WHICH ARE REPORTABLE TO THE CENTRAL GOVERNMENT**

There are no frauds reported by Auditors under Sub-section (12) of Section 143 of the Companies Act, 2013.

#### **16 DETAILS OF PENALTIES/PUNISHMENT/ COMMITMENT AFFECTING THE FINANCIAL POSITION OF THE COMPANY BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE DIRECTORS' REPORT**

There are no Penalties/Punishment/Commitments affecting the financial position of the Company between the end of the financial year and the date of Director's report.

#### **17 A STATEMENT INDICATING DEVELOPMENT AND IMPLEMENTATION OF A RISK MANAGEMENT POLICY FOR THE COMPANY INCLUDING IDENTIFICATION THEREIN OF ELEMENTS OF RISK, IF ANY, WHICH IN THE OPINION OF THE BOARD MAY THREATEN THE EXISTENCE OF THE COMPANY**

The company is yet to implement the risk management policy for the company.

#### **18 THE DETAILS ABOUT THE POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON CORPORATE SOCIAL RESPONSIBILITY INITIATIVES TAKEN DURING THE YEAR UNDER REPORT**

The provisions of Section 135 of the Companies Act, 2013 regarding Corporate Social Responsibility are not applicable to the Company during the year under report.

**19 THE DETAILS OF DIRECTORS WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR& UPTO THE DATE OF THIS REPORT**

The following Changes in the composition of the Board of Directors have taken place as per the directions of the Government of Karnataka:

Mr. Sri. Ramanath Rai Hon'ble Minister of Forests has been nominated as Director and Chairman on the Board with effect from 25.08.2016 in place of T. Ishwar whose term closed on 24.08.2016.

Mr. T. M. Vijaya Bhaskar, IAS was nominated as Director on the Board with effect from 23.04.2016 in place of Mr. Mahendra Jain, IAS, transferred.

Mr. K S Sugara, IFS was appointed as the Managing Director of the Corporation with effect from 02.07.2016 in place of Mr. R S Suresh IFS, transferred and appointed as Director from 16.08.2016.

Mr. R S Suresh, IFS was appointed as Director on the Board of the Corporation with effect from 01.07.2016 in place of Mr. Ashok Kumar Singh, IFS, retired on attaining the age of superannuation.

Mrs. Padmavathi, was appointed as Director on the Board of the Corporation with effect from 15.04.2015 was ceased to become Director from 26.04.2016.

Mr. Vijayakumar Gogi, IFS was appointed as Director on the Board of the Corporation with effect from 15.04.2015 was ceased to become Director from 26.04.2016.

Mr. Selvakumar, was appointed as Director on the Board of the Corporation with effect from 15.04.2015 was ceased to become Director from 26.04.2016.

Mr. R S Salimatt, was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Mr. M. Shankar, was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Mr. M. Lakkanna, was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Mr. H. Narasimhaiah, was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Mr. Chikkaswamy, was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Mr. Chakkerevasukuttappa, was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Mr. Mohamad Hussain was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Mr. Nagendraswamy was appointed as Non-official Director on the Board of the Corporation with effect from 26.04.2016.

Except this there are no changes in the Directors of the Corporation during the year under report.



**20 THE NAMES OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR**

Your Board of Directors report that during the year under report no bodies corporate have become or ceased to be Subsidiary, Joint venture or Associate Company of the Company.

**21 THE DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE**

There are no significant material orders passed by the courts/regulators or tribunals impacting the going concern status and Company's operations in future.

**22 SUMMARY OF COMPLAINTS RECEIVED AND DISPOSED OFF DURING EACH CALENDAR YEAR AS REQUIRED UNDER THE PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013 AND DISCLOSURE THAT THE COMPANY HAS IN PLACE AN ANTI SEXUAL HARASSMENT POLICY IN THE LINE WITH THE REQUIREMENTS OF THE ACT AND THAN AN INTERNAL COMPLAINTS COMMITTEE HAS BEEN SET UP FOR REDRESSAL OF COMPLAINTS AND THAT ALL EMPLOYEES (PERMANENT, CONTRACTUAL, TEMPORARY, TRAINEES) ARE COVERED UNDER THE POLICY**

Your Directors Report that during the year under report, no complaints are received. Hence, Company has not set up Internal Complaints Committee.

**23 DETAILS OF THE ESTABLISHMENT OF VIGIL MECHANISM TO FACILITATE DIRECTORS AND EMPLOYEES TO REPORT GENUINE CONCERNS TO THE COMPANY PURSUANT TO SUB-SECTION (10) OF SECTION 177 OF THE COMPANIES ACT, 2013**

The establishment of Vigil Mechanism to facilitate Directors and employees to report genuine concerns to the Company pursuant to the provisions of Sub-section (10) of Section 177 of the Companies Act, 2013 is not applicable to the Company.

**24 DETAILS OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS ISSUED BY THE COMPANY DURING THE YEAR UNDER REPORT**

Your Board of Directors report that during the year under report, the Company has not issued equity shares with a differential rights pursuant to the provisions of Section 43 of the Companies Act, 2013 read with Sub-rule (4) of Rule 4 of the Companies (Share Capital and Debentures) Rules, 2014.

**25 DETAILS OF SWEAT EQUITY SHARES ISSUED BY THE COMPANY, DURING THE YEAR UNDER REPORT**

Your Board of Directors report that during the year under report, the Company has not issued sweat equity shares pursuant to the provisions of Section 54 of the Companies Act, 2013 read with Sub-rule (13) of Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014.



**26 DETAILS OF ESOP SCHEME**

Your Board of Directors report that during the year under report, the Company has not offered equity shares under ESOP scheme to the employees of the Company pursuant to the provisions of Section 62(1)(b) of the Companies Act, 2013 read with Sub-rule (9) Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014.

**27 DETAILS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

There were no employees whose details are to be disclosed under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 during the year under report.

**28 STAFF-MANAGEMENT RELATIONSHIP**

The staff-management relationship during the year under review has been quite cordial and harmonious.

**29 STATUTORY AUDITORS**

M/s. R. Singhvi & Associates, Chartered Accountants, Bengaluru, were appointed to audit the accounts for the financial year 2015-16 by the Comptroller and Auditor General of India in accordance with the provisions of Sub-section (5) of the Section 139 of the Companies Act, 2013. It is further brought to the notice of the Members that M/s. NKD @ Co., Chartered Accountants, Dharwad have been appointed as Statutory Auditors of the Company for the financial year 2016-17 pursuant to the provisions of sub-section (5) of Section 139 of the Companies Act, 2013.

**30 ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the assistance and co-operation received from the Bankers, Government authorities and all the shareholders during the year under review. Your Directors also place on record their deep sense of appreciation for the devoted and dedicated service of the employees of the Company.

**For and on behalf of the Board**

**Sd/-  
CHAIRMAN**

**Dated the 30th day of November, 2016**



**ANNEXURE-1**

**FORM NO. MGT-9**

**EXTRACT OF ANNUAL RETURN As on the Financial Year ended on 31.03.2015**

**[Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]**

**I. REGISTRATION AND OTHER DETAILS**

01	CIN	<b>U02005KA1973SGC002314</b>
02	Registration Date	<b>21.03.1973</b>
03	Name of the Company	<b>Karnatak State Forest Industries Corporation Limited</b>
04	Category/Sub-category of the Company	<b>Limited Company Limited by Shares</b>
05	Address of the Registered Office and contact details	<b>Vanavikas, 3rd Floor, 18th Cross, Malleswaram Bengaluru-560 003 Phone Number: 23345476, 23346 193-94, 23360557 Email ID: ksfic@rediffmail.com</b>
06	Whether listed company	<b>No.</b>
07	Name, Address and contact details of Registrar & Transfer Agent, if any.	Not Applicable

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

(Rs in lakhs)

Sl. No.	Name and Description of Main Products/Services	NIC Code of the Product/Service	% to Total Turnover of the Company
<b>1</b>	<b>Pulpwood</b>	-	<b>38.13</b>
<b>2</b>	<b>Firewood</b>	-	<b>11.32</b>
<b>3</b>	<b>Furniture</b>	<b>9403-6000</b>	<b>11.81</b>
<b>4</b>	<b>Doors &amp; Windows</b>	<b>4418-2090</b>	<b>6.72</b>
<b>5</b>	<b>Logging Works</b>	-	<b>27.41</b>



### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	<b>M/s. The Mysore Match Company Limited</b> B.H. Road Shivamogga 577 501	<b>U85110KA1940PLC000264</b>	<b>Subsidiary</b>	<b>58.90%</b>	<b>2(87)(ii)</b>

### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

#### i. Category - wise share Holding

(Rs in lakhs)

Category of Shareholders	No. of Shares held at the beginning of the year				No.No. of Shares held at the end of the year				% change during the year
	De-mat	Physical	Total	% of total shares	De-mat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUG	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	26,658	26,658	100%	-	26,658	26,658	100%	-
d) Bodies Corporates	-	-	-	-	-	-	-	-	-
e) Bank/FI	-	-	-	-	-	-	-	-	-
f) Any other....	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL(A)(1)</b>	<b>-</b>	<b>26,658</b>	<b>26,658</b>	<b>100%</b>	<b>-</b>	<b>26,658</b>	<b>26,658</b>	<b>100%</b>	<b>-</b>
(2) Foreign									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-





c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other....	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL(A)(2)</b>	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter A) =(A)(1)+(A)(2)	-	<b>26,658</b>	<b>26,658</b>	<b>100%</b>	-	<b>26,658</b>	<b>26,658</b>	<b>100%</b>	-
<b>B. PUBLIC SHAREHOLDING</b>									
(1) Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s).	-	-	-	-	-	-	-	-	-
e) Venture Capital fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL(B)(1)</b>	-	-	-	-	-	-	-	-	-
<b>2) Non-Institutions</b>	-	-	-	-	-	-	-	-	-
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-



i) Individuals Shareholders holding nominal share capital upto Rs. 1 lakhs	-	-	-	-	-	-	-	-	-
i) Individuals Shareholders holding nominal share capital in excess of Rs. 1 lakhs	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL(B)(2)</b>	-	-	-	-	-	-	-	-	-
Total public Shareholding B)=(B)(1)+(B)(2)	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total(A+B+C)</b>	-	<b>26,658</b>	<b>26,658</b>	<b>100%</b>	-	<b>26,658</b>	<b>26,658</b>	<b>100%</b>	-

**ii. Shareholding of Promoter:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of Total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged encumbered to total shares	
01	Governor Government of Karnataka	26,650	99.970	-	26,650	99.970	-	-
02	Managing Director K.S.F.I.C.Ltd.,	1	0.004	-	1	0.004	-	-
03	Principal Chief Conservator of Forests	1	0.004	-	1	0.004	-	-



04	Secretary Dept.of Forest, Ecology & Environment	6	0.022	-	6	0.022	-	-
	Total	26,658	100	-	26,658	100	-	-

### iii. Change in Promoter's Shareholding

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the company	No. of Shares	% of total shares of the company
01	At the beginning of the year	There are no changes in the promoter's shareholding during the current financial year			
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
	At the end of the year				

### iv. Shareholding pattern of top ten shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs):

(Rs in lakhs)

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the company	No. of Shares	% of total shares of the company
01	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year (or on the date of separation, if separated during the year)	NIL	NIL	NIL	NIL



#### v. Shareholding of Directors and key Managerial Personnel:

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the company	No. of Shares	% of total shares of the company
01	<b>At the beginning of the year</b>				
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
	At the end of the year				
02	<b>At the beginning of the year</b>				
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
	<b>At the end of the year</b>				

#### VI. INDEBTEDNESS

Indebtedness of the Comany including interest outstanding/accrued but not due for payment)

(Rs in lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	NIL	23.20*	NIL	23.20
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	<b>NIL</b>	<b>23.20</b>	<b>NIL</b>	<b>23.20</b>
<b>Change in Indebtedness during the financial year</b>				



* Addition	NIL	NIL	NIL	NIL
*Reduction	NIL	NIL	NIL	NIL
<b>Net Change</b>	NIL	NIL	NIL	NIL
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	NIL	23.20	NIL	23.20
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	<b>NIL</b>	<b>23.20</b>	<b>NIL</b>	<b>23.20</b>

\* Loans sanctioned by Govt. Which has been passed on to subsidiary company (Mysore match Company) which is repayable on disposal of the Assets of the subsidiary.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Rs in lakhs)

Sl. No.	Particulars of Remuneration	Sri. Kanwerpal				Total Amount
		Managing Director				
01	Gross salary	23.94				23.94
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961					
	(b) Value of perquisites u/s 17 (2) Income-tax Act, 1931	5.03				5.03
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NO				No
02	Stock option	-	-	-	-	-
03	Sweat Equity	-	-	-	-	-
04	Commission - as % of profit - others, specify....	-	-	-	-	-
05	Others, please specify	-	-	-	-	-
	Total (A)	28.97	-	-	-	28.97
	Ceiling as per the Act	NIL	NIL	NIL	NIL	NIL



**A. Remuneration to ther directors**

Sl. No.	Name of Directors	Particulars of Remuneration				Total Amount
		Independent directors	Fee for attending board meetings	Commission	Others, (Remuneration and House Rent Allowance)	
01	Sri T. Ishwar Chairman	-		-	5,34,000	1,19,868
02	Sri M. Madan Gopal, IAS	-	3,000	-	-	3,000
03	Sri K.S. Saibaba, IFS	-	1,000	-	-	1,000
04	Sri Ashok Kumar Singh IFS	-	3,000	-	-	3,000
05	Sri Mahendra Jain, IAS	-	1,000	-	-	1,000
06	Sri Vijay Kumar Gogi, IFS	-	2,000	-	-	2,000
07	Sri Vinay Iutra, IFS	-	3,000	-	-	3,000
08	Smt. Padmavathi	-	3,000	-	-	3,000
	<b>Total</b>		<b>16,000</b>	-	-	<b>16,000</b>

**C. Remuneration to key managerial personnel other than MD/MANAGER/WTD:**

NOT APPLICABLE

Sl.No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
01	Gross salary	-	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	NIL	NIL	NIL	NIL
	(b) Value of perquisites u/s 17 (2) Income-tax Act, 1931	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL	NIL
02	Stock option	NIL	NIL	NIL	NIL
03	Sweat Equity	NIL	NIL	NIL	NIL
04	Commission	NIL	NIL	NIL	NIL
	- as % of profit	NIL	NIL	NIL	NIL
	- others, specify....	NIL	NIL	NIL	NIL
05	Others, please specify	NIL	NIL	NIL	NIL
	Total (A)	NIL	NIL	NIL	NIL
	Ceiling as per the Act	NIL	NIL	NIL	NIL



**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

(Rs in lakhs)

type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/	Authority [RD/NCLT/ Court]	Appeal made If any (give Details)
<b>A. COMPANY</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			NIL		
Punishment					
Compounding					

For and on behalf of the Board

Sd/-  
CHAIRMAN

Dated the 30th day of November, 2016



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6) (b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED, BANGALORE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016.**

The preparation of consolidated financial statements of **KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED, BANGALORE** for the year ended **31<sup>ST</sup> MARCH 2016** in accordance with the financial reporting framework prescribed under Companies Act, 2013 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 139(5) read with section 129(4) of the Act is responsible for expressing opinion of the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated **27<sup>th</sup> October 2016**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(1) read with section 129(4) of the Act of the consolidated financial statements of **“The Karnatak State Forest Industries Corporation Limited, Bangalore”** for the year ended **31 March 2016**. under section 143(6) (a) read with section 129(4) of the Act.

**For and on behalf of the  
Comptroller & Auditor General of India**

Sd/-

**(BIJIT KUMAR MUKHERJEE)**

Accountant General

(ECONOMIC & REVENUE SECTOR AUDIT)

KARNATAKA, BANGALORE

**Bangalore**

**Dated : 08.12.2016**





## **R. Singhvi & Associates**

CHARTERED ACCOUNTANTS

### **INDEPENDENT AUDITORS' REPORT**

To, The Members of

**KARNATAK STATE FOREST INDUSTRIES  
CORPORATION LIMITED**

Vana Vikas, 3rd Floor, 18th Cross  
Malleshwaram  
Bangalore - 560 003.

#### **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the accompanying consolidated financial statements of **KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED** and its subsidiary referred to as **THE MYSORE MATCH COMPANY LIMITED** (Collectively referred to as "The Group") comprising of the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of the consolidated financial statement in terms of the requirements of the Companies Act 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors included in the group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.





We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### **Basis of Qualified Opinion**

We draw your attention to the following qualification to the audit opinion of the financial statements of M/s KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED the Holding Company issued by an us vide Report dated 27.10.2016 reproduced by us as under :

- (i) **Point No. 18 of Note No. 31 of Notes to accounts forming part of the attached consolidated financial Statements, concerning proportionate withdrawal of Grants amounting to Rs.14,85,414 related to Green Grass Dehydration Plant is not in accordance with AS-12.**
- (ii) **Provision & Expenses for Gratuity & Leave Encashment do not correspond to the actuarial valuation report given in the Point No.23 of Note No. 31 of notes to accounts forming part of the attached consolidated financial statements. The effect is not given to extent of Rs. (30,78,316)- to GGP and 89,12,113/- to GLES. Correspondingly Net Profit is understated by the amount of GGP and overstated by the amount of GLES not provided.**
- (iii) **Point No.21 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements regarding not giving effect of shortage of stock by one of the agent of the company amounting to Rs 2,08,308/-.**
- (iv) **We invite attention to Point No. 12 of Note No.31 of notes to accounts forming part of the attached consolidated financial statements regarding not giving effect to the transfer of 5.89 acres of land at Mangalore to Deputy Commissioner Mangalore by the KSFIC and transfer of 4.5 acres of land by revenue authorities to KSFIC. We are unable to quantify the amount in the absence of adequate information.**



- (v) **The company has not constituted a Corporate Social Responsibility Committee as stated under section 135 (1) of the Companies Act, 2013 and further it has not spent amount on corporate social responsibility activity as specified under section 135 (5) of the Companies Act, 2013.**

#### **Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March 2016 and their consolidated profit/loss and their consolidated cash flows for the year ended on that date.

#### **Other Matters**

We did not audit the financial statements of subsidiary company namely **THE MYSORE MATCH COMPANY LIMITED**, whose financial statements reflect total assets of Rs. 44.96 Lakhs and total Revenue of Rs. NIL as at 31st March, 2016, for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Our opinion above on the consolidated financial statements, and our report on other legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

#### **Emphasis on Consolidated Financial Statements**

- (i) We draw attention to Point No 3 of Note No.31 of notes to accounts forming part of attached consolidated financial statements regarding want of the confirmation from the Sundry Debtors, Sundry Creditors, and Advances from the Customers etc. However in respect of 3 cases towards sundry debtors and advances recoverable in cash or kind amounting to Rs. 16.61 lakhs, the company has not made provision for doubtful debts though the cases are pertained to very old period of 9 to 15 years. Hence the Impact on the Profit is not Ascertainable;
- (ii) We invite attention to Point No 5 of Note No.31 of notes to accounts forming part of the attached consolidated financial statements regarding non adjustment of various balances connected with confiscated Granite Sale and not conducting physical verification of unlifted balance stock during the year. Hence the Impact on the Profit is not Ascertainable;
- (iii) We draw attention to Point No 9 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements regarding non provision of the interest of Rs 8.17 lakhs on the loan of Government of Karnataka for the period of April 2001 to the date of conversion of loan in to Equity in October 2001;



- (iv) We draw attention to Point No 11 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements regarding accounting of the Immovable properties without proper conveyance of title deeds in favour of KSFIC relating to lands in Shimoga and Dandeli worth Rs 1,89,879/-.
- (v) We invite attention to Point No 13 & 14 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements with regard to non-finalization of value of land and non-accounting of the same in the books of accounts, although the company has the possession of the land in the Timber Yard Layout and Gottipura, hence the impact on the profit is not ascertainable.
- (vi) Attention is invited to Point No 16 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements with regard to accounting of the office Space (3rd floor VANAVIKASA), is in the absence of proper title deed amounting to Rs 27,08,000/- (Gross Value) the asset being overstated to that extent. The depreciation for the above being Rs 42,458.59/- has been charged to Profit & Loss account during the year and consequently the profit has been understated. The Depreciation during the earlier years amounts to Rs.9,59,174/-
- (vii). We draw attention to Point No 25 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements regarding non- disclosure of particulars as required as per the provision of Micro, Small and Medium Enterprises Development Act, 2006
- (viii) Attention is invited to Point No 28 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements regarding initiation of disciplinary action against some of the employees in Shimoga in connection with non-settlement of logging advances and consequent non adjustment of accounts further it was proposed to make provision in this regard but no provision related to such has been made.
- (ix) We invite attention to Point No 29 of Note No.31 of the notes to accounts forming part of the attached consolidated financial statements relating to nonpayment of the Forest Development Tax collected on sale of pulpwood from the customers to the Forest Department.

### **Report on Other Legal and Regulatory Requirements**

1. As required by sub section 3 of section 143 of the Act, we report, to the extent applicable, that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b. In our opinion proper books of accounts as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
  - c. The consolidated balance sheet, consolidated statement of profit & loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.



- d. Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors of Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditors of the subsidiary companies incorporated in India, none of the Directors of the Group is disqualified as on 31 March 2016 from being appointed as a Director of that company in terms of sub-section 2 of section 164 of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure I" and
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the group. Refer Note-18 to the consolidated financial statements.
  - Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivatives under contracts.
  - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and subsidiary company incorporated in India.

Date: 27.10.2016  
Place: Bangalore

For **R. SINGHVI & ASSOCIATES**  
Chartered Accountants  
ICAI FRN. 03870S  
sd-  
**CA. SUBHASH CHAND SINGHVI**  
(Partner)  
M No : 024534





## **ANNEXURE - I TO THE AUDITOR'S REPORT**

Report on the Internal Financial Controls under Clause (i) of  
sub-section 3 of section 143 of the Companies Act, 2013

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED ("the Holding Company") and its subsidiary referred to as THE MYSORE MATCH COMPANY LIMITED (Collectively referred to as "The Group") incorporated in India, as of that date.

### **Management's Responsibility for Internal Financial Controls**

The Respective Board of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting



### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at March 31, 2016.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

#### **(List of material weakness identified)**

- a) **The Company's internal financial controls over establishing customer credit limits for sales and evaluating amount outstanding from customers were not operating effectively which could potentially result in the company recognizing revenue without establishing reasonable certainty of Ultimate collection.**
- b) **The Company's internal financial control in case of Land at Dandeli and Shimoga do not convey proper Title deeds in favour of KSFIC and in case of Land at Gottipura & Timber Yard Layout the value of land are yet to be finalized. The pending issues indicate weakness in the Internal Financial Control.**
- c) **The Company's internal financial control over the consumption of material to be monitored and recorded in material consumption register as and when consumption of material takes place to ensure better control.**



**d) The Company's internal control system over establishing accuracy over Inventory maintained in stores can be done by having a Bin Card to avoid discrepancies in count of Inventory.**

In our opinion, expect for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting Criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accounts of India.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 Standalone financial statements of the Company and these material weaknesses does not affect our opinion on the standalone financial statements of the Company.

**Other Matters**

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial control over financial reporting insofar as it relates to its subsidiary company namely **THE MYSORE MATCH COMPANY LIMITED**, in based on the corresponding report of the auditors of such company.

Date: 27-10-2016  
Place: Bangalore

For **R. Singhvi & Associates,**  
Chartered Accountants  
ICAI FRN. 03870S  
sd/-  
**CA. SUBHASH CHAND SINGHVI**  
(Partner)  
M No : 024534





## **ANNEXURE - II TO THE AUDITOR'S REPORT**

Report on the Internal Financial Controls under Clause (i) of  
sub-section 3 of section 143 of the Companies Act, 2013

### **Additional Directions**

- 1 In our opinion and according to the information and explanations given to us, the company has not been selected for disinvestment.
- 2) In our opinion and according to the information and explanations given to us, we did not find any case of waiver/Write off of Debts/Loan/Interest etc.
- 3) In our opinion and according to the information and explanations given to us, we did not find any transaction where in the inventories are lying with third party and assets received as gift from Government or other Authority.
- 4) A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency are given in list enclosed herewith and The Company has a proper approval system and a Legal section has been established to monitor all expenditure on legal cases.

### **Additional Company Specific Directions**

- (a) In our opinion and according to the information and explanations given to us, all the necessary permission as per rules and regulations in the Forest Conservation Act relating to company's activities has been obtained. The company has kept adequate watch and ward to protect unauthorized felling of trees for conservation and spread of forest cover.
- (b) In our opinion and according to the information and explanations given to us, Proper Systems have been devised for timely taking over of marked forest lots for felling, extraction of timber and its safeguard against deterioration during extraction, transportation, and storage. No loss due to deterioration has been reported.
- (c) In our opinion and according to the information and explanations given to us, the company has proper system to check the basis of calculation and timely payment of royalty to the Forest Department. No Interest has been paid to the State Government on account of delay in payment of royalty.
- (d) In our Opinion we have not come across any diversion of grants/subsidies received from Central/State Government or their agencies for performing certain activities.
- (e) According to the information and explanations given to us, Company has computerised its operations related to accounting only and has evolved proper security policy for data.

Date: 27.10.2016  
Place: Bangalore

For **R. Singhvi & Associates,**  
Chartered Accountants  
ICAI FRN. 03870S  
sd/-  
**CA. SUBHASH CHAND SINGHVI**  
(Partner)  
M No : 024534





**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2016**

PARTICULARS	Note No.	As at 31.3.2016		As at 31.3.2015	
		₹	₹	₹	₹
<b>I EQUITY AND LIABILITIES</b>					
<b>1. SHARE HOLDERS' FUNDS</b>					
a) Share Capital	1	2,66,58,000		2,66,58,000	
b) Reserves and Surplus	2	21,67,31,747		16,39,62,717	
			<b>24,33,89,747</b>		<b>19,06,20,717</b>
<b>2. MINORITY INTEREST</b>					
			7,36,980		2,55,249
<b>3. NON-CURRENT LIABILITIES</b>					
a) Long term borrowings	3	55,32,957		55,32,957	
b) Deferred tax liabilities (Net)	4	24,60,466		26,44,401	
c) Other long term liabilities	5	7,54,53,896		7,40,11,277	
d) Long term provisions					
			<b>8,34,47,319</b>		<b>8,21,88,635</b>
<b>3. CURRENT LIABILITIES</b>					
a) Short term borrowings			—		—
b) Trade payables	6	1,12,91,422		22,74,592	
c) Other current liabilities	7	6,33,22,501		2,83,08,057	
d) Short term provisions	8	1,76,95,163		2,36,33,466	
			9,23,09,086		5,42,16,115
<b>TOTAL</b>			<b>41,98,83,133</b>		<b>32,72,80,716</b>
<b>II ASSETS</b>					
<b>(1) Non - current assets</b>					
<b>(a) Fixed Assets</b>					
(i) Tangible assets	9	1,64,28,249		1,80,85,674	
(ii) Intangible assets		—		—	
(iii) Capital work in progress		—		—	
(iv) Intangible assets under development		—		—	
			<b>1,64,28,249</b>		<b>1,80,85,674</b>



PARTICULARS	Note No.	As at 31.3.2015		As at 31.3.2014	
		₹	₹	₹	₹
(b) Non - current investments	10	—		—	
(c) Deferred tax assets (Net)	4	—		—	
(d) Long term loans and advances	11	1,001		1,001	
(e) Other non current assets	12	-		8,26,584	
			<b>1,64,29,250</b>		<b>1,89,13,259</b>
<b>(2) Current Assets</b>					
(a) Current Investments		—		—	
(b) Inventories	13	3,08,78,515		3,16,89,782	
(c) Trade receivables	14	10,55,98,937		10,41,49,880	
(d) Cash and cash equivalents	15	21,77,97,250		13,38,57,931	
(e) Short term loans and advances	16	—		—	
(f) Other current assets	17	<u>4,91,79,182</u>		<u>3,86,69,864</u>	
			<b>40,34,53,883</b>		<b>30,83,67,457</b>
TOTAL			<b><u>41,98,83,133</u></b>		<b><u>32,72,80,716</u></b>

The notes attached form an integral part of the Balance Sheet

For and on behalf of the Board

In Accordance with our Report attached  
FOR **R. SINGHVI & ASSOCIATES**  
**Chartered Accountants**  
Sd/-  
**SUBHASH SINGHVI**  
Partner  
Membership No.024534

Sd/-  
**K.S. SUGARA**  
Managing Director

Sd/-  
**MOHAMMED HUSSAIN**  
Director

Place: Bangalore  
Date : 27-10-2016

Sd/-  
**A.V. MOHAN KUMAR**  
Finance Manager & Chief Accounts Officer





**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2016**

PARTICULARS	Note No.	Current reporting period		Previous reporting period	
		₹	₹	₹	₹
I Revenue from Operations	19		42,05,29,399		40,59,79,690
II Other Income	20		1,97,69,537		1,41,27,818
III <b>Total revenue (I + II)</b>			<b>44,02,98,936</b>		<b>42,01,07,508</b>
IV Expenses					
Cost of materials consumed	21	3,08,18,296		3,92,35,949	
Purchases of stock in trade	22	8,32,88,229		6,85,43,637	
Changes in inventories of finished goods, work in progress and stock in trade	23	(39,29,817)	11,01,76,708	16,68,295	10,94,47,881
IVA Operative expenses	24		8,45,90,139		7,19,35,922
Employee benefits expense	25		9,97,32,960		9,58,90,748
Depreciation and amortization expense	26		25,52,625		27,83,808
Other expenses	27		8,00,80,079		8,30,61,350
<b>Total Expenses</b>			<b>37,71,32,511</b>		<b>36,31,19,708</b>
V Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)			6,31,66,425		5,69,87,800
VI Exceptional Items	28		-		41,06,520
VII Profit/(Loss) before extraordinary items and tax (V-VI)			<b>6,31,66,425</b>		<b>6,10,94,320</b>
VIII Extraordinary Items	28		52,20,380		56,95,437
VIIA Prior period items	29		1,76,979		(1,04,849)
IX Profit before tax (VII-VIII)			<b>6,85,63,784</b>		<b>6,66,84,908</b>
X Tax expense:					
(1) Current tax		(1,34,72,019)		(61,11,000)	
(2) Wealth tax		—		—	
(3) Tax relating to earlier years		(5,20,676)		21,70,000	
(4) Deferred tax		1,83,935	1,38,08,760	3,63,498	43,04,498



PARTICULARS	Note No.	Current reporting period		Previous reporting period	
		₹	₹	₹	₹
XI Profit/(Loss) for the period from continuing operations (VII-VIII)			5,47,55,024		6,23,80,410
XII Profit/(loss) from discontinuing operations					
XIII Tax expense of discontinuing operations			—		—
XIV Profit/(loss) from discontinuing operations (after tax) (XII-XIII)			—		—
XV Minority Interest			(4,81,732)		(50,141)
XV Profit/(Loss) for the period (XI + VIV)			<u>5,42,73,292</u>		<u>6,23,30,269</u>
XVI Earning per equity share:					
(1) Basic & Diluted			<u>2,036</u>		<u>2,338</u>

**The notes attached form an integral part of the Statement of Profit and Loss**

**For and on behalf of the Board**

In Accordance with our Report attached  
FOR **R. SINGHVI & ASSOCIATES**  
**Chartered Accountants**  
Sd/-  
**Subhash Singhvi**  
Partner  
Membership No.024534

Sd/-  
**K.S. SUGARA**  
Managing Director

Sd/-  
**MOHAMMED HUSSAIN**  
Director

Sd/-  
**A.V. MOHAN KUMAR**  
Finance Manager & Chief Accounts Officer

**Place: Bangalore**  
**Date : 27-10-2016**





**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

PARTICULARS	Note No.	Current reporting period		Previous reporting period	
		₹	₹	₹	₹
<b>Cash flows from operating activities</b>					
<b>Profit before taxation</b>			<b>6,85,63,784</b>		<b>6,66,84,907</b>
Adjustments for:					
Depreciation and amortization expense		25,52,625		27,83,808	
Profit on sale of asset		(18,69,605)		(56,76,821)	
Interest received		(1,31,55,993)		(65,53,295)	
Dividends received		—		—	
Proportionate Value of Capital Grant withdrawn		(18,850)		(18,850)	
		<u>(1,24,91,823)</u>		<u>(1,24,91,823)</u>	<u>(94,65,158)</u>
			<b>5,60,71,961</b>		<b>5,72,19,749</b>
(Increase)/decrease in trade and other receivables		(14,49,057)		50,70,798	
(Increase)/decrease in inventories		8,11,267		16,35,062	
(Increase)/decrease in other current assets		(1,05,09,318)		1,03,82,876	
(Increase)/(decrease) in trade payables		90,16,830		(14,56,531)	
(Increase/ (decrease) in other current liabilities		3,50,14,444		(1,42,79,103)	
Increase/(decrease) in short term provisions		(1,97,15,191)		1,47,95,371	
		<u>1,31,68,975</u>		<u>1,47,95,371</u>	<u>1,70,48,473</u>
			<b>6,92,40,936</b>		<b>7,42,68,222</b>
<b>Income taxes paid</b>					
Net cash from operating activities			<b>6,92,40,936</b>		<b>7,42,68,222</b>
<b>Cash flows from investing activities</b>					
Purchase of Fixed assets		(14,63,848)		(53,85,820)	
Sale of assets		7,37,036		31,95,820	
(Increase)/decrease in Long term loans and advances		—		9,48,215	
(Increase)/decrease in other non current assets		8,26,584		24,15,203	
Interest received		1,31,55,993		65,53,295	
Dividend received		—		—	
Net cash from investing activities			<b>1,32,55,764</b>		<b>77,26,713</b>



PARTICULARS	Note No.	Current reporting period		Previous reporting period	
		₹	₹	₹	₹
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		—		-	
Proceeds from other long term liabilities		14,42,619		(2,27,32,090)	
Utilisation / (Repayment) of Grant		—		(11,808)	
Proceeds from long term borrowings		—		—	
Proceeds from short term borrowings		—		—	
Interest paid		—			
Dividend paid		—			
Net cash from financing activities			14,42,619		(2,27,43,898)
Net Increase/(decrease) In cash and cash equivalents			<b>8,39,39,319</b>		<b>5,92,51,037</b>
Cash and cash equivalents at beginning of reporting period			13,38,57,931		7,46,06,894
Cash and cash equivalents at end of reporting period			<b>21,77,97,250</b>		<b>13,38,57,931</b>

#### Cash & Cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet:

Cash on hand and bank balances	21,77,97,250	13,38,57,931
Short term investments	-	-
Cash and cash equivalents as reported	21,77,97,250	13,38,57,931
Effect on exchange rate changes	-	-
Cash and cash equivalents as restated	<b>21,77,97,250</b>	<b>13,38,57,931</b>

#### For and on behalf of the Board

In Accordance with our Report attached  
FOR **R. SINGHVI & ASSOCIATES**  
**Chartered Accountants**  
Sd/-  
**Subhash Singhvi**  
Partner  
Membership No.024534

Sd/-  
**K.S. SUGARA**  
Managing Director

Sd/-  
**MOHAMMED HUSSAIN**  
Director

Place: Bangalore  
Date : 27-10-2016

Sd/-  
**A.V. MOHAN KUMAR**  
Finance Manager & Chief Accounts Officer



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO FINANCIAL STATEMENTS**

**1 SHARE CAPITAL :**

PARTICULARS	As at end of current reporting period		As at end of previous reporting period	
	Number	₹	Number	₹
<b>Authorized:</b>				
Preference Shares of Rs. .... /- each	—	—	—	—
Equity shares of Rs.1000/- each	30000	3,00,00,000	30,000	3,00,00,000
		<u>3,00,00,000</u>		<u>3,00,00,000</u>
<b>Issued, subscribed and fully paid up:</b>				
<i>Preference shares of Rs...../- each</i>				
At the beginning of the reporting period	—	—	—	—
Issued during the reporting period	—	—	—	—
Redeemed during the reporting period	—	—	—	—
At the close of the reporting period	—	—	—	—
<i>Equity shares of Rs. 1000/- each</i>				
At the beginning of the reporting period	26,658	2,66,58,000	26,658	2,66,58,000
Issued during the reporting period	—	—	—	—
Bought back during the reporting period	—	—	—	—
At the close of the reporting period	26,658	<u>2,66,58,000</u>	26,658	<u>2,66,58,000</u>
<b>Other Information:</b>				
I Equity shares include:				
a. Shares allotted pursuant to a contract without consideration being received in cash.	4791	47,91,000	4791	47,91,000
II Particulars of equity share holders holding more than 5% of the total number of equity share capital:				
a. Government of Karnataka	26,658	2,66,58,000	26,658	2,66,58,000



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2 RESERVES AND SURPLUS:**

PARTICULARS	Grant-in-aid from Govt of Karnataka ₹	Profit on sale of assets ₹	Grant-in-aid from ICFRE ₹	Grant-in-aid for NBM Scheme ₹	Surplus i.e. balance in Statement of Profit & Loss	TOTAL ₹
<b>At the beginning of the reporting period</b>	14,85,414	3,08,913	83,050	—	16,20,85,342	<b>16,39,62,719</b>
Transferred from/to Profit & Loss Account	14,85,414	—	18,850	—	5,42,73,292	<b>5,27,69,028</b>
Amount utilised as per Grant	—	—	—	—	—	—
Allocation towards allotment of bonus shares	—	—	—	—	—	—
Proposed Dividends	—	—	—	—	—	—
Provision towards dividend distribution tax	—	—	—	—	—	—
<b>At the close of the reporting period</b>	—	<b>3,08,913</b>	<b>64,200</b>	—	<b>21,63,58,634</b>	<b>21,67,31,747</b>
<b>At the close of the previous reporting period</b>	14,85,414	3,08,913	83,050	—	16,20,85,340	<b>16,39,62,717</b>

Debit balance in Profit and Loss Account shall be shown as a negative figure under the head ' Surplus'



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**3 Long term Borrowings**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>Long Term borrowings</b>		
a. Loan from GOK	23,20,000	23,20,000
b. Interest accrued and due on Government loan	32,12,957	32,12,957
Total long term borrowings (a+b)	<b>55,32,957</b>	<b>55,32,957</b>

**Additional Information:**

**a Repayment of loan from GOK**

Government has extended the loan facility to Mysore Match Co. Ltd., through KSFIC, which will be repaid on receipt of loan amount on disposal of Assets of former Company.

**b Interest accrued and due on Government loan**

Proposal has been made to GOK to convert interest dues in to equity shares, since principal amount of loan (Rs. 151.05 lakhs) had already been converted in to equity shares, which is pending before the GOK.

**4 i) Deferred tax liability:**

a) On account of depreciation on fixed assets	24,60,466	26,44,401
Total	24,60,466	26,44,401
<b>ii) Deferred tax asset:</b>		
Net Deferred tax (liability)/asset	<b>24,60,466</b>	<b>26,44,401</b>



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>5 Other Long term liabilities</b>		
a) Trade Payables	74,56,441	98,80,776
b) SD from Contractors	30,44,101	6,83,491
c) Earnest Money Deposits	49,50,200	14,93,034
d) Advance From Customer	22,88,594	22,88,594
e) security Deposit from staff	3,57,729	5,00,582
f) Other liabilities	5,73,56,856	3,70,85,792
g) M Ravi kumar (Expenses Payable)	675	675
h) L.G. Dayanand	(700)	(700)
	<b>7,54,53,896</b>	<b>5,19,32,243</b>
<b>6 Trade Payables</b>		
i) To Micro, Small and Medium Enterprises	—	—
ii) Others	1,12,91,421	22,74,592
	<b>1,12,91,421</b>	<b>22,74,592</b>
<b>7 Other current liabilities:</b>		
Advances from Customers	1,86,88,851	1,53,94,945
SD from contractors	50,10,779	41,60,536
EMD	54,05,000	90,55,842
Other liabilities	3,42,17,871	2,17,75,768
	<b>6,33,22,501</b>	<b>5,03,87,091</b>
<b>8 Short term provisions:</b>		
a) Provision for employee benefits	42,10,844	1,75,07,568
b) Income Tax	1,30,00,000	61,11,000
c) Remuneration Payable	4,800	4,800
d) Electricity Charges	—	327
e) Audit Fees Payable	7,500	6,400
f) Misc	—	3,371
g) Income Tax	4,72,019	-
	<b>1,76,95,163</b>	<b>2,36,33,466</b>

  
**THE KARNATAK STATE FOREST INDUSTRIES**  
**NOTES TO CONSOLIDATED**

**9 FIXED ASSETS:**

		GROSS BLOCK (AT COST)			
Sl. No.	Particulars	As at beginning of current reporting period	Additions for the year	Deductions during the year	As at end of current reporting period
		₹	₹	₹	
<b>Tangible Assets</b>					
<b>Own assets</b>					
	Land Freehold Property	6,83,577	—	—	6,83,577
	Land (Freehold of leasehold) Separately as G/N	3,034	—	—	3,034
	Buildings	3,28,199			3,28,199
	Building I Class	98,54,016	—	—	98,54,016
	Building II Class	77,16,769	1,97,250	—	79,14,019
	Plant & Machinery	1,01,93,455	—	—	1,01,93,455
	Furniture & Fixtures	25,80,599	80,410	1,97,511	24,63,498
	Vehicles	687	—	—	687
	Light Vehicle	1,28,22,878	8,66,167	16,22,113	1,20,66,932
	Heavy Vehicle	6,64,412	—	—	6,64,412
	Office Appliances	22,38,678	2,08,573	25,705	24,21,546
	Computer & Peripherals	19,67,944	1.11.448	—	20,79,392
	Weighing Scales	5,11,739	—	—	5,11,739
	GGDP Plant	14,23,380	—	14,23,380	—
<b>Assets taken on operating lease</b>					
	Land Lease hold rights	3,97,450			3,97,450
		5,13,86,817	14,63,848	32,68,709	4,95,81,956
<b>Intangible assets</b>					
		—			—
<b>TOTAL</b>		<b>5,13,86,816</b>	<b>14,63,848</b>	<b>32,68,709</b>	<b>4,95,81,955</b>
<b>PREVIOUS YEAR</b>		<b>4,97,42,527</b>	<b>53,85,820</b>	<b>37,41,530</b>	<b>5,13,86,817</b>



## CORPORATION LIMITED

### FINANCIAL STATEMENTS

DEPRECIATION			NET BLOCK		
As at beginning of current reporting period	For the Year	Deductions during the year	As at end of current reporting period	As at end of current reporting period	As at end of previous reporting period
₹	₹	₹	₹	₹	₹
—	—	—	—	6,83,577	6,83,577
—	—	—	—	3,034	3,034
3,01,747	—	—	3,01,747	16,410	16,410
42,15,944	1,61,123	—	43,77,067	54,76,949	56,38,072
53,13,915	2,25,963	—	55,39,878	23,74,142	24,02,854
77,62,255	6,20,024	100	83,82,179	18,11,276	24,31,200
25,22,815	29,084	2,27,284	23,24,614	1,38,883	57,784
686	—	—	686	1	1
71,76,106	11,71,942	11,31,904	72,16,144	48,50,788	56,46,772
6,64,411	—	—	6,64,411	1	1
17,06,314	2,03,183	8,145	19,01,352	5,20,194	5,32,364
19,00,417	1,41,307	1,00,975	19,40,749	1,38,644	67,528
4,94,839	—	—	4,94,839	16,900	16,900
12,31,652	—	12,31,652	1,231,652	—	1,91,728
—	—	—	—	3,97,450	3,97,450
3,32,91,101	25,52,625	27,00,060	3,31,43,667	1,64,28,249	1,80,85,674
—	—	—	—	—	—
<b>3,32,91,101</b>	<b>25,52,625</b>	<b>27,00,060</b>	<b>3,31,43,667</b>	<b>1,64,28,249</b>	<b>1,80,85,674</b>
<b>3,42,57,831</b>	<b>27,83,808</b>	<b>37,40,496</b>	<b>3,33,01,144</b>	<b>1,80,85,674</b>	<b>1,54,84,697</b>



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10 Non Current Investments:**

DETAILS OF INVESTMENTS	Name of the Company	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>Long term Investments:</b>			
<b>a) Investments in Equity Instruments: (unquoted)</b>			
i) Subsidiaries			
Fully paid up			
<b>Total</b>		—	—
<b>Additional Information:</b>			
1) Aggregate value of unquoted investments:			
		—	—
<b>11 Long term loans and advances:</b>			
i) Security Deposits			
Electric Deposit		500	500
ii) Other loans and advances			
Advance from Ravi Kumar		—	—
Staff Advances -B.R. Jayaramaiah		86	86
B. Mani		415	415
		<b>1,001</b>	<b>1,001</b>
<b>Additional information:</b>			
1) Breakup of above:			
i) Secured, considered good			
		—	—
ii) Unsecured, considered good			
		1,001	1,001
iii) Doubtful			
Total		<b>1,001</b>	<b>1,001</b>
Less:			
Provision for doubtful advances		—	—
		<b>1,001</b>	<b>1,001</b>



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>12 Other non current assets</b>		
i) Captive Forest Plantations (refer Para No. 22 of Note 31)	—	8,26,584
	<u>—</u>	<u>8,26,584</u>
<b>Additional information:</b>		
1) Breakup of above:		
i) Secured, considered good	—	—
ii) Unsecured, considered good	—	—
iii) Doubtful	—	—
Total	<u>—</u>	<u>—</u>
Less:		
Provision for doubtful advances	—	—
<b>13 Inventories:</b>		
i) Raw materials at Cost	72,30,669	1,15,88,306
ii) Work in progress	12,81,464	22,02,006
iii) Stock in trade	1,80,63,221	1,36,47,692
iv) Stores and spares	43,03,161	42,51,778
	<u>3,08,78,515</u>	<u>3,16,89,782</u>
<b>14 Trade receivables:</b>		
i) Trade receivables exceeding six months	1,62,66,125	2,81,10,240
ii) others	8,93,32,812	7,60,39,640
	<u>10,55,98,937</u>	<u>10,41,49,880</u>
Less: Provision for doubtful debts	—	—
	<u>10,55,98,937</u>	<u>10,41,49,880</u>



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>Additional information:</b>		
1) Breakup of above:		
i) Secured, considered good	—	—
ii) Unsecured, considered good	10,55,98,937	10,41,49,880
iii) Doubtful	—	115,247
Total	<b>10,55,98,937</b>	<b>10,41,49,880</b>
Less:		
Provision for doubtful debts	—	—
	<b>10,55,98,937</b>	<b>10,41,49,880</b>
<b>15 Cash and cash equivalents:</b>		
i) Balances with banks		
- in deposit accounts exceeding 12 months maturity	2,20,27,135	2,11,19,327
- in other accounts	19,52,55,916	10,80,21,137
ii) Cheques, drafts on hand	—	45,93,066
iii) Cash on hand	5,12,939	1,23,946
iv) Stamps on hand	1,260	454
	<b>21,77,97,250</b>	<b>13,38,57,931</b>
<b>16 Short term loans and advances:</b>	—	—
<b>17 Other Current Assets (specify nature)</b>		
Interest accrued on deposits	—	—
TDS	21,86,175	32,37,371
Advances to staff - Secured	—	10,89,739
Advance tax	75,00,000	43,00,000
Other advances	3,94,93,007	3,00,42,754
	<b>4,91,79,182</b>	<b>3,86,69,864</b>





**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>18 Contingent liabilities and Commitments:</b> (to the extent not provided for)		
a) Contingent Liabilities:		
i) Tax demands under disputes		
a) (penalty levied by Excise authority, stay has been granted till disposal of appeal by CESTAT vide stay order no. 307/08/2008)	2760188	2760188
b) (Service Tax & Penalty demanded by service tax authorities and appeal has been filed vide application No. 1083/2012 which has been stayed vide order No. Misc. 26101/2013 dated 06.06.2013)	4600796	4600796
c) (Provision towards interest on Loan converted in to equity)	817000	817000
d) Provision towards disputed claims, stay has been granted till disposal of appeal vide stay Order No. O.S.16569/02 dated 21.06.2011	12,85,000	12,85,000

The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>19 Revenue from operations:</b>		
<b>i) Sale of products</b>		
Sawn Sizes	2,77,957	72,567
Furniture	4,96,66,292	4,51,74,576
Firewood	4,76,07,816	5,67,15,497
Block Boards	4,30,257	3,04,732
Flush Doors	1,78,23,201	1,93,74,109
Sandal White Chips Powder	74,868	8,01,924
Pulpwood	16,03,62,347	15,63,65,518
Doors and Windows	2,82,76,800	4,19,09,126
Other Sales	60,10,382	24,05,291
<b>Total</b>	<b>31,05,29,920</b>	<b>32,31,23,340</b>
<b>ii) Other operating revenues</b>		
Logging receipts	11,52,77,064	8,97,39,074
Design and Beeding	—	67,506
Splitting of poles	—	—
	<b>42,58,06,984</b>	<b>41,29,29,920</b>
Less:		
Excise duty	52,77,585	69,50,230
	<b>42,05,29,399</b>	<b>40,59,79,690</b>
<b>20 Other Income:</b>		
i) Interest income - long term investments		
- On Fixed Deposits	1,30,64,708	65,29,315
- On HBA	91,285	23,980
- On belated Payments	2,93,690	4,47,162



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
ii) Provision no longer required withdrawn		
Income Tax	—	—
Wealth Tax	—	—
iii) <b>Other non operating income</b>		
Reimbursement of Transportation Expenses	—	2,49,531
House Rent	29,71,968	39,41,198
Land Rent	2,28,000	2,28,000
Miscellaneous Receipts	31,19,887	21,67,892
Rental Income	—	5,40,740
	<b>1,97,69,537</b>	<b>1,41,27,818</b>
<b>21 Cost of materials consumed:</b>		
a) i) Consumption of raw materials	2,47,74,671	3,28,86,885
ii) Consumption of stores and spare parts	60,43,625	63,49,064
	<b>3,08,18,296</b>	<b>3,92,35,949</b>
b) Consumption of major raw materials		
i) <b>Sandalwood Whitechips:</b>		
Opening Stock	—	1,35,240
Add: Purchases	3,07,020	1,41,750
	<b>3,07,020</b>	<b>2,76,990</b>
Less: Closing Stock	—	—
	<b>3,07,020</b>	<b>2,76,990</b>
ii) <b>Sawn Sizes:</b>		
Opening Stock	1,15,88,306	1,04,11,931
Add: Purchases	2,01,10,014	3,37,86,270
	<b>3,16,98,320</b>	<b>4,41,98,201</b>
Less: Closing Stock	72,30,669	1,15,88,306
	<b>2,44,67,651</b>	<b>3,26,09,895</b>



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period		As at end of previous reporting period	
	₹		₹	
<b>c) Consumption of stores and spare parts</b>				
Opening Stock	42,51,778	52,59,680		
Add: Purchases	60,95,007	53,41,162		
	<u>1,03,46,785</u>	<u>1,06,00,842</u>		
Less: Closing Stock	43,03,161	<b>42,51,778</b>	<u>60,43,625</u>	<u>63,49,064</u>
<b>22 Purchases of stock in trade</b>				
Firewood	1,25,77,883	87,12,393		
Pulpwood	2,92,28,308	2,67,40,762		
Furniture	4,12,09,649	3,20,94,696		
Jiggat Bark	1,49,419	2,43,625		
Timber	<u>1,22,970</u>	<u>7,52,161</u>	<u>8,32,88,229</u>	<u>6,85,43,637</u>
<b>23 Changes in inventories of finished goods, work in progress and stock in trade:</b>				
Stocks at the end of the year				
<b>i) Work in progress</b>				
Sawn Sizes		3,84,200	13,08,384	
Other Stocks		8,97,264	8,93,622	
Total		<u>12,81,464</u>	<u>22,02,006</u>	
<b>ii) Trading goods</b>		—	—	
Total		—	—	



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>iii) Finished goods</b>		
Furniture	2,48,448	7,77,488
Firewood	1,02,34,745	38,25,994
Block Boards	4,82,406	5,78,960
Flush Doors	16,98,280	17,06,910
Other Stocks	53,99,342	67,58,341
Total	<b>1,80,63,221</b>	<b>1,36,47,692</b>
<b>iii) Scrap</b>		
Less:		
Stocks at the beginning of the year	<b>1,93,44,685</b>	<b>1,58,49,698</b>
<b>i) Work in progress</b>		
Sawn Sizes	26,05,204	29,94,611
Other Stocks	—	—
Total	<b>26,05,204</b>	<b>29,94,611</b>
<b>ii) Trading goods</b>	—	—
Total	—	—
<b>iii) Finished goods</b>		
Furniture	7,72,841	21,41,042
Firewood	38,25,994	39,85,488
Block Boards	5,14,631	2,18,093
Flush Doors	15,17,253	14,52,029
Other Stocks	61,78,946	67,26,730
Total	<b>1,28,09,664</b>	<b>1,45,23,382</b>
<b>iv) Scrap</b>	—	—
	1,54,14,868	1,75,17,993
	<b>(39,29,817)</b>	<b>16,68,295</b>



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>24 Operative expenses</b>		
Logging Expenses	8,17,34,653	6,86,77,891
Royalty and Lease Rent	14,750	14,750
Fabrication Charges	28,40,736	32,33,233
Beeding & Designing Charges	—	10,048
	<b>8,45,90,139</b>	<b>7,19,35,922</b>
<b>25 Employee Benefit Expenses:</b>		
i) Salaries and wages	4,90,85,525	5,24,28,230
ii) Contribution to provident and other funds	4,63,83,601	3,93,65,194
iii) P.F.Administrative Charges	2,89,030	4,00,127
vi) Remuneration to whole time Directors/Managing Director	28,97,530	28,72,804
v) Staff welfare expenses	10,77,274	8,24,393
	<b>9,97,32,960</b>	<b>9,58,90,748</b>
<b>26 Depreciation and amortization:</b>		
i) Depreciation	25,52,625	27,83,808
	<b>25,52,625</b>	<b>27,83,808</b>
<b>27 Other expenses:</b>		
i) Transportation & Handling Charges	6,69,30,312	6,60,01,023
ii) Power and fuel	10,82,999	11,77,067
iii) Rent	4,02,692	9,52,664
iv) Repairs to buildings	13,52,971	10,75,020
v) Repairs to machinery	2,86,690	5,27,159
vi) Repairs to Vehicles	19,09,241	25,08,037
vii) Repairs others	5,74,824	9,96,070
viii) Insurance	1,80,283	1,90,397



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current	As at end of previous
	reporting period	reporting period
	₹	₹
ix) Rates and taxes	14,54,826	11,69,186
x) Vat payment (2005 to 2010)	—	5,01,990
<b>xi) Payment to the auditors</b>		
<b>- as auditor</b>		
internal audit	2,70,380	1,70,938
statutory audit	98,470	1,02,339
- for tax audit	46,868	35,420
- for vat audit	27,347	19,320
<b>- for reimbursement of expenses</b>		
internal audit	60,180	25,000
<i>statutory audit</i>	28,750	—
xi) Advertisement Charges	3,97,803	5,08,337
xii) Legal and professional charges (Tax consultant fees & legal fees)		
Legal expenses	51,500	1,60,529
Professional / Contract fees	6,86,720	7,54,868
Income Tax Consultation Fees	17,175	17,854
xiii) Directors sitting fees	16,000	12,000
xxiii) Remuneration to non whole time directors		
-Chairman	10,43,102	2,22,376
xxiv) Miscellaneous expenses	30,29,856	58,59,333
xxv) Administrative expenses	1,31,901	75,425
	<b>8,00,80,079</b>	<b>83,061,351</b>



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

PARTICULARS	As at end of current reporting period ₹	As at end of previous reporting period ₹
<b>28 Details of items of exceptional and extraordinary nature:</b>		
<b>Exceptional items</b>		
Income		
Withdrawal of unclaimed Credits	—	41,06,520
Expenditure		
<b>Extraordinary items</b>		
Income		
i) Profit on sale of Fixed Assets	37,16,116	31,93,751
Profit on sale of scrap	—	800
Withdrawal of Grant in Aid	14,85,414	24,82,036
Expenditure	—	—
ii) <b>Proportionate Value of Capital Grant</b>	18,850	18,850
	<b>52,20,380</b>	<b>56,95,437</b>
<b>29 Prior period items:</b>		
i) Income		
Provision of OSL withdrawn (2013-14)	2,96,378	55,041
Reimbursement of exp. from chairman (2013-14)	—	27,970
Rent for the year 2013-14	—	45,432
Rent of Quarters (2012-13)	—	1,17,491
Salary & Wages (2005-2013)	35,819	18,191
Interest on FD & SB (2013-14)	—	12,267
Depreciation withdrawn (2014-15)	1,68,386	—
	5,00,583	2,76,392
ii) Expenses		
Logging Expenses 2013-14	3,23,604	3,81,241
Salaries & Wages 2005-2013	—	3,23,604
	3,23,604	3,81,241
<b>Net prior period income/(expenses)</b>	<b>1,76,979</b>	<b>(1,04,849)</b>





## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LTD. BANGALORE

NOTE "30"

### I. Basis of consolidation and Significant Accounting Policies

#### A. BASIS OF CONSOLIDATION

The consolidated financial statements relate **THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LTD** (The Company) and **MYSORE MATCH COMPANY** its (subsidiary company). The Company and its subsidiary constitute the Group.

##### a) Basis of preparation of financial statements:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India to comply with the Accounting Standards specified under Section 133 of Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013.

##### b) Use of estimates:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent liabilities at the date of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

##### c) Principles of consolidation:

- i. The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2016.
- ii. The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealized profits have been fully eliminated in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".
- iii. The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be.
- iv. Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company. Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.



## **B. Significant accounting policies:**

### **a) Revenue**

- i. Sales are accounted on transfer of significant risk and rewards to customers.
- ii. Logging receipts from Forest Department are accounted as income after the logged materials are accepted by Forest Department.
- iii. All other income are accounted on accrual basis to the extent they are ascertained. Incomes which are not ascertainable are accounted in the year in which these are ascertained or received whichever is earlier.

### **b) Fixed assets and Depreciation:**

- i. Fixed Assets are stated at cost of acquisition less accumulated depreciation.
- ii. Depreciation on Fixed Assets (other than lease hold and freehold land) is provided using the straight line method on the useful life of assets and is charges to the statement of profit and loss as per the requirement of schedule II of the Companies Act,2013. In respect of addition made during the year, depreciation is charged for the whole year irrespective of the date of addition. In case of deletions, made during the year, no depreciation is charged, irrespective of date of deletion.
- iii. The Policy of the company regarding Capital Grant is to transfer the same to Capital Reserve and thereafter transfer proportionate amount equal to the depreciation to Profit & Loss Account and the balance is shown in Capital Reserve w.e.f. Accounting year 1998-99.

### **c) Inventories**

- i. Raw materials, stores and spares are valued at cost on First in first out method.
- ii. Stock-in-process is valued at cost.
- iii. Finished goods are valued at the cost or realizable value whichever is lower.
- iv. By products are valued at net realizable value.
- v. Sawn sizes included in the finished goods are valued at cost except slow/non moving sawn sizes valued at Net Realizable Value.

### **d) All expense incurred for plantation are shown in the Balance Sheet under other Non-Current Assets**

- e) Yield obtained from plantation is valued at cost based on the total expenditure incurred on / allocated to the year of plantation and the total quantity of yield obtained / expected from the respective year of plantation, while doing so due allowances have not been made for the lease rent payable to Karnataka Forest Department. However in respect of valuation of plantation, till maturity, valued at cost of expenditure incurred.



**f) Employees retirement benefits:**

- i. Company's contributions to provident fund, superannuation fund and other funds for the year are charged to Profit and Loss account.
- ii. Group Gratuity premium is charged to Profit and Loss account. Liabilities towards Gratuity to employees are covered by the Group Gratuity scheme under cash accumulation plan with LIC.
- iii. The Liability towards leave encashment of employees at the time of retirement has been assessed on the basis of actuarial valuation as on Balance sheet date and provided and funded with LIC under Group Leave Encashment Scheme.

**g) Taxes on income:**

- i. Current Tax Liabilities are provided on the basis of applicable Tax rates for the year estimated as per the Income Tax Act,1961
- ii. Deferred Tax Liabilities are provided as per AS-22.
- iii. Deferred Tax Assets as referred to in AS-22 are not recognized as a matter of prudence, as virtual certainties for realization of the same do not exist.



## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED

BANGALORE

NOTE "31"

### NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2016 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016.

1. Figures for the previous year have been regrouped and re-classified wherever necessary. Figures for the previous year are shown as at 31st March 2016.
2. Provision is based on estimates determined as on balance sheet date.
3. Sundry Debtors, Sundry Creditors, Deposits, Advances from Customers etc., are subject to confirmation.
4. Mysore Match Company Limited, a subsidiary is under voluntary winding up. Investment made in subsidiary is Rs. 2,94,550/- (Rs.2,94,550/-). A property of the Company has been valued by certified values being Rs.17.07 Crores.
5. Sale of 6202.793 cubic meters of confiscated granite blocks was accounted in the year 1994-95 subject to lifting of the material by the buyers. However, till March 31, 2005 only 1575.302 cubic meters have been lifted by various buyers. The balance was not lifted due to non issue of permits in view of non-payment by the Tenderers as per terms and conditions of tender. The Government of Karnataka ordered that KSFIC is no longer involved in the sale of the granite blocks, hence to refund the advances received from the buyers. Upon the request of the Company the earlier order of the Government referred above was modified by the Government stating that the earlier instructions were of the advisory in nature and the Company can initiate action as per terms and conditions of the tender. In view of this development the Company is taking steps to regularize the matter.
  - (a) In respect of the above, certain buyers had gone to Court seeking, inter alia, refund of advance and in some cases the matter was decided in favour of the buyers. In view of the judgment dated 24.10.2008 in civil appeal by the Hon'ble Supreme Court of India, settlement has been made as per orders. Advance received for Granite Rs. 22,88,594 (Rs. 22,88,594), Sundry Debtors for Granite Rs.72,37,934 (Rs.72,37,934) and Amount Payable to Forest Dept. for Granite Rs.60,88,064 (Rs. 60,88,064) are not adjusted as the same has to be reviewed and reconciled. However Physical verification of un lifted balance stock lying in the field have not been conducted during the year.

6. Deferred Tax :	2015-16	2014-15
<b>a. Deferred Tax Liability</b>	₹	₹
Related to fixed assets	79,82,117	85,57,932
Net Deferred Liability	79,82,117	85,57,932
Net Deferred Tax Liability	24,60,466	26,44,401



7. a) Number of persons who were in receipt of remuneration of not less than Rs.60,00,000/- (Previous Year Rs.60,00,000/-) per annum and employed throughout the year- Nil ( Nil).  
b) Number of persons who were in receipt of remuneration of not less than Rs.5,00,000/- (Previous Year Rs.5,00,000/-) per month and employed for the part of the year - Nil (Nil).
8. Due to breach of agreement, the Company has filed a civil suit for recovery of Rs. 37.65 lakhs (Rs. 37.65 lakhs) including interest of Rs.10.67 lakhs (Rs.10.67 lakhs) from M/s. Maheshwara Traders, Gadag. The Suit is disposed in favour of M/s. Maheshwara Traders for an amount of Rs.12.85lakhs. Since the Company has filed an appeal in the Honorable High Court, no provision has been made in the books of accounts. Further, stay has been granted vide stay order No.O.S.16569/02 dated 21st June, 2011.
9. Government of Karnataka had sanctioned a loan of Rs.151.05 lakhs to the Company and the same was converted into Equity during October 2001. The Company had Provided Interest amounting to Rs.32.13 lakhs (Rs.32.13 lakhs) up to 31-03-2001 and a proposal to convert the interest into Equity is under the consideration of the Government. In view of this, Interest for the period April to October, 2001 amounting to Rs. 8.17 lakhs (Rs.8.17 lakhs) has not been provided in the books and proposal has been sent to Government for waiver. The Government has convened a meeting on 19.08.2010 and discussed the subject in detail and agreed that since the principal amount has been converted into equity, there is justification to convert this also. Hence, there is no need to reject this and decided to send the proposal to Finance Department for initiating necessary action to issue orders. As such the provision of Rs.8.17 lakhs as interest has not been provided awaiting Government order.
10. No provision has been made for impairment of assets as per AS-28 in respect of Plants at Dandeli. since, the realizable value will be more than the carrying amount of plant.
11. The Title Deeds of land at Shimoga (WPP) 18acres 35guntas and Dandeli 15 acres 23 guntas and the book value of the land being Rs.1,89,879 have not yet been conveyed in the name of the Corporation, since 1975.
12. The Government in their order No.FEE 104 FPC 2014 dated 14.11.2014 have granted permission to exchange the KSFIC land bearing Sy.23/6A1B2,23-4B,23-12B23-6A2B,23-6B & 23/3(portion) totally measuring 5-89 acres in favour of Deputy Commissioner D.K District for the proposed construction of District office Complex. In lieu the Deputy Commissioner, Dakshina Kannada District Mangaluru has to exchange lands to an extent of 4-50 acres in Sy.38-1A of bangrakuluru Village of Mangalore Taluk to KSFIC Mangalore subject to certain conditions imposed in the order cited above. Accordingly the entries in the R.T.C of the above said land has been incorporated. The Conditions imposed viz. ,construction of compound, granting of further 3.50 acres to compensate the excess 1-39 acres taken over, allotment of 5000sqft building in new building, etc. have yet to be fulfilled. Pending fulfillment of above conditions the lands have not been physically handed over to the Government & thus entries regarding the above have not been incorporated in the books of accounts.
13. Value of land at Timber Yard Layout, Mysore Road, Bangalore is yet to be finalized, pending since 1990, hence not reflected in the Accounts.



14. Value of land at Gottipura is yet to be finalized and hence not reflected in the Accounts, since 1985. Follow up action in this regard is made with Karnataka Forest Department vide letter dated 18.08.2012. Recently Corporation has taken decision to return the land to the Karnataka Forest Department however recently the Corporation proposed to take up establishment of furniture unit. The decision is yet to be finalized and hence the accounting the value of land in the books has not been done.
15. In pursuance of the Government letter No.FFD.190:FWL.82.dt 21-08-1985, the Company has handed over the possession of certain immovable property of Murkal Unit to the Karnataka Forest Development Corporation Ltd., Pending finalization of the purchase consideration and conveyance of the property, the Company has charged depreciation on these assets. The value of the property of Rs.1,27,678/- (Rs.1,27,678/-) is continued to be shown in the books of the Company. The subject was discussed in the 216th Board Meeting on 29.06.2010 and was instructed to carry out reconciliation with KFDC for further action in this regard and the matter is pending.
16. The Company had acquired 9,750 sq.ft of office space in "Vanavikas", Malleshwaram, Bangalore from the Karnataka Forest Development Corporation Limited. Pending conveyance of the title deeds, depreciation has been charged from the financial year 1990 - 91 onwards. Further, the Board had instructed to carry out reconciliation and valuation of payments consideration along with transfer of Murkal property for taking further action for conveyance of title deeds. Company has paid property tax and made a request to KFDC for arranging transfer of title deeds. KFDC has not responded to the letter dated 28.06.2012 till date nor convey the title deeds.
17. The Company has leased 15 cents of land at Mangalore to Zilla Parishad, Mangalore during 1993-94 on a lease rental of Rs.30,000 p.a. Lease deed is yet to be finalized and lease amount not being received. The Zilla Parishad authorities requested to waive the lease rent, the same has been rejected and insisting for payment. The subject was discussed in the copu meeting held on 06.09.2010 and directed to resolve the issue immediately. On finality, necessary action will be taken. However, the management is pursuing the same which was discussed in the Meeting of PCCF with their officers on 12.05.2014 and on dated:16.04.2016 had instructed CCF Mangalore to take up the issue with CEO ZP Mangalore and get the lease rent paid to KSFIC. Hence, no provision is made to account revenue which will be accounted on receipt of lease rent.
18. Plant and Machinery of Green Grass Dehydration Project were purchased during 1980-81 out of capital grant received from the Government of Karnataka. Depreciation has been charged consistently on these assets without adjusting the capital grant. Plant and Machinery are fully depreciated and disposed assets off remaining fully for Rs.16,66,667/-(25,89,800/-) and accordingly proportionate adjustments of Rs.14,85,414/-(Rs.24,82,036/-) and Rs.14,23,380/- (Rs.24,11,159/-) were made in Capital Grant and the cost block of the asset respectively.
19. Loans & Advances include amount due from Mysore Match Co. Ltd., Rs. 23.34 lakhs (Pervious Year Rs.23.20 lakhs). The company properties are being valued at Rs. 17.07 Crores (previous year Rs.17.07 crores) and the Company is certain of recovering of advances, hence no provision has been made.



20. The Government of Karnataka has sanctioned Rs.800,000 of loan vide G.O.No.90 2001 dated 26th December, 2001 for financial requirement of Mysore Match Company, Shimoga to meet the voluntary retirement scheme which is repayable on receipt of principal amount on disposal of assets. As the Government Order No.APJ 90 FPC 2001 dated 26.12.2001 had not specified the rate of interest, therefore interest is not provided on this loan as in the past. This apart Government of Karnataka has given a loan of Rs 15.20 lakhs towards settlement of court case in favour of M/s Western India Pulpwood's limited vide G.O. no APJ 77 FPC 2010 Bangalore Dated 18.05.2011 through KSFIC which is repayable on receipt of principal amount on disposal of assets. As the Government Order had not specified the rate of interest, interest is not provided on this loan. The Corporation had disposed old scrap & machineries for Rs. 18,46,511 (Rs.36,29,854) on behalf of Mysore Match Co, defunct subsidiary. Pending review, reconciliation and decision on refund of loan to Government drawn from KSFIC by MMC Ltd. Hence, no adjustments were made in respect of refund of loans availed from Government through corporation except other advances made by KSFIC.
21. The suit filed against agent at Puttur towards recovery of firewood shortage amounting to Rs. 2,28,308, (Rs.2,28,308) has been dismissed. However the company has initiated action to recover the entire amount from the then Regional Manager Sri. B.D. Prasanna Kumar for the cause. Hence no provision is made in the accounts.
22. As approved by Government vide G.O. No.APG.55.FPC.2006, Bangalore dated 20.06.2006, Company has taken up project of Forestry Plantation of Acacia / Eucalyptus Pulpwood at Balekoppa at a cost of Rs.72.84 lakhs. During the year, out of the projected area of 236.8 Hectares (From leased lands in the earlier years) plantation work has been taken -NIL- Ha (143.50 Ha) and an amount of Rs.39,48,676/- (PY. 39,48,676/-) till year end has been spent from forestry. During the year remaining are of plantation were harvested of 82 Hec (50 Hec) of land and 6945 MT (8107 MT) of pulpwood has been extracted, cost of which is valued at Rs.8,26,584/- (Rs.32,41,787/-) The cost of Pulpwood extracted has been charged to Profit and loss account.
23. The liability towards the Gratuity and Leave Encashment has been assessed on the basis of actuarial valuation as on Balance Sheet date under cash accumulation plan with LIC and funded with LIC. In both the schemes, the Company has covered additional benefits of total life cover to the extent of Rs.25,000/- and Rs.5,000/- respectively. During the year past service liability in respect of leave encashment also covered. The actuarial valuation is based on the retirement age of 60 years. The effect of actuarial valuation has not been given in the books of accounts, Since the GGP & GLES policy taken with LIC covers up the substantial portion of the Liability.



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LTD.**

**GRATUITY AND GLES REPORT UNDER AS-15 (REVISED 2005) FOR YEAR ENDED 31/03/2016  
IN RESPECT OF KSFIC LTD., BANGALORE, EMP. GRATUITY FUND TRUST FOR POLICY NO.35112 AND GLES POLICY NO.525059**

	As on 31/03/2015	As on 31/03/2016
<b>1. Assumption</b>		
Discount Rate	8.00%	8.00%
Salary Escalation	7.00%	7.00%

<b>2. Table showing changes in present value of obligation as on 31/03/2015</b>	<b>GGP</b>	<b>GLES</b>
Present value of obligation as at beginning of year	42163389	31462149
Interest Cost	3373071	2516972
Current Service cost	1271747	12702248
Benefits paid	(16298817)	(7532068)
Actuarial gain / loss on obligations	2392087	(23585005)
Present value of obligations as at end of year	32901477	15564296

<b>3. Table showing changes in the fair value of plan assets as on 31/03/2016</b>		
Fair value of plan assets at beginning of the year	9964266	5729665
Expected return on plan assets	1564875	1093323
Contributions	34592837	25185489
Benefits paid	(16298817)	(7532068)
Actuarial gain / loss on plan assets	NIL	NIL
Fair value of plan assets at the end of year	29823161	24476409

<b>4. Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	9964266	5729665
Actual return on plan assets	1564875	1093323
Contributions	34592837	25185489
Benefits paid	(16298817)	(7532068)
Fair value of plan assets at the end of year	29823161	24476409
Funded Status	(3078316)	8912113
Excess of actual over estimated return on plan assets	NIL	

(Actual rate of return = Estimated rate of return as ARD falls on 31st March)





<b>5. Actuarial Gain / Loss recognized</b>	<b>As on 31/03/2016</b>	
Actuarial gain / loss on obligations	(2392087)	23585005
Actuarial gain / loss for the year - plan assets	NIL	NIL
Total gain / loss for the year	2392087	(23585005)
Actuarial gain / loss recognized in the year	2392087	(23585005)
<b>6. The amounts to be recognized in the balance sheet and statements of profit and loss</b>		
Present value of obligations as at the end of year	32901477	15564296
Fair value of plan assets as at the end of the year	29823161	24476409
Funded Status	(3078316)	8912113
Net asset / liability recognized in balance sheet	(3078316)	(8912113)
<b>7. Expenses recognized in statement of profit and loss</b>		
Current service cost	1271747	12702248
Interest cost	3373071	2516972
Expected return on plan assets	(1564875)	(1093323)
Net Actuarial gain / loss recognized in the year	2392087	(23585005)
Expenses recognized in statement of profit and loss	5472030	(9459108)

24. Company has not accounted for the rental income receivable from the Tenants of quarters at Dandeli Saw Mills as there is no certainty of recovering these dues.
25. There are no micro, small or medium enterprises to whom the Company owes dues as at 31.03.2016 and hence there is no need to make any disclosure under Micro, Small or Medium Enterprises Development Act, 2006.
26. The Service Tax Authorities have made a demand of service tax for Rs.46,00,796/- comprising of service tax Rs.22,97,898/-, penalty of Rs.22,97,898/- and interest of Rs.5,000/- for the period of 16.05.2005 to 31.03.2009 vide order No.01/ADC/ST/2010 dated 08.01.2010 as the Company has filed an appeal along with stay application dated 19.04.2010. The first appeal was rejected hence second appeal was filed along with stay application before the tribunal, Bangalore dated 07.06.2012. Further subsequent period service tax demanded by the authorities were also appealed, hence the service tax to the extent of Rs.7,23,481 is pre-deposited including pending finalization of original appeal. As the original appeal has been stayed no provision has been made in the books of accounts. Further to this the final appeal has been disposed of by remanding back to the original jurisdictional authorities for fresh review in view of the observations vide order No: 21841-21844/2015 dated: 04.09.2015. Pending this no provision is made in Books of Accounts.



27. In respect of Rs.3.33 lakhs receivables from Karnataka Housing Board, Yelahanka. The Chief Executive Officer had written to Executive Engineer vide letter dated 31.07.2012 seeking clarification against the payment on which KSFIC had written letter to the Chairman, Karnataka Housing Board to intervene and arrange for payment vide letter dated 16.08.2012. Further to the above a meeting was held with the Chief Engineer, KHB on 27.05.2013 and he had instructed Executive Engineer to process for settlement of final bills of KSFIC.
28. In Shimoga unit enquiry was initiated against employees towards irregular logging advances out of this one employee Sri. T. S. Basappa, who is now retired has an outstanding balance of Rs. 8.68 lakhs after adjusting the retirement benefits payable to him. The Corporation is proposing to initiate civil suit for recovery after exhausting all methods of recovery of amounts charged on the basis of enquiry proceedings. In accordance with the decision the management is proceeding for recovery. Further to this in view of the observation of CAG during the Audit of accounts of 2014-15 it was proposed to make provision in the accounts. The subject is placed before the Board for further decision.
29. Comptroller and Auditor General of India made an observation during audit of Karnataka Forest Department (KFD) for the year 2007-2012 that KSFIC has to levy and collect Forest Development Tax (FDT) on sale of pulpwood, KSFIC had paid FDT only on purchase value on the seniorage rate. This has resulted in non levy of FDT and short payment to Forest Department amounting to Rs.2.02 Crores . The Forest Department has sought further clarification from KSFIC vide letter No.D-4(A) CR-04/2012-13 Dt.19.10.2012. In response to this KSFIC vide its letter dated.05.11.2012 rejected the contention of AG as the payment of FDT cannot be charged twice. Once the sale by KFD is completed, the KFD does not hold any right on the materials in which the buyer make
30. Further sale. In this regard reply submitted by the office of the PCCF to AG vide letter dt.12.08.2010 informing that FDT is payable only on the purchase of pulpwood by KSFIC and not on further sales made by the Corporation and FDT on difference of values is not applicable and requested for withdrawal of observation, which confirms the stand of KSFIC. The same has been brought before the Meeting called by PCCF held on 25.02.2013 . During discussion the MD, KSFIC sought a joint meeting of the PCCF, KSFIC & AG to sort out the issue. Accordingly the PCCF informed that this will be examined and action will be taken. Awaiting this process, the Corporation has collected FDT on sale value of pulpwood from 2013-14. The differential amount between Sale value and Purchase value amounting to Rs. 3,85,73,526/- (Rs.2,20,79,034/-) (net) is disclosed under other current liability till further decision are taken.
31. Depreciation in respect of Assets as on 31.03.2016 including the additions made during the year are calculated/accounted on the basis of useful life of the assets as per part C of schedule II of Companies Act 2013.



32. Managerial Remuneration:

<b><u>Chairman :</u></b>	<b>Current Year</b>	<b>Previous Year</b>
	<b>(₹)</b>	<b>(₹)</b>
Remuneration	3,84,000	37,200
Rent	1,50,000	82,668
Others	4,82,196	1,02,508
<b>Managing Director</b>		
Remuneration	23,94,400	22,86,045
Home orderly Allowance	72,000	72,000
Pension & Leave Salary Contribution	1,90,400	3,21,135
Leave Travel Concession	-	58,356
Home Travel Concession	-	-
Medical Reimbursement bills	2,40,730	71,734
Earned Leave Encashment	-	63,534

33. Figures have been rounded off to the nearest rupee.



**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED**  
BANGALORE

Quantitative Particulars as per paragraphs, 3,4B,4C and 4D of part II of Schedule - VI

<b>A</b>	<b>INSTALLED CAPACITY</b>	<b>AS CERTIFIED BY MANAGING DIRECTOR</b>
	a) Saw Mills	7500 Cmts. Of Wood
	b) Blockboard/Flushdoors	28800 Units
	c) Sandalwood White Chips Powder	180 M.Tonnes

B	ACTUAL PRODUCTION		Current Year		Previous Year	
			Qty	Value Rs	Qty	Value Rs.
	Blockboards	(in Sft)	5849	—	7542	—
	Flushdoors	(in sft)	61728	—	69198	—
	Sandalwood White Chips Powder	(in M.T.)	4.117	—	4	—
<b>C</b>	<b>OPENING STOCK</b>					
	Sawn Sizes	(inCmtrs)	285	1,15,88,306	320	1,05,47,171
	Firewood	(in M.T.)	1931	42,53,579	2761	39,85,488
	Sandalwood White Chips	(in M.T.)	0	0	2	135,240
	Block Board	(In Sft)	4531	5,78,960	2245	218,093
	Flush Doors	(In Sft)	6321	17,06,910	7607	14,52,029
<b>D</b>	<b>CLOSING STOCK</b>					
	Sawn Sizes	(In cmtrs)	242	72,30,669	285	11,588,306
	Firewood	(In.M.T.)	4019	1,02,34,745	1931	4,253,579
	Sandalwood White Chips	(In M.T.)	—	—	—	—
	Blockboards	(In Sft )	3626	4,82,406	4351	578,960
	Flushdoors	(In Sft )	6627	16,98,280	6321	1,706,910
<b>E.</b>	<b>PURCHASE</b>					
	Firewood	(In M.T.)	14140	1,25,77,883	15683	8,712,393
	Sandlwood White Chips	(In M.T.)	5	3,07,020	3	141,750
	Sawn Sizes	(In cmtrs)	425	2,01,10,014	534	33,786,270
<b>F.</b>	<b>SALES</b>					
	Sawn Sizes	(In Cmtrs)	-	2,77,957	1	72,567
	Firewood	(In.M.T.)	13770	4,76,07,816	16513	56,715,497
	Blockboards	(In Sft)	6574	4,30,257	5436	304,732
	Flushdoors	(In Sft)	61422	1,78,23,201	70484	19,374,109
	Sandlwood White Chips Powder	(in M.T.)	0.367	74,868	4	801,924



G	Value of Imports during the Year on C.I.F			NIL		NIL
H	Expenditure in Foreign Exchange during the year			NIL		NIL
I	Amount remitted in Foreign Exchange on account of Dividends			NIL		NIL
J.	Earning in Foreign Currency on FOB Basis			NIL		NIL
K	Value of Raw materials, Spares Parts and Components consumed during the year					
A. RAW MATERIALS						
	Sandalwood White Chips	(In M.T.)	5	3,07,020	5	1,41,750
	Sawn Sizes	(in Cmtrs)	468	2,44,67,651	568	32,745,135
B. SPARES & COMPONENTS						
	Indigeneous		—	60,43,625	—	63,49,064

In Accordance with our Report attached

**For R. Singhvi & Associates**  
Chartered Accountants

Sd/-  
**Subhash Singhvi**  
Partner  
Membership No.024534

For and on behalf of the Board

Sd/-  
**K.S. SUGARA**  
Managing Director

Sd/-  
**MOHAMMED HUSSAIN**  
Director

Bangalore  
Date: 27.10.2016

Sd/-  
**A.V. Mohan Kumar**  
Finance Manager & Chief Accounts Officer



## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED

BANGALORE

32 Balance Sheet Abstract and Company's General Business Profile.

(in thousands except EPS)

I	Registration details		
	Registration No.	2314	State Code- 08
	Balance Sheet Date.	31-3-2016	
II	Capital Raised during the year.		
		Public Issue - Nil	Rights Issue- Nil
		Bonus Issue- Nil	Private Placement- Nil
III	Position of Mobilisation and Deployment of Funds	Total Liabilities	Total Assets
		₹ 419,883	₹ 419,883
	Equity & Liability	Paid-up Capital	Reserves & Surplus
		₹ 26,658	₹ 216,731
		Secured Loans	Unsecured Loans
		Nil	₹ 55,33
	Assets	Net Fixed Assets	Investments
		₹ 164,28	₹ 294
		Net Current Assets	
		₹ 403,453	
		Accumulated Profit	Misc. Expenditure
		₹ 216,358	Nil
IV	Performance of Company	Total Income	Total Expenditure
		₹ 445,696	₹ 377,133
		Profit/(Loss) before Tax	Profit/(Loss) after Tax
		₹ 685,63	₹ 542,73
		Earning per Share	Dividend
		₹ 2036	NIL
V	Generic Name of Three Principal Products of Company,		
	Item Code No. (ITC Code)		4410-441090.09
	Product Description		Flush Doors
	Item Code No. (ITC Code)		4409-440920.01
	Product Description		Block Boards
	Item Code No. (ITC Code)		9403-940330.09
	Product Description		Furniture

In Accordance with our Report attached

SIGNATURES TO SCHEDULES 1 to 32

**For R. SINGHVI & ASSOCIATES**

Chartered Accountants

Sd/-

**Subhash Singhvi**

Partner

Membership No.024534

**For and on behalf of the Board**

Sd/-

**K.S. SUGARA**

Managing Director

Sd/-

**MOHAMMED HUSSAIN**

Director

Sd/-

**A.V. Mohan Kumar**

Finance Manager & Chief Accounts Officer

Bangalore

Date: 27.10.2016



**STATEMENT PURSUANT TO SECTION 129(3) OF THE COMPANIES ACT-2013**

**Related to subsidiary company**

Name of the Subsidiaries	M/s.Mysore Match Company Ltd.,
The Financial year of the subsidiary company ended on	31.03.2016
Number of share in the subsidiary held by the holding company	Out of 49965 equity shares of Rs.10/- each KSFIC holds 29455 equity shares.
The Act aggregate of profits less losses of the subsidiary Company so far as it concerns the Member of KSFIC Ltd.,	
1. Dealt within the accounts of KSFIC Ltd., amounted to a) For the subsidiary's Financial year ending 31.3.2015 b) For previous Financial years of the subsidiary since it becomes subsidiary of KSFIC Ltd.,	NIL NIL
2. Not dealt with in the accounts of KSFIC Ltd., amounted to a) For subsidiary's Financial year ending 31.3.2015 b) For previous Financial years of the subsidiary since it becomes subsidiary of KSFIC Ltd.,	Rs. 11,78,178 Rs. 11,78,178

In Accordance with our Report attached

**For R. Singhvi & Associates**

Chartered Accountants

Sd/-

**Subhash Singhvi**

Partner

Membership No.024534

For and on behalf of the Board

Sd/-

**K.S. SUGARA**

Managing Director

Sd/-

**MOHAMMED HUSSAIN**

Director

Sd/-

**A.V. Mohan Kumar**

Finance Manager & Chief Accounts Officer

Bangalore

Date: 27.10.2016





### Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014

#### Statement containing salient features of the financial statement of subsidiaries/ associate companies/joint ventures

##### Part A - Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.

SI No.	Particulars	Details
	Name of the subsidiary	The Mysore Match Company Ltd.,
	The date since when subsidiary was acquired	
	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable
	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Not applicable
	Share Capital	Rs. 4,99,658
	Reserves & Surplus	Rs. 11,78,178
	Total assets	Rs. 44,95,960
	Total Liabilities	Rs. 28,18,124
	Investments	Nil
	Turnover	Nil
	Profit before taxation	Rs. 15,27,568
	Provision for taxation	Rs. 4,72,019
	Profit after taxation	Rs. 10,55,549
	Proposed Dividend	Nil
	% of shareholding	59.11%





**Part 'B' : Associates and joint Ventures**

**Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures**

Name of associates / Joint Ventures	Not applicable		
Latest audited Balance Sheet Date	-	-	-
Share of Associates/Joint Ventures held by the Company on the year end	-	-	-
No.	-	-	-
Amount of Investment in Associates/Joint Venture	-	-	-
Extend of Holding (%)	-	-	-
Description of how there is significant influence	-	-	-
Reason why the associate/Joint venture is not consolidated	-	-	-
Net worth attributable to shareholding as per latest audited Balance Sheet	-	-	-
Profit/Loss for the year	-	-	-
i) Considered in consolidation	-	-	-
ii) Not considered in Consolidation	-	-	-

In Accordance with our Report attached

**For R. Singhvi & Associates**

Chartered Accountants

Sd/-

**Subhash Singhvi**

Partner

Membership No.024534

For and on behalf of the Board

Sd/-

**K.S. SUGARA**

Managing Director

Sd/-

**MOHAMMED HUSSAIN**

Director

Sd/-

**A.V. Mohan Kumar**

Finance Manager & Chief Accounts Officer

Bangalore

Date: 27.10.2016





## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED

BANGALORE

### NOTES TO FINANCIAL STATEMENTS

Particulars	For the current reporting period	For the previous reporting period
<b>30 Earnings per share:</b>		
<b>After extraordinary item:</b>		
Profit for the year after tax expense	5,42,73,292	6,23,30,269
Less:		
Preference dividend payable including dividend tax	-	-
	5,42,73,292	6,23,30,269
Weighted average number of equity shares	26,658	26,658
Earning per share	2036	2,338
<b>Before extraordinary item:</b>		
Profit for the year after tax expense	5,42,73,292	6,23,30,262
Adjustment for		
Extraordinary item (net of tax)	52,20,380	56,95,437
	<b>4,90,52,212</b>	<b>5,66,06,404</b>
<b>Less:</b>		
Preference dividend payable including dividend tax	5,42,73,292	6,23,30,269
Weighted average number of equity shares	26,658	26,658
<b>Earning per share</b>	<b>2036</b>	<b>2,338</b>



## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED

BANGALORE

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

7 Short term Borrowings		Rs in	
Particulars	As at end of current reporting period	As at end of previous reporting period	
<b>1 Secured Loans:</b>			
a) Loans repayable on demand		—	
-from banks	—	—	
-from banks	—	—	
b) Loans and advances from related parties	—	—	
c) Deposits			
d) Other Loans and advances (Specify nature)	—	—	
	—	—	
<b>2 Unsecured Loans:</b>			
a) Loans repayable on demand		—	
-from banks	—	—	
-from banks	—	—	
b) Loans and advances from related parties	—	—	
c) Deposits	—	—	
d) Other Loans and advances	—	—	
	—	—	
<b>Total</b>	—	—	



## THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED

BANGALORE

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

Particulars	Rs in	
	As at end of current reporting period	As at end of previous reporting period
<b>12 Capital work in progress</b>		
i) Plant and Machinery	—	—
ii) Building under Construction	—	—
<b>Less:</b>	—	—
Provision for impairment	—	—
<b>13 Intangible assets under development</b>		
i) Computer Software	—	—
ii) Others	—	—

**THE KARNATAK STATE FOREST INDUSTRIES CORPORATION LIMITED, BANGALORE**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

Particulars of holding of shares of subsidiary	For the current reporting period Rs.	Profit of subsidiary during the current period Rs.	For the previous reporting period Rs.	Profit of subsidiary during the current period Rs.	% of shares held by KSFIC (Holding company)	% of shares held by others
Issued share capital 50,000 equity share Rs. 10 each	5,00,000.00		5,00,000.00			
Subscribed & Fully paid up KSFIC Ltd., Bangalore 29455 ES of Rs. 10/- each	4,98,290.00		4,98,290.00		59.11%	
Government of Karnataka 5000 ES of Rs. 10/- each	2,94,550.00		2,94,550.00			10.03%
Public holdings 15,374 ES of Rs. 10/- each	50,000.00		50,000.00			30.85%
Forfeited shares	1,53,740.00		1,53,740.00			
Reserves and surplus	1,368.00		1,368.00			
	11,78,178.71		1,22,629.71			
<b>Total</b>	<b>11,78,178.71</b>		<b>1,22,629.71</b>			<b>40.89%</b>

Calculation of minority interest

Particulars	For the current reporting period	For the Previous reporting period
Opening Minority Interest	50,141	-
Paid up Equity share capital	2,03,740.00	2,03,740.00
Post Acquisition profit	4,81,731.78	50,140.64
Forfeited Shares	1,368.00	1,368.00
Minority Interest	6,86,839.78	2,55,248.64
<b>Closing Minority Interest</b>	<b>7,36,980.42</b>	<b>2,55,248.64</b>



## THE KARNATAK STATE FOREST INDUSTRIES

### THE PERFORMANCE HIGHLIGHTS FOR THE

Particulars	2006-2007		2007-2008		2008-2009		2009-2010	
	Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs
<b>PRODUCTION QTY</b>								
Block Boards (sft)	35055		54862		78876		31249	
Flush doors (sft)	140314		113627		102112		81903	
Sandalwood white chips powder(MT)	22		6		15		10	
<b>SALE QTY</b>								
Block Boards (sft)	33965	2.93	56352	7.70	71902	20.84	36355	11.82
Flush Doors (sft)	142615	154.36	114650	133.66	102650	144.11	82594	121.91
Firewood (MT)	29862	388.03	33018	457.90	33018	588.53	24364	430.88
Sawn sizes (M3)	68	3.91	28	3.87	28	10.47	-	60
Sandal white chips powder (MT)	21	10.59	8	3.89	9	6.64	17	13.39
Pulpwood (MT)		1023.54		823.69	50298	892.50	52180	818.57
Furniture		122.20		219.62		263.54		302.05
Doors & Windows		374.92		377.67		438.07		425.56
<b>LOGGING ACTIVITIES</b>								
Timber (M3)		{ 417.24		{ 472.80	19587	248.32	20931	315.23
R.K. Billets (M3)			2002		6.14	1026	3.78	
Poles (No's)			200076		67.28	97881	48.17	
Firewood (M3)			54598		177.81	30763	129.7	
<b>FINANCIAL HIGHLIGHTS</b>								
Turnover		3182.67		3049.65		3343.81		3278.55
Profit/(Loss) for the year		117.54		126.63		295.78		263.28
Profit after taxes		122.54		96.53		193.94		170.70
Accumulated profit to Balance Sheet		381.58		478.11		640.88		811.56
Employees status		245		240		229		222



**CORPORATION LIMITED, Bangalore**

**LAST TEN YEARS FROM 2006-2007 TO 2015-2016**

(Rs.in lakhs)

2010-2011		2011-2012		2012-2013		2013-2014		2014-2015		2015-2016	
Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs
34418		42711		65627		25204		7542		5849	
59608		82174		74815		81596		69198		61728	
8		4				4		4		4	
36944	5.89	36185	12.43	67437	11.99	27849	6.28	5436	3.05	6574	3.82
71272	106.04	82386	156.62	74508	163.10	79692	192.11	70484	193.74	61422	158.43
24739	494.88	19960	471.47	27239	359.33	13239	421.28	16513	567.15	14074	476.08
4	0.24	28	4.45	7	7.39	3	13.36	1	0.73	1	2.78
8	10.26	-	-	4	5.74	4	7.23	4	8.02	0.452	0.97
15434	621.53	11399	408.81	6786	154.48	11109	641.17	26730	1563.70	26730	1603.67
	269.51		167.05		380.59		469.33		451.75		496.64
	411.29		571.66		357.75		385.09		419.09		251.35
17128	338.25	150.94	312.98	18891	380.56	147.50	350.55	15983	440.28	14855	361.37
1393	7.76	362	4.38	2	0.02	-	-	1376	9.41	1158	8.58
50936	43.43	48038	47.42	32839	29.99	29870	34.03	32663	46.09	17688	25.48
43521	197.34	53228	251.04	87321	493.28	38173	249.39	49358	401.61	58337	495.55
	3165.18		2877.58		2528.99		3016.91		4195.67		4402.99
	139.92		143.23		(-)48.79		70..35		666.06		670.36
	86.16		92.33		(-)37.32		44.38		623.02		536.99
	897.72		990.05		952.73		997.11		1620.13		2157.12
	198		180		156		118		107		81

