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ANNUAL REPORT

AND

AUDIT REPORT

2009-10



AUDITORS

M/s. V.K. Niranjana & Co.
Chartered Accountants
Bengaluru.

**COMPANY SECRETARY
& GENERAL MANAGER (Finance)**
B.B. Biradar

REGISTERED OFFICE

“Seethalakshmi Towers”,
No. 78, Mission Road,
Bengaluru - 560 027.

BANKS

1. State Bank of India
2. State Bank of Mysore
3. State Bank of Hyderabad
4. Axis Bank
5. ING Vysya Bank
6. Syndicate Bank
7. ICICI Bank
8. IDBI Bank
9. Canara Bank
10. HDFC Bank
11. Corporation Bank
12. Bank of Baroda
13. Bank of India
14. Indian Bank
15. Union Bank
16. Vijaya Bank
17. Bank of Maharashtra

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KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

No.78, Seethalakshmi Towers, Mission Road, Bengaluru - 560 027.

No.CSL3-047

NOTICE

Notice is hereby given that the 7th Annual General Meeting of the Members of the Corporation will be held as under :

Day	Friday
Date	06-08-2010
Time	11.30 am
Venue	Chambers of the Principal Secretary to Govt., Finance Department, Vidhana Soudha, Bengaluru.

To transact the following business :

A. Ordinary Business :

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2010 and the Audited Profit and Loss Account for the year ended on that date along with the Auditors' Report thereon.
2. To declare dividend.

B. Special Business :

To consider and if thought fit, to pass the following resolutions as ordinary resolutions:

Resolved that pursuant to the provisions of section 94 and all other applicable provisions of the Companies act, 1956, the Authorised Share Capital of Karnataka State Beverages Corporation Limited (the Corporation) be increased from ₹ 5,00,00,000/- (Rupees five crores only) divided into 50,000 Equity Shares of ₹ 1,000 each to ₹ 12,00,00,000/- (Rupees twelve crores only) divided into 1,20,000 (one lakh twenty thousand) Equity Shares of ₹ 1,000/- each by creation of further 70,000 (seventy thousand) Equity Shares of ₹ 1,000/- each ranking pari passu with the existing shares of the Corporation.

“Resolved further that pursuant to the provisions of Section-16 and all other applicable provisions, if any of the Companies Act, 1956, the existing clause No.V of the Memorandum of Association of the Corporation be altered by substituting the following :-

V. The authorized share capital of the Company is ₹ 12.00 crores (Rupees Twelve crores) divided into 120000 equity shares of ₹ 1000 each "

By Order of the Board of Directors

Place : Bengaluru
Date : 03.08.2010

B.B. BIRADAR
Company Secretary &
General Manager (Finance)

To
1. The Members of the Corporation
2. Statutory Auditors

- Note :
1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf, only on a poll. Such proxy need not be a member of the Corporation.
 2. As per Section 619(2) of the Companies Act, the Comptroller and Auditor General of India will appoint the auditors for the year ending 31.03.2011.
 3. Consent of the share holders, for shorter notice under Sec.171(2) of the Companies Act, 2005, has been obtained.



EXPLANATORY STATEMENT UNDER 173(2) OF THE COMPANIES ACT, 1956

1. The present status on the share capital of the Corporation is as under

	<u>₹ in crores</u>
a. Authorised share capital 50000 equity shares of ₹ 1000 each	: 5.00
b. Paid up share capital (20000 equity shares of ₹ 1000/- each	: 2.00

2. Vide Government order No.FD 92 INV 2009 dated 20.08.2009, it was informed that the Government was pleased to release ₹ 10.00 crores towards equity share capital of the Corporation.
3. As per Sec.94 of the Companies Act, 1956, a limited company, if so authorized by its articles, alter the conditions of its memorandum in respect of increase in share capital by issuing new shares. The powers conferred by this section are required to be exercised by the company in the general meeting and it does not require confirmation of the Court.
4. Article-1 of the Articles of Association of the Corporation reads as under :-
“1. The regulations contained in Table-A of the first schedule to the Companies Act, 1956, in so far as they are applicable to a private company shall apply to this company, save in so far as they are expressly or by implication excluded”
5. Under-44 of the Table-A of schedule 1, the Company may, from time to time, by ordinary resolution, increase the share capital by such sum to be divided into shares of such amount as may be specified in the resolution.
6. As per clause No.V of the Memorandum of Association of the Corporation, the authorized share capital is ₹ 5,00,00,000 (Rupees five crores) divided into 50,000 equity shares of ₹ 1,000/- each.
7. To accommodate the proposed allotment of 1,00,000 equity shares of ₹ 1000/- each aggregating to ₹ 10 crores, it is necessary to increase the authorized share capital from ₹ 5.00 crores to at least ₹ 12.00 crores by altering the clause No.V of the Memorandum of Association of the Corporation. This would require members' approval by passing ordinary resolution.
8. The Board of Directors at their 32nd meeting approved the proposal for increase in Authorised Share Capital of the Corporation and the consequent amendments to the Memorandum of Association of the Corporation.
9. The draft altered copy of the Memorandum of Association of the Corporation is available for inspection at its Registered Office on any working day during business hours.
10. The resolutions are recommended for approval of the members.
11. None of the Directors are interested or concerned in the aforesaid resolutions.

KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

DIRECTORS' REPORT 2009-10

1. On behalf of the Board of Directors of our Corporation, I have great pleasure in presenting the 7th Annual Report of the Corporation along with audited financial statements for the financial year 2009-10.

2. Business Model

The Corporation is solely engaged in canalization of liquor and spirit in Karnataka State. Under the new excise policy of Government of Karnataka, all the manufacturers / suppliers / importers who want to sell the liquor or beer in Karnataka whether produced in Karnataka or outside Karnataka have to canalize the same through the Corporation. The retailers have to purchase the liquor and beer only from the Corporation for re-sale in the Karnataka State.

3. Corporate Performance Highlights

During the year, the Corporation has scaled new heights and set several new bench marks in terms of sales, privilege fees, effective utilization of working capital and investment of short term as well as long term surplus funds. The highlights are as under :-

4. Share Capital

The authorized and paid up share capital continues to be at ₹ 5 crores (50,000 equity shares of ₹ 1000 each) and ₹ 2 crores (20,000 equity shares of ₹ 1000 each) respectively. Government of Karnataka have released a sum of ₹ 10.00 crores as their investment in the share capital of the Corporation. The shares will be allotted after completion of formalities under the Companies Act, 1956.

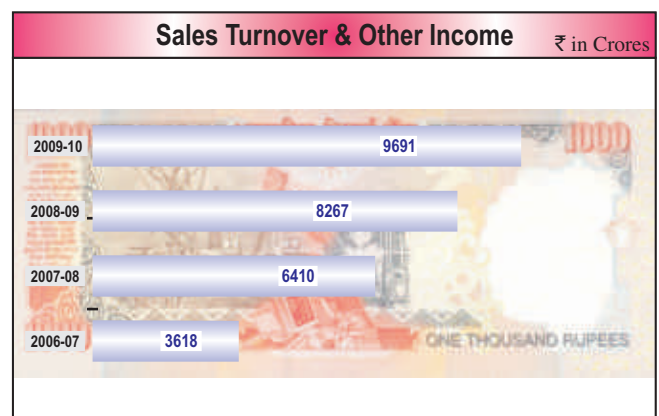
5. Finance

The secured loans availed by the Corporation stood at "NIL" as against ₹ 78.96 crores outstanding as on 31.03.09. The amount of unsecured loan borrowed from Government of Karnataka continued to be at ₹ 2.53 crores.

6. Sales Turn-over

During the year 2009-10, our Corporation achieved the sales turn-over of ₹ 9653.21 crores as increase of 17.31% over the previous year.

Table-1		₹ in crores		
Sl. No.	Particulars	2007-08	2008-09	2009-10
A.	Sales turn-over including other income	6409.70	8266.90	9691.05
B.	Privilege fee to Government of Karnataka	345.38	479.64	570.14
C.	Net Profit after tax	20.00	16.05	7.74
D.	Dividend (%)	100	100	100
E.	Reserves and surplus	28.35	42.06	47.46
F.	Paid up share capital	2.00	2.00	2.00



The growth in value terms in various segments over 2008-09 were 19.50% for IML, 9% for Beer and 10.2% in case of spirit. The break-up of the sales turn-over is furnished in Table-2.

Table-2 Qnty - in crore CBs / Value ₹ in crores

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		Qnty	Value	Qnty	Value	Qnty	Value
A.	IML (Indian Made Liquor)	3.25	4878	3.66	6428	3.90	7681.91
B.	Beer	1.43	878	1.54	1071	1.42	1167.79
C.	Spirit	24.56 *	624	25.65 *	729	23.42 *	803.52
	Total		6380		8228		9653.22

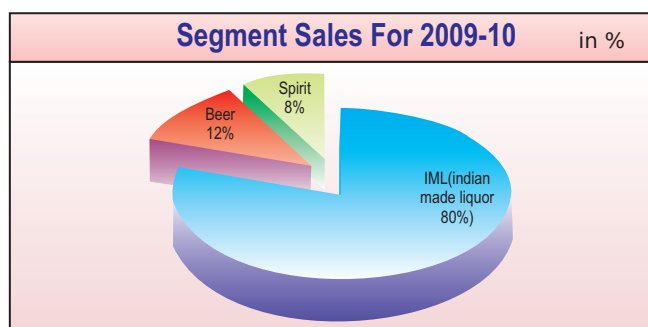
* in crore bulk litres.

7. Liquor Segment

During 2009-10, IML segment constituted 80% of the total sales turn-over, while beer segment constituted 12% of the total sales turn-over, whereas, spirit constituted 8% of the total sales turn-over. The break up of IML sales was as under :-

Table-3 Qnty - in crore CBs / Value ₹ in crores

Particulars	Quantity	Value	% (in value term)
Whisky	3.13	5921	77
Rum	0.34	708	9
Brandy	0.31	753	10
Gin, Vodka & others	0.12	300	4
Total		7682	100



In value terms, Bengaluru Urban district contributed 25% of the liquor sales. Bengaluru division consisting districts of Bengaluru Urban and Rural, Kolar, Tumkur, Chikkaballapur and Ramnagaram

contributed 38% of the total liquor sales. Gulbarga division consisting of Bidar, Gulbarga and Raichur contributed 8% of the total liquor sales.



8. Spirit Segment

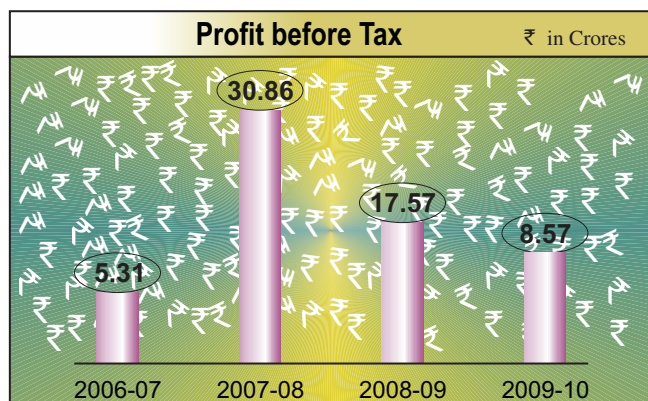
During the year under review, total volume of spirit handled was 23.42 crore bulk litres with a turn-over of ₹ 803.52 crores. Out of this, 2.18 crores (previous year 1.64 crores) bulk litre valued at ₹ 93.18 (previous year ₹ 64.10 crores) crores was imported, while 3.68 (previous year 5.14) crore litre of spirit valued at ₹ 124.62 crores (previous year ₹ 141.44 crores) was exported. The spirit drawn by the distillery for captive consumption to manufacture IML and other purposes stood at 3.51 crores litres (previous year 4.11 crores litres). The total sale of spirit for manufacture of IML and other purpose stood at 21.21 crores litres (previous year 24.01 crores litre) excluding the import. The details of production reveal capacity utilization of 37.66% (previous year 55.15%) of the installed capacity. The utilization details indicated an average yield of 266.83 bulk litre of spirit (previous year 261.79 bulk litres) per metric ton of molasses.

9. Financial Results

During the year 2009-10, the Corporation earned an amount of ₹ 8.57 crores as profit before tax. The profit after tax, was ₹ 7.74 crores. The comparison of the profits over the previous two years were as stated in Table-4 :-

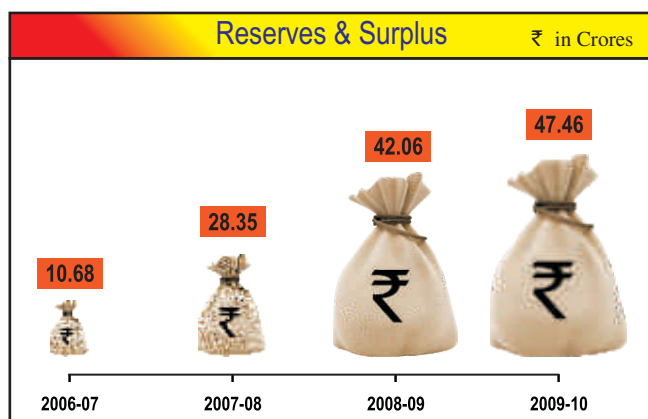
Table-4 ₹ in crores

Sl. No.	Particulars	2007-08	2008-09	2009-10
a.	Profit before tax	30.86	17.57	8.57
b.	Less : Tax	10.85	1.52	0.83
c.	Profit after tax	20.00	16.05	7.74



10. Reserves and surplus

During the review period, it is proposed to transfer a sum of ₹ 0.77 crore to the General Reserves. You will be glad to note that the cumulative reserves and surplus as on 31.03.2010 were at ₹ 47.46 crores, which were 24 times of the paid up equity share capital of the Corporation.

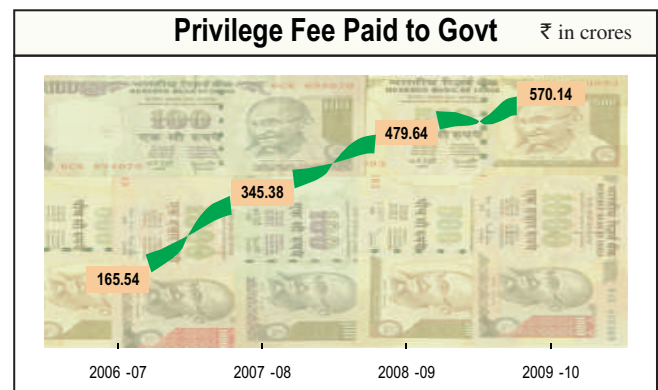


11. Major Achievements

The major achievements of the Corporation during the year were as under :-

- Al-time-high payment of ₹570.14 crores - as privilege fee to Government of Karnataka.

- Decrease in finance charges to the extent of 78% even though there was increase in sales turn over to the extent of 17% over the previous year.



- Secured loans "NIL" as against ₹ 78.96 crores as on 31.03.2009.
- Decrease in sundry debtors to the extent of 24%.
- Decrease in loans and advances to the extent of 26%.
- Decrease in current liabilities and provisions to the extent of 23% over the previous year.
- Containment of personnel cost as well as general and maintenance expenses more or less at the previous year level in percentage terms even though there was increase in sales turn over by 17%.

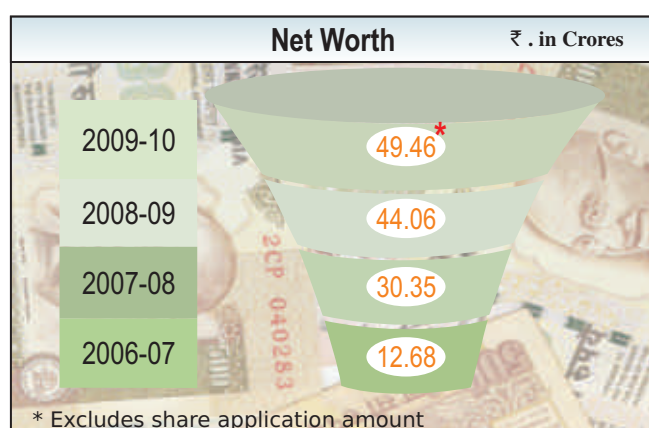
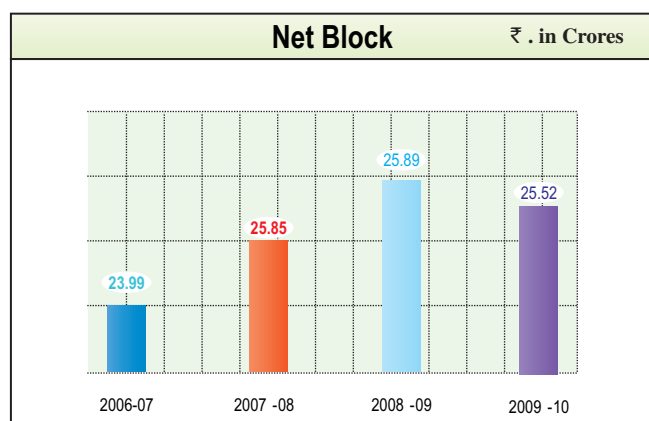
12. Transparency and Safety

During the year under review, the Corporation adopted two cardinal principles viz. "transparency" and "safety of funds" while investing the surplus funds. By adopting these principles, the Corporation was able to achieve an increase of 3% in other income in the form of interest on fixed deposits and dividend from mutual funds in spite of decrease in the rate of (a) interest on FD ranging from 39-49% ,and, (b) dividend on mutual fund ranging from 49% to 57% due to prevailing market conditions.

13. Other Income

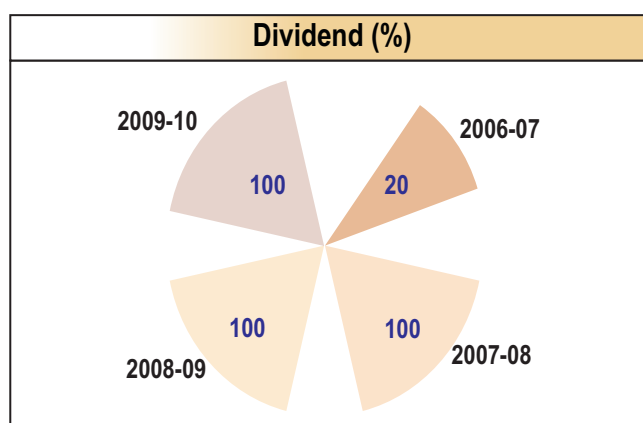
The particulars of other income earned on investment of its short term and long term funds, in mutual funds and fixed deposits of banks are as under :-

Table-5		₹ in crores	
Sl. No.	Particulars	2009-10	2008-09
A.	Income from fixed deposit and mutual funds-		
	a. Fixed deposit	17.15	10.82
	b. Dividend from mutual fund	7.17	12.85
	Total (i)	24.32	23.67
B.	<u>Income from Other Sources</u>		
	a. Demurrage fees	4.70	7.14
	b. Interest from others	6.98	6.75
	c. Others	1.83	0.93
	Total (ii)	13.51	14.82
Grand Total (i) + (ii)		37.83	38.49



14. Dividend

Your Directors recommended a dividend of 100% for the year under review as in the case of previous financial year.

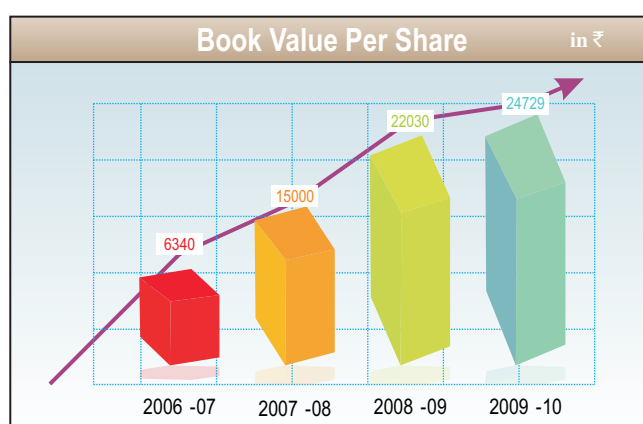


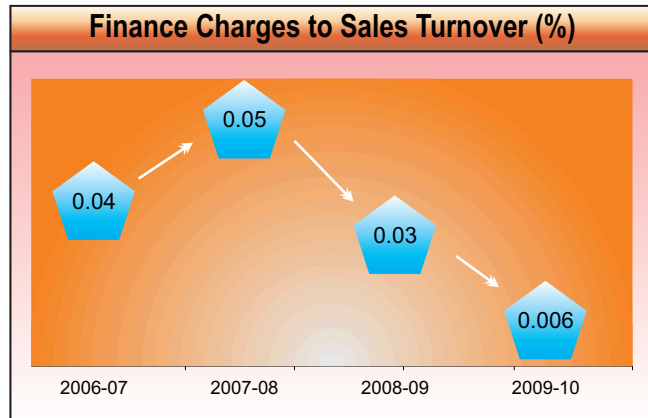
15. Key ratios

The key ratios achieved by the Corporation were as per Table-6.

Table-6		2007-08	2008-09	2009-10
Sl. No.	Particulars			
a.	Personal costs to sales turn-over	0.28%	0.26%	0.28%
b.	Finance charges to sales turnover	0.05%	0.03%	0.006%
c.	General and maintenance expenses to sales turn-over	0.24%	0.20%	0.198%
d.	Earning per share (₹)	10002	8027	3870
e.	Book value per share (₹)	15000	22965	24729

*Face value ₹ 1000/-



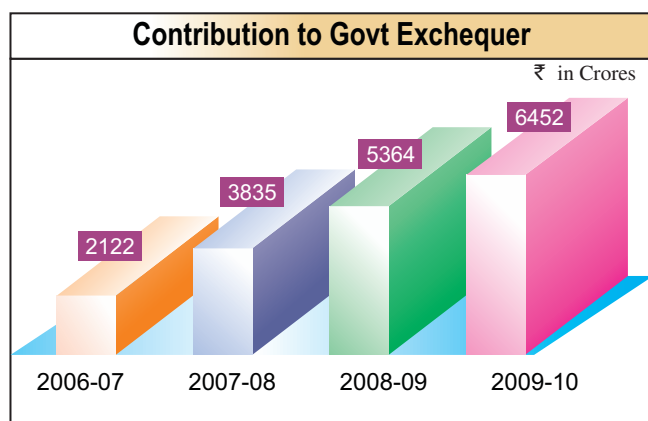


16. Contribution to public exchequer

During the year under review, the Corporation contributed a sum of ₹ 6452.27 crores to the exchequer of Central and State Government as under :-

Table-7 ₹ in crores

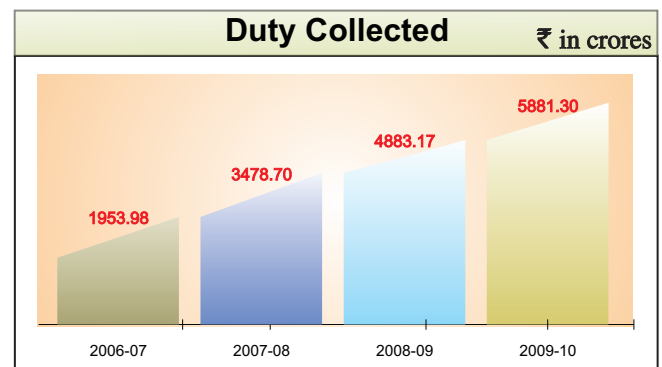
Particulars	2008-09	2009-10
a. Privilege fee paid	479.64	570.14
b. Duty collected	4883.17	5881.30
c. Corporate Tax & Fringe Benefit Tax	1.52	0.83
Total	5364.33	6452.27



17. Chief Ministers' Ratna Award

We are delighted in informing you that, your Corporation bagged the "Chief Ministers' Ratna Award" for 2009-10. Dr.H.Shashidhar, Managing Director of the Corporation received the Award on 17.05.2010 at the hands of Hon'ble Chief Minister, Government of

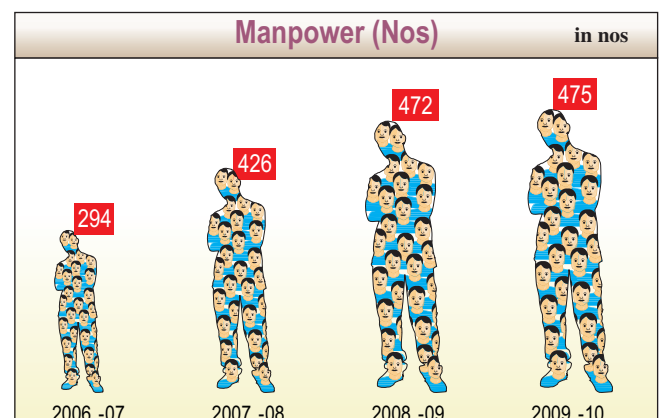
Karnataka. With the active support and proper direction of the Board of Directors and the Senior Officials of Government of Karnataka, contribution of the employees and good wishes of the business associates, the Corporation was able to bag this prestigious Award.



Depot Managers attending the training programme on communication skill

18. Human Capital

As on 31.03.2010, the total man-power of the Corporation stood at 475 consisting of 428 deputed employees and 47 contract employees. Out of 475 employees, 73 were officers and 402 were non-officers.



19. Employer – Employee Relation

You will be glad to know that the employer – employee relation in the Corporation continues to be peaceful, cordial and harmonious.

20. Up-gradation of skills

During the year 2009-10, the Corporation gave more thrust for training and development of the employees. The Corporation imparted training equivalent to 410 man days both internal as well as external training programmes as against the MoU target

of 121 man days. The coverage of training includes financial management, computer training, corporate governance, personality development, corporate social responsibilities, Right to Information Act, Arbitration, Business communication, work and enjoyment.



Training programme on "Accupressure - The Miracle of Stress Relief" for Employees

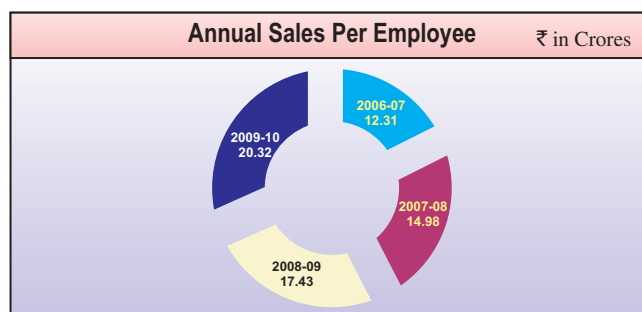
21. Corporate Social Responsibility

The Corporation has joined its hands with the Government in minimising the suffering of poor citizens and also encouragement of education of the down trodden people. During the year under review, the Corporation donated a sum of ₹ 4.10 crores as under :-

	₹ in crores
i. Chief Ministers' Relief Fund	2.50
ii. Karnataka Calamity Fund	1.50
iii. Indian Red Cross Society	0.05
iv. Kidwai Memorial Institute of Oncology	0.05
	<u>4.10</u>

22. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The information, required under sec.217(1)(E) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Directors) Rules, 1988, are furnished in Annexure-1



23. Meetings

During the year 2009-10, the Corporation held 04 Board meetings. The 6th Annual General Meeting of the Corporation was held on 29.06.2009.

24. Board of Directors

Government of Karnataka have appointed Sri.L.V.Nagarajan, IAS, Principal Secretary to Government, Finance Department, as Director and Chairman of the Corporation in place of Sri.M.R.Sreenivasa Murthy. The Government have also appointed Sri.Aravind Jannu, IAS, Commissioner of Excise as one of the Directors on the Board of the Corporation in place of Sri.Yogendra Tripathi, IAS. The particulars of changes on the Board are as under :-

Sl. No.	Name	Appointed w.e.f.	Ceased w.e.f.
a.	Sri. M.R. Sreenivasa Murthy	-	23.03.2010
b.	Sri. L.V. Nagarajan	25.03.2010	-
c.	Sri. Aravind Jannu	02.06.2010	-
d.	Sri. Yogendra Tripathi	-	02.06.2010

The Board welcomed the appointment of Sri. L.V. Nagarajan and Sri. Aravind Jannu on the Board of the Corporation. The Board placed on record with deep sense of gratitude for excellent contribution made, unstinted support extended by Sri.M.R. Srinivasa Murthy and Sri. Yogendra Tripathi during their tenure on the Board of the Corporation.

25. Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956: That, in the preparation of the annual accounts for the year ended 31st March 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.

That, such accounting policies as mentioned in the Annual Accounts have been selected and applied consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation at the end of the financial year ended 31st March, 2010 and of the profit of the Corporation for that year.



Wine appreciation course

That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities.

That the annual accounts for the year ended 31st March 2010 have been prepared on a going concern basis.

26. Corporate Governance

A report of Corporate Governance is annexed to this report as Annexure-2.

27. Particulars of employees pursuant to Sec.217(2A) of the Companies Act, 1956

The particulars of employees to be furnished as per Sec.217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 are “nil” as none of the employees of the Corporation was in receipt of remuneration amounting to ₹ 24 lakhs p.a. or more per annum or at the rate of ₹ 2.00 lakhs and above per month.

28. Fixed deposits

The Corporation has not accepted any Fixed Deposits from the public under Sec.58(A) of the Companies Act, 1956 and as such no amount of principal or interest was outstanding as on the date of balance-sheet.

Earning Per Share		in ₹
2009-10	3870	
2008-09	8027	
2007-08	10002	
2006-07	1487	
Face Value ₹ 1000 each		

29. Right to Information Act

As a public authority, the Corporation has taken steps towards the compliances under the Right to Information Act 2005. During the year under review, the Corporation received 37 applications seeking

information under the Right to Information Act 2005. All the applications including one pending application have been disposed off and none of the applications were pending as on 31.03.2010.



Officers and the employees attending a Training Programme on Work - Enjoyment & Progress

30. Review by the Comptroller Auditor General of India

The comments on the working results of the Corporation by the Comptroller and Auditor General of India, forming part of this report, will be appended when received.

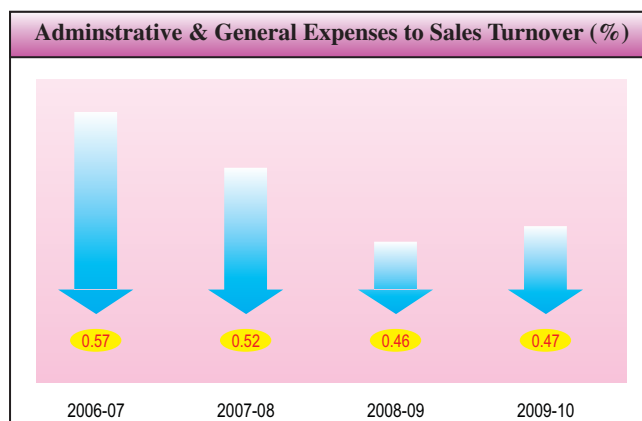
31. Auditors

The Comptroller and Auditor General of India have appointed M/s V.K.Niranjan & Co., Chartered Accountants, Bangalore as Statutory Auditors of the Corporation for the year 2009-10.

32. Acknowledgements

The Board takes this opportunity to express its gratitude and thanks to Government of Karnataka, particularly, the officials of Finance Department and the Excise Department.

The Directors express their appreciation to the Bankers for their continued support to the operations of the Corporation.



The assistance and co-operation provided by the Comptroller and Auditor General of India, Principal Accountant General (Civil and Commercial Audit) Karnataka, M/s V.K. Niranjan & Co., the Statutory Auditors of the Corporation and Phillipos & Co. Chartered Accountants, the Internal Auditors need special mention and the Directors acknowledge the same.

The Directors are thankful to the valued suppliers, retailers, manufacturers and other business associates for their support and confidence. We look forward to the continuation of the same in the future.

Your Directors take this opportunity to place on record their deep appreciation of the dedicated services and excellent contribution made by the officers and the employees at all levels for the progress and prosperity of the Corporation.

The Directors also place on record the continued support extended by the media for publicity and creating awareness among the general public.

Place : Bengaluru

Date : 30.07.2010

L.V. NAGARAJAN

Chairman



Annexure-1

Annexure to the Directors' Report under the Companies (disclosure of particulars in the report of Board of Director) Rules, 1988

a. Conservation of energy

The Corporation, being a trading concern, is consuming power for the purpose of office use only.

b. Technology absorption :

The Corporation, being a trading concern, has not availed any technology from any one.

c. Foreign Exchange earnings and outgo :

During the year 2009-10, the Corporation neither utilized nor earned any foreign exchange.



Annexure-2

Report on Corporate Governance

1. Philosophy of Corporate Governance

The Corporation believes that the principles of fairness, transparency and accountability are the corner stones for good governance. The Corporation recognizes that good corporate governance is a continuing exercise and reiterates its commitment to pursue higher standard of corporate governance in the over all interest of its stake holders including share holders, lenders, government and others.

2. Board of Directors

- a) As on 31.03.10, the Board consisted of 04 directors including the Chairman and the Managing Director. The other two were directors from the Finance Department and Excise Departments.
- b) The profile of the Directors is furnished here under :-

Sri.L.V.Nagarajan, IAS

Sri.L.V. Nagarajan, IAS, belongs to the 1979 Batch of the Indian Administrative Service. He is a B.Tech. in Mechanical Engineering from the Indian Institute of Technology, Madras. He has held various important positions both in the Government and Public Sectors. He was Deputy Secretary (Budget), Secretary (Project Finance) and is presently Principal Secretary, Finance Department, Government of Karnataka. He was on deputation to Government of India in the Ministry of Textiles as Executive Director of the Silk Export Council at Mumbai. He started and successfully conducted the first International Silk Fair in India called Resham India. He had a long stint in infrastructure departments. He set up the Karnataka Road Development Corporation and built 140 bridges in a record period. He also piloted the state highways maintenance project. He negotiated the first World Bank loan for Karnataka and started the Karnataka State Highway Improvement Project(KSHIP), Phase-I. He was instrumental as Director (Finance) of Krishna Bhagya Jala Nigam Limited, an irrigation project company in raising over ₹ 2500 crores as bonds to finance the Upper Krishna Project. He has worked for two years in the Irrigation Sector as Principal Secretary, Water Resources Department. He worked in the Bangalore Underground Metro Project when the present project was conceived.

Sri.M.R. Sreenivasa Murthy, IAS

Sri.M.R. Sreenivasa Murthy, IAS, completed his Master of Arts in Political science, from Bangalore University during 1975 (Gold medalist); Master of Arts in Rural Development (Planning stream) from University of East Anglia, U.K., and, Master of Arts in Economics from University of Madras.

Sri.M.R. Sreenivasa Murthy was the Director and Chairman of the Corporation for the period from 28.06.07 to 23.03.2010.

Sri.M.R. Sreenivasa Murthy has worked in different departments of Government of Karnataka and Government of India, such as Managing Director, Karnataka Milk Products Ltd.; Director of Information and Publicity; Chief Secretary, Zilla Parishad, Mysore District; Additional Secretary to Chief Minister of Karnataka; Managing Director, Karnataka Handloom Dev Corpn.; Principal Secretary, Election Commission of India, New Delhi; Controller, ISRO Satellite Centre, Department of Space, Bangalore; Director, Karnataka State Road Transport Corporation;

Commissioner for State Excise, GoK; Secretary, Rural Development and Panchayat Raj; .Principal Secretary, Housing Department; Commissioner, Bangalore Mahanagara Palike; Managing Director, KSRTC; Principal Secretary, RD&PR; Principal Secretary, Finance Department; Additional Chief Secretary, Finance Department. Presently he is the Chairman, Karnataka Electricity Regulatory Commission.

Sri. Ajay Seth, IAS

Sri. Ajay Seth, IAS, belongs to the 1987 batch of the Indian Administrative Service. He has 11 years experience in managing public finance in Government of Karnataka and Government of India and 3 years experience in development financing in Asian Development Bank. His educational qualifications include Bachelor of Engineering, Master of Business Administration, and Post-Graduation Diploma in Financial Management. He is currently working as Secretary (Budget and Resources) in Government of Karnataka.

Sri. Yogendra Tripathi, IAS

Sri.Yogendra Tripathi,IAS was appointed by Government of Karnataka as Director of the Corporation. Sri. Yogendra Tripathi holds degree of B.Tech and Post Graduate Diploma in Behavioral Sciences from Indian Institute of Technology, Delhi. He was holding the post of Director in the Corporation during the period from 30.06.2007 to 02.06.2010. Sri.Yogendra Tripathi held various positions in Government including Commissioner of Excise, Secretary to Government, Finance Department (Budget & Resources); Commissioner, Social Welfare Department; Commissioner, Tourism; Commissioner, Mines & Geology; Managing Director, Karnataka State Tourism Development Corporation Limited. Earlier he had also worked with United Nations in the peace keeping operation in KOSOVO.

Sri. Aravind Jannu, IAS

Sri. Aravind Jannu is an Officer of the Indian Administrative Service, working with Government of Karnataka. Currently, he is Excise Commissioner, Karnataka and is concurrently Director, IT & BT and Managing Director, Karnataka Biotechnology and Information Technology Services (KBITS).

He has earlier worked in Rural Development, Agriculture and Agriculture Credit, Sugar, Sericulture, Housing & Urban Administration, Forest, Ecology and Environment, Mining, Information & Publicity and Information Technology and Electronics Development and Biotechnology.

He has an experience of 33 years in Public Administration.

Dr.H. Shashidhar, IAS

Dr.H. Shashidhar,IAS., assumed the charge as the Managing Director of the Corporation on 05.02.2009. Dr.Shashidhar holds 250 equity shares of ₹ 1000 each as a nominee of the Governor of Karnataka. He has Master Degree in Geology, M.Phil in Geology and has been awarded Ph.D. (Population studies) from the University of Mysore. Prior to this, Dr.H. Shashidhar was working as Secretary, DPAR, Government of Karnataka. Dr. Shashidhar held important positions such as Member Secretary, Taluk Re-organisation Committee; Secretary, States 5th Pay Commission; Commissioner for Agriculture; Secretary, Karnataka Electricity Regulatory Commission; Inspector General of Registration and Commissioner of stamps, Government of Karnataka.; Director of Census Operations Karnataka, Secretary to Deputy Chief Minister.



Board Meetings

- c) During the year 2009-10, four meetings were held on 30.06.09, 29.08.09, 22.12.09 and 30.03.10
- d) Constitution of Board of Directors and related information :

Details of Directors

Name (Date of appointment)	Category	No. of Board meetings with attendance	Attendance at last AGM (Date of AGM : 29.08.09)	No. of outside directorship as on 31.03.10	No. of outside Board committee membership/ chairman as on 31.03.10
M.R. Sreenivasa Murthy	Chairman	3/3	Yes	14	1
L.V. Nagarajan, (appointed w.e.f. 25.03.10)	Chairman	1/1	No	13	-
Ajay Seth	Non-Executive Director	4/4	Yes	08	-
Yogendra Tripathi	Non-Executive Director	4/4	Yes	-	-
Dr. H. Shashidhar	Managing Director	4/4	Yes	-	-

3. Audit Committee

Since the paid up capital of the Corporation as on date is less than ₹ 5 crores, the provisions of Sec.292(A) of the Companies Act, 1956 regarding Audit Committee are not applicable to the Corporation.

4. Disclosures

Remuneration of Directors : The remuneration payable to the Managing Director is fixed by Government of Karnataka. The remuneration paid to the Managing Director for the year 2009-10 was as follows :

Dr.H.Shashidhar, Managing Director : ₹ 18.14 lakhs

Part time Directors are not paid any remuneration except sitting fee paid for attending the Board meetings which are as under :

Sl. No.	Name of the Director	Sitting fee paid (₹)
1.	M.R. Srinivasa Murthy	1500
2.	L.V. Nagarajan	500
3.	Ajay Seth	2000
4.	Yogendra Tripathi	2000



5. Annual General Meetings

a) The last three Annual General Meetings were held as under :

Year	Date of meeting	Time	Venue
2006-07	20.09.07	03.00 pm	Registered Office
2007-08	28.06.08	10.30 am	Registered Office
2008-09	29.08.09	11.00 am	Registered Office

b) No special resolutions were taken up in the last 04 Annual General Meetings.

c) No resolutions were put through postal ballot last year.

6. Address for correspondence

The address of the Registered Office of the Corporation is

Karnataka State Beverages Corporation Ltd.,
No.78, Seethalakshmi Towers,
Mission Road, Bengaluru-560 027.

Signature to Annexure-1 & Annexure-2

Place : Bengaluru

Date : 30.07.2010

L.V. NAGARAJAN

Chairman



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF
INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956
ON THE ACCOUNTS OF KARNATAKA STATE BEVERAGES
CORPORATION LIMITED, BANGALORE FOR THE YEAR ENDED
31 MARCH 2010.**

The preparation of financial statements of **Karnataka State Beverages Corporation Limited, Bengaluru** for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated **01 July 2010.**

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit, under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **Karnataka State Beverages Corporation Limited, Bengaluru** for the year ended **31 March 2010.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under section 619(4) of the Companies Act, 1956.

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

**D.J. BHADRA
PR. ACCOUNT GENERAL
(CIVIL & COMMERCIAL AUDIT)
KARNATAKA, BANGALORE.**

Place : Bengaluru

Date : 02.08.2010

V.K.Niranjan & Co

Chartered Accountants

H.O.: Kurubara Sangha Building, 202 & 204,
Kanakadasa Circle, Kalidasa Marga,
Gandhinagar, BENGALURU - 560 009.
Office : 2226 7769, 2228 5005, Bureau Fax : 2291 0027
E-mail : vkniranjan_co@yahoo.com
vkniranjan9@yahoo.co.in

Ref No.: K 5389/16015/2010-11

01.07.10

AUDITOR'S REPORT

To,
The Members of
Karnataka State Beverages Corporation Limited.

1. We have audited the attached Balance Sheet of Karnataka State Beverages Corporation Limited as at 31st March 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed there to. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of subsection (1A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per notification no. GSR 829(E) dated October 21, 2003 issued by the department of Companies Affairs.



(f) In the absence of any notification from the Central Government with respect to the Cess payable under Section 441(A) of the Companies Act, 1956, no quantification is made. Hence no opinion is given on cess unpaid or paid, as per the provision of section 227(3)(g) of the Companies Act, 1956;

(g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes on accounts subject to :

(1) Note : No B(3) of Schedule P of Notes on accounts pertaining to “non confirmation of balances” of sundry creditors, account receivable from wholesalers, advance to Distilleries, Earnest Money Deposits, Security Deposit and Advance from retailers.,

give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
- (ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and;
- (iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

**for V.K.NIRANJAN & Co.,
Chartered Accountants**

Partner

Vijayan Govindan

Membership No. 036348

Firm Regn. No. 002468S

Place : Bengaluru

Date : 01.07.2010

Annexure to Auditor's Report

Referred to in Paragraph 3 of our report of even date

1. In respect of its fixed assets:

- a. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. These fixed assets have been physically verified by the management at the year end, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- c. In our opinion, the company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.

2. In respect of its inventories:

- a. The inventories have been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventories. As explained to us there were no material discrepancies noticed on physical verification of inventories.

3. In respect of loans, secured or unsecured granted or taken by the Company to/from companies, firm or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.

- a. The Company has not granted any loans, secured or unsecured during the year to the companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, the requirement of clauses (iii)b to (iii)d of paragraph 4 of the order are not applicable.
- b. The Company has not taken any loans, secured or unsecured during the year from the companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, the requirement of clauses (iii)f and (iii)g of paragraph 4 of the order are not applicable.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in Internal Controls.
5. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956. Consequently, the requirement of clauses (v) b of paragraph 4 of the order are not applicable.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently the provision of clause (VI) of paragraph 4 of the Order is not applicable to the Company.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business. However it should be further strengthened by increasing the scope of internal audit.
8. The maintenance of cost records has not been prescribed by the Central Government under Clause (d) of subsection (1) of section 209 of the Companies Act, 1956.
9. In respect of statutory dues:
 - a. As per the information and explanations furnished to us and on the basis of our examination of the books of accounts, the company has personnel deputed from other state government organizations, in respect of whom all statutory payments with regard to Provident Fund, Employees State Insurance, have been made to the parent organizations. The Company is generally regular in depositing undisputed statutory dues relating to Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and Other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the afore said dues were outstanding as at 31st March 2010 for a period of more than six months from the date of becoming payable. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441(A) of the Companies Act, 1956, we are not in a position to comment upon the regularity or other wise of the Company in depositing the same.
 - b. According to the information and explanation given to us, the following statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities:

Sl. No.	Name of the statute	Nature of Dues	Amount (₹ in Lakhs)	Period to which the amount relates	Forum where pending
1	Finance Act	Service Tax	165.48	2006-07	High Court of Karnataka, Bangalore.
2	Karnataka Sales Tax Act	Sales Tax	18.44	2003-04 to 2005-06	Asst. Commissioner Taxes (Int.)(Mangalore
3	Karnataka Sales Tax Act	Sales Tax	240.53	2003-04	Additional Commissioner Commercial Tax.
4	Karnataka Sales Tax Act	Sales Tax	561.80	2004-05	Additional Commissioner Commercial Tax.
5	Finance Act	Service Tax	1132.53	2003-04 to 2005-06	Addl. Director General of Central Excise Intelligence
6	Finance Act	Service Tax	4125.03	04/2006 to 09/2007	Addl. Director General of Central Excise Intelligence
7	Finance Act	Service Tax	324.89	10/2007 to 09/2008	Commissioner of Service Tax
8	Finance Act	Service Tax	2847.02	10/2007 to 09/2008	Commissioner of Service Tax
9	Karnataka Sales Tax Act	Sales Tax	135.13	2007-2006	DCCT(E) 5 Bangalore.



10. There are no accumulated losses at the end of financial years. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
14. In our opinion and according to information and explanations given to us, the Company is not dealing or trading in shares, securities, and debentures and other investments. However, the investments made in mutual funds have been held by the Company in its own name.
15. In our opinion and according to information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The Company has not taken any term loan during the period under audit.
17. According to the information and explanation given to us and on overall examination of Balance Sheet and Cash Flow Statement of the Company, we are of the opinion that there are no funds raised on short term basis that have been used for long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act .1956.
19. The company has not issued debentures hence no securities or charges has been created.
20. The company has not raised any monies by way of public issues during the year.
21. In our opinion and according to the information and explanations given to us, no material fraud on or by company has been noticed or reported during the year.

**for V.K.NIRANJAN & Co.,
Chartered Accountants**

Partner
Vijayan Govindan
Membership No. 036348
Firm Regn. No. 002468S

Place : Bengaluru

Date : 01.07.2010



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

FIGURES AT A GLANCE

₹ in Crores

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Sales Turnover & Other Income	1311	2238	2986	3618	6410	8267	9691.05
2	Profit before tax	0.41	6.61	6.61	5.31	30.86	17.57	8.57
3	Profit after tax	0.27	4.12	3.77	2.97	20.00	16.05	7.74
4	Reserves and surplus	0.26	4.40	8.20	10.68	28.35	42.06	47.46
5	Share Capital	2.00	2.00	2.00	2.00	2.00	2.00	2.00*
6	Net Worth	2.26	6.40	10.20	12.68	30.35	44.06	49.46*
7	Investments	—	—	—	—	20.00	57.00	10.00
8	Privilege fee	22.50	32.00	41.00	165.50	345.38	479.64	570.14
9	Duty collected	379.00	1220.00	1512.00	1953.98	3478.70	4883.17	5881.30
10	Dividend (%)	—	—	—	20	100	100	100
11	Manpower (Nos)	160	234	263	294	426	472	475
12	Annual Sales per employee	8.17	9.56	11.35	12.31	14.98	17.43	20.32
13	Book value per share (₹) (face value ₹ 1,000/- each)	1130.00	3200.00	5100.00	6340.00	15000.00	22030.00	24729
14	Earning per share (₹) (face value ₹ 1,000/- each)	133.00	2302.00	1887.00	1487.00	10002.00	8027.00	3870
15	Net Block	1.38	2.00	10.00	24.00	25.00	25.89	25.52
16	% of expenditure to sales							
	(a) Admin & Gen. expenses (%)	0.56	0.54	0.45	0.57	0.52	0.46	0.47
	(b) Finance charges (%)	0.02	0.04	0.04	0.04	0.05	0.03	0.006

* Excludes share application money of ₹ 10.00 crores received from Government of Karnataka.

ANNUAL ACCOUNTS

2009-10



KARNATAKA STATE BEVERAGES CORPORATION LIMITED
BALANCE SHEET AS AT 31st MARCH 2010

₹ in Lakhs

Particulars	SCHEDULE	As at 31st March 2010	As at 31st March 2009
SOURCES OF FUNDS			
Shareholders' Funds			
a) Capital	A	200.00	200.00
b) Reserves & Surplus	B	4745.73	4205.81
		4945.73	4405.81
Loan Funds			
a) Secured Loans	C	0.00	7895.92
b) Unsecured Loans	D	253.19	253.19
		253.19	8149.11
Share Application Money - pending allotment	I	1000.00	
Deferred tax Liabilities		34.35	40.13
Total		6233.27	12595.05
Application of Funds			
Fixed Assets			
a) Gross Block	E	3073.30	3037.13
b) Less : Depreciation	E	521.44	448.18
c) Net Block		2551.86	2588.95
Capital Work In Progress	E		0.36
		2551.86	2589.31
Investments(at cost)			
Investments In Mutual Funds (Non Trade/ Non Quoted)	F	1000.00	5700.00
Current assets, loans & advances			
a) Sundry Debtors	G	1454.52	1922.86
b) Cash and bank balances	G	14161.91	18797.54
c) Loans and advances	H	5150.35	6960.00
Total		20766.78	27680.40



Less:			
Current liabilities & provisions			
a) Current Liabilities	J	16450.24	21828.16
b) Provisions	J	1635.13	1546.50
Total		18085.37	23374.66
Net current assets		2681.41	4305.74
Total		6233.27	12595.05
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS			
	P		

As per our report of even date

for and on behalf of the Board

for V.K. NIRANJAN & Co.,
Chartered Accountants

Dr. H. SHASHIDHAR
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN. G.
Partner
Membership No. 036348
Firm Regn. No. 002468S

C.VEERABHADRAIAH
Executive Director (Finance)

B.B. BIRADAR
Company Secretary &
General Manager (Finance)

Date: 01.07.2010

Place: Bengaluru.



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

₹ in Lakhs

Particulars	SCHEDULE	2009-10	2008-09
INCOME			
SALES			
a) Sale of IML / BEER		884969.71	749927.72
b) Sale of Spirit		80351.62	72913.54
		965321.33	822841.26
OTHER INCOME	K	3783.96	3848.38
Total (A)		969105.29	826689.64
EXPENDITURE			
Cost of Sales		906359.30	772772.56
Administrative & General Expenses	L	4584.14	3830.26
Managerial Remuneration	M	18.18	17.04
Finance Charges	N	62.93	283.01
Depreciation	E	105.84	102.59
Privilege Fee paid to Govt of Karnataka		57014.37	47963.94
Total (B)		968144.76	824969.40
PROFIT BEFORE PRIOR PERIOD ITEMS (A - B)		960.53	1720.24
ADD / (LESS) PRIOR PERIOD ITEMS (NET)	O	(103.78)	37.12
PROFIT BEFORE TAX		856.75	1757.36
PROVISION FOR TAXATION			
a) CURRENT YEAR INCOME TAX		88.63	156.52
b) CURRENT YEAR FBT		0.00	18.36
c) DEFERRED TAX		(5.79)	(22.82)
Total		82.84	152.06



PROFIT AFTER TAX	773.91	1605.30
APPROPRIATIONS		
AMOUNT TRANSFERRED TO		
GENERAL RESERVE	77.39	160.53
a) PROPOSED DIVIDEND	200.00	200.00
b) TAX ON DIVIDEND	33.99	33.99
BALANCE CARRIED TO	311.38	394.52
BALANCE SHEET	462.53	1210.78
Earning per share (Face value of ₹ 1000/- each) <i>Basic</i>	₹ 3870	₹ 8027
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	P	

As per our report of even date

for and on behalf of the Board

for V.K. NIRANJAN & Co.,
Chartered Accountants

Dr. H. SHASHIDHAR
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN. G.
Partner
Membership No. 036348
Firm Regn. No. 002468S

C.VEERABHADRAIAH
Executive Director (Finance)

B.B. BIRADAR
Company Secretary &
General Manager (Finance)

Date: 01.07.2010
Place: Bengaluru.



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR 2009-10

₹ in Lakhs

PARTICULARS	2009-10	2008-09
<i>Cash flow from operating activities</i>		
Net profit before taxation, and extraordinary item	960.53	1,720.24
Adjustments for Dividend	(716.78)	(1,284.89)
Depreciation & misc expenses written off	105.84	102.59
Interest income	(2,413.50)	(1,756.26)
Profit / (Loss) on sale of Assets	12.00	-
Prior period expenses/Income	(103.78)	37.12
Interest expenses	62.93	283.01
Operating profit before working capital changes	(2,092.76)	(898.19)
Increase/(Decrease) in sundry debtors	468.34	997.93
Increase/(Decrease) in sundry creditors	(5,377.92)	(23,589.33)
Increase/(Decrease) in Current Assets & Advances	1,809.65	(2,154.07)
Cash generated from operations	(5,192.69)	(25,643.66)
Income taxes paid	-	(636.61)
Fringe benefit tax paid	-	(18.36)
Cash flow before extraordinary item	(5,192.69)	(26,298.63)
Extraordinary item	-	NIL
Net cash from operating activities	(5,192.69)	(26,298.63)
<i>Cash flow from investing activities</i>		
Investments	4,700.00	(3,700.00)
Purchase of fixed assets	(80.39)	(174.76)
Capital work in progress	-	69.24
Interest received	2,413.50	1,756.26
Dividends received	716.78	1,284.89
Net cash from investing activities	7,749.89	(764.37)

Cash Flow Statement



<i>Cash flow from financing activities</i>		
Proceeds from issue of share capital (Share Application Money)	1,000.00	NIL
Proceeds from long term borrowings	-	6,854.76
Repayment of long term borrowings	(7,895.92)	NIL
Interest paid	(62.93)	(283.01)
Dividends paid including Dividend distribution tax	(233.99)	(200.00)
Net cash used in financing activities	(7,192.84)	6,371.75
Net increase in cash and cash equivalents	(4,635.63)	(20,691)
Cash and cash equivalents at the beginning of the year	18,797.54	39,488.79
Cash and cash equivalents at the end of the year	14,161.91	18,797.54

As per our report of even date

for and on behalf of the Board

for V.K. NIRANJAN & Co.,
Chartered Accountants

Dr. H. SHASHIDHAR
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN. G.
Partner
Membership No. 036348
Firm Regn. No. 002468S

C.VEERABHADRAIAH
Executive Director (Finance)

B.B. BIRADAR
Company Secretary &
General Manager (Finance)

Date: 01.07.2010
Place: Bengaluru.



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - A

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

SHARE CAPITAL

₹ in Lakhs

PARTICULARS	As at 31st March,2010	As at 31st March,2009
<u>AUTHORISED</u>		
50,000 Equity Shares of ₹ 1,000/- each	500.00	500.00
<u>ISSUED, SUBSCRIBED AND PAID UP :</u>		
a) 20000 Equity Shares of ₹ 1,000/- each	200.00	200.00
TOTAL	200.00	200.00

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - B

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

RESERVES & SURPLUS

₹ in Lakhs

PARTICULARS	As at 31st March,2010	As at 31st March,2009
GENERAL RESERVES:		
Balance as per last Balance sheet	1428.74	1268.21
Add: Transferred from Profit & Loss Account	77.39	160.53
Total	1506.13	1428.74
PROFIT & LOSS ACCOUNT		
Balance as per last Balance sheet	2777.07	1566.29
Add: Transferred from Profit & Loss Account	462.53	1210.78
Total	3239.60	2777.07
TOTAL	4745.73	4205.81



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - C

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

BORROWINGS - SECURED

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
1	Syndicate Bank-OD 281	0.00		1.92	
2	Canara Bank	0.00		5308.86	
3	Deutsche Bank Od-80019	0.00?		3.19	
4	Union Bank of India Od A/C 36146	0.00?		2131.34	
5	Indian Bank OD-829138154	0.00	0.00	450.61	7895.92
	TOTAL	0.00		7895.92	*

* All the Borrowings of the Previous Year are Secured against Deposits with the Banks amounting to ₹ 11996.17

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - D

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

BORROWINGS - UNSECURED

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A	GOVERNMENT LOANS		
	GOVERNMENT OF KARNATAKA	253.19	253.19
	TOTAL	253.19	253.19



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - E

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

FIXED ASSETS

₹ in Lakhs

Sl. No	PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 01st Apr-09	Additions	Deletions	As at 31st Mar-10	Upto Mar-09	For the Year	Deletions	Upto Mar-10	As at 31st Mar-10	As at 31st Mar-09
1	Land	2103.99	0.00	0.00	2103.99	0.00	0.00	0.00	0.00	2103.99	2103.99
2	Building	99.00	0.00	0.00	99.00	1.53	1.61	0.00	3.14	95.86	97.47
3	Office Equipments	59.46	4.22	0.15	63.53	15.55	3.73	0.15	19.13	44.40	43.90
4	Computer Equipments	405.39	44.34	45.01	404.72	200.24	67.56	31.97	235.83	168.89	205.15
5	Furniture & Fixtures	156.65	15.32	0.46	171.51	87.22	11.23	0.46	97.99	73.52	69.43
6	Fire Fighting Equipments	9.06	0.00	0.00	9.06	4.78	0.25	0.00	5.03	4.03	4.28
7	Handling Equipments	44.42	17.91	0.00	62.33	21.18	6.36	0.00	27.54	34.79	23.24
8	Vehicles	30.01	0.00	0.00	30.01	6.19	2.85	0.00	9.04	20.97	23.83
9	Computer Software	88.57	0.00	0.00	88.57	70.91	12.25	0.00	83.16	5.41	17.66
10	Leasehold Improvements	40.58	0.00	0.00	40.58	40.58	0.00	0.00	40.58	0.00	0.00
	TOTAL	3037.13	81.79	45.62	3073.30	448.18	105.84	32.58	521.44	2551.86	2588.95
	PREVIOUS YEAR	2931.96	177.47	71.94	3073.49	346.47	102.59	0.89	448.18	2589.31	2585.49
11	Capital Work In Progress	0.36	0.00	0.36	0.00	0.00	0.00	0.00	0.00	0.00	0.36

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - F

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

INVESTMENTS

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A	HDFC FMP 370D Mar 2008 (VII) (2)-Wholesale Plan Growth (Market Value as on 31-3-2009 - ₹ 2199.04 Lakhs)	0.00	2000.00
B	Canara Robeco FMP2-14 Months Instt (Growth) (Market Value as on 31-3-2009- ₹ 2686.48 Lakhs)	0.00	2500.00
C	Canara Robeco Short Term Instt(DP) (Market Value as on 31-3-2009 - ₹ 700.00 Lakhs)	0.00	700.00
D	ICICI Prudential Interval Fund Annual-Interval Plan (Market Value as on 31-3-2009 - ₹. 532.73 Lakhs)	0.00	500.00
E	LIC Income Plus Fund (Market Value as on 31-3-2010 - ₹ 1,000 Lakhs)	1000.00	0.00
	TOTAL	1000.00	5700.00



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - G

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

CURRENT ASSETS - SUNDRY DEBTORS, CASH AND BANK BALANCES

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A	<u>Sundry Debtors, Unsecured & Considered good</u>		
	Amount receivable from Wholesalers/Retailers/Oil Companies		
	a) More than six months	215.69	265.33
	b) Less than six months	1238.83	1657.53
	<u>Sundry Debtors, Unsecured & Considered doubtful & bad</u>		
	Amount receivable from Wholesalers/Retailers/Oil Companies		
	a) More than six months	7.61	23.96
	b) Less than six months	0.00	0.00
	Total	1462.13	1946.82
	Less: Provision for bad debts	7.61	23.96
	Total	1454.52	1922.86
B	<u>Cash & Bank Balances</u>		
	Cash on Hand	2.99	2.93
	Cash in Transit	0.00	0.00
	Cash at Bank		
	i) in Current A/c	4474.92	6798.44
	ii) Fixed Deposits	9684.00	5046.21
	iii) Fiexi Deposits	0.00	6949.96
	Total	14161.91	18797.54

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - H

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

CURRENT ASSETS - LOANS AND ADVANCES

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A	Advances recoverable in cash or in kind or for value to be received - considered good.		
	Interest Accrued & Not Due (TDS ₹ 7.04 lakhs)	81.52	286.63
	Leave Salary Recoverable Account	48.56	43.55
	Sundries Recoverable from Staff	0.10	0.00
	Sundries Recoverable from Others	0.29	0.29
	Sundries Recoverable from Govt	10.83	13.17
	Sundries Recoverable from Distilleries	4.64	4.64
	Sundries Recoverable from Suppliers	0.76	2.02
	Export Incentive Receivable	143.33	126.74
	Bank Charges Recoverable	0.66	0.00
	Subtotal - A	290.69	477.04
B	Advance Income Tax	2641.81	2346.93
	Self Assessment Tax	0.01	0.01
	Tax paid under protest	6.66	6.66
	Subtotal - B	2648.48	2353.60
C	Unsecured Advances:		
	Advance to Suppliers	158.84	3.09
	Advance- Emergent	0.00	0.11
	Advance to staff- Pay	4.02	4.11
	Advance FBT Paid	7.28	4.21
	Advance KIADB	60.09	6.00
	Advance Privilege Fee Paid to GOK	86.15	155.28
	Advance to Wine Board	0.44	0.23
	Advance to KSIIDC	0.00	600.00
	Rent deposit	221.42	220.06
	Advance for Vehicle -Fuel	0.31	0.00
	Recoverable Credit card amount	0.02	0.00
	Subtotal - C	538.57	993.09



D	Secured Advances		
	Advance to Distilleries	1362.47	2766.94
E	Deposits		
	Deposits Paid	159.99	239.99
	Telephone Deposit	3.29	3.40
	Electricity Deposit	0.90	0.90
	Subtotal - E	164.18	244.29
F	Prepaid Expenses	145.96	125.04
	GRAND TOTAL	5150.35	6960.00

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - I

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

SHARE APPLICATION MONEY RECEIVED

₹ in Lakhs			
Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Share Application Money Received from Government of Karnataka	1000.00	0.00
	TOTAL	1000.00	0.00

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - J

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

CURRENT LIABILITIES AND PROVISIONS

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A	CURRENT LIABILITIES		
	Sundry Creditors - Distilleries	9555.42	993.12
	Sundry Creditors - RS Distilleries	2182.70	2040.79
	Sundry Creditors - Supplies & Services	0.00	0.00
	Sundry Creditors - Others [(31A) RS]	0.10	0.00
	Advance from RS Customers	795.38	1587.34
	Advance Amount received from IMLRetailers	1026.27	0.00
	Miscellaneous Deposit	0.13	0.18
	Miscellaneous Deposit-Suppliers & Services	0.07	0.03
	Earnest Money Deposit	1.29	1.29
	Sundry Payable to Suppliers & Services	0.09	0.04
	Sundry Payable to Staff	0.05	86.52
	Receipts on behalf of Others	794.22	511.88
	Credit Card Amount Payable	0.01	0.01
	Up-Front Fee Collected & Payable	0.00	1.50
	Sundry Recoverable from Supplier	0.68	0.00
	Fixed deposit from retailers	2.00	0.00
	Outstanding Liabilities		
	Rent & Hire charges	158.49	107.68
	Establishment expenses	503.34	333.17
	Security Deposit - Services	61.20	0.00
	Privilege Fee Payable	0.00	634.00
	TDS - payable	17.03	3.25
	Surcharge Payable on TDS	0.00	0.18
	Edcess	0.01	0.10
	Edcess Payable on TCS	0.00	24.80
	TCS - payable -Depots	905.32	818.16



Amount Recovered from duty difference	441.60	36.89
Service Tax Refundable	1.36	1.36
Advance received towards Annual Subscription	3.23	3.18
Sundry Payable to Supplier & Services	0.00	0.09
Sundry Recoverable -Excise Labels	0.25	0.00
Bank Temporary OD		
1) Syndicate Bank	0.00	14.53
2) UTI-CA-24587	0.00	1006.56
3) Corporation Bank	0.00	16.73
4)Bank of India C/A-840420110000301	0.00	2.45
5) Canara Bank	0.00	12.13
6) HDFC Bank	0.00	17.95
7) Ing Vysya Bank	0.00	3510.73
8) UBI	0.00	7157.93
9) ING-Vysya Bank	0.00	898.62
10) Corporation Bank OD-090005	0.00	2004.97
Subtotal - A	16450.24	21828.16
B PROVISIONS		
Provision for Taxation	1401.14	1312.51
Proposed dividend with tax	233.99	233.99
Subtotal - B	1635.13	1546.50
	18085.37	23374.66

**** Amount due to MS/ME Enterprises NIL
Interest paid to MS/ME Enterprises during the year NIL
Interest Accrued to MS/ME Enterprises NIL

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - K

FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

OTHER INCOME

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Annual Subscription to KSBCL-Liquor Trade Data	61.87	41.10
2	Interest - FD (TDS - ₹ 192.00 Lakhs (Previous Year - ₹ 200.01 Lakhs)	1715.26	1081.67
3	Interest from Others (TDS - ₹ 101.83 Lakhs (Previous Year - ₹ 91.58 Lakhs)	698.24	674.59
4	Miscellaneous Income	121.40	51.66
5	Penalty from distilleries for slow moving stocks	470.41	714.47
6	Dividend from Mutual Funds	716.78	1284.89
	TOTAL	3783.96	3848.38



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - L

FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

ADMINISTRATIVE AND GENERAL EXPENSES

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A	<u>ESTABLISHMENT EXPENSES</u>		
1	Salary and Wages	1257.57	1035.35
2	Exgratia	38.80	18.85
3	Incentives	156.88	3.01
4	Employer's contribution to Provident Fund	102.98	86.03
5	Employer's contribution to ESI	1.25	1.41
6	Travelling Expenses	15.50	11.71
7	Conveyance Expenses	24.27	25.71
8	Staff Training Expenses	1.46	0.65
9	Data Entry Operators Expenses	190.82	191.76
10	Entertainment Expenses-Staff	30.91	28.22
11	Reimbursement of Medical expenses	32.57	26.89
12	Reimbursement of Telephone Expenses	7.85	7.24
13	Reimbursement of Fuel Expenses	4.99	6.46
14	Expenses on Security	237.23	234.10
15	Expenses on Security (RS)	172.54	195.68
16	Leave Salary Contribution	67.02	70.61
17	Pension Contribution	13.44	16.27
18	Delegation to Conferences	0.51	0.05
19	Accident Insurance Staff	0.00	35.43
20	Administrative Charges - PF	2.48	2.55
21	Gratuity Contribution	40.20	62.61
22	Staff Welfare	0.00	0.20
23	Superannuation Fund contribution	11.44	14.84
24	Group Insurance covered on Staff	97.49	96.68
25	Performance Incentive Paid To Staff	156.51	4.39
26	Employees Deposit Linked Insurance Scheme	0.12	0.13
	Sub Total -A	2664.83	2176.83

B	<u>GENERAL EXPENSES</u>		
27	Rent	673.47	694.00
28	Rates & Taxes	10.98	2.65
29	Books & periodicals	2.24	2.19
30	Computer Consumables	27.20	26.79
31	Entertainment Expenses	12.80	12.05
32	Electricity charges	31.13	32.34
33	Printing Expenses	47.11	29.91
34	Stationery Expenses	69.39	48.04
35	Postage& Courier	4.97	5.29
36	Telephone Expenses	35.85	39.06
37	Hire Charges	12.99	12.08
38	Water Charges	16.09	14.74
39	Housekeeping expenses	13.56	9.69
40	Office Expenses	30.80	30.61
41	Expenses to Auditors	0.23	0.11
42	Statutory Auditors remuneration Statutory Audit Fees ₹ 1.40 Lakhs Tax Audit Fees ₹ 0.30 Lakh	1.88	1.65
43	Out of Pocket expenses-Statutory auditors	0.00	0.10
44	Internal audit fees	37.49	35.97
45	Advertisement & Publicity	7.67	3.25
46	Professional & Legal Charges	9.66	5.41
47	Insurance on Stock at Depots	19.96	23.64
48	Insurance on Vehicles & Machinery	0.36	0.63
49	Insurance on Medical	23.66	0.00
50	Insurance Others	0.00	0.01
51	Miscellaneous expenses	0.00	0.15
52	Expenses on Depot Support Staff	325.92	314.65
53	Consultancy Charges	4.09	0.01
54	Fuel Charges	1.26	1.13
55	Honorarium	0.10	0.11
56	Internet charges	4.37	0.33
57	Donations	410.20	200.20
58	Property Tax	2.50	2.19
59	Advance to Management staff Written Off	0.00	0.38
60	Bad Debts Written Off	0.20	23.96
	Sub Total - B	1838.13	1573.32



C	<u>MAINTENANCE EXPENSES</u>			
61	Repairs & Maintenance of Buildings	6.75		25.96
62	Repairs & Maintenance Computer Equipment	11.07		3.46
63	Repairs & Maintenance Furniture and Fixtures	0.84		1.26
64	Repairs & Maintenance Office Equipment	8.02		4.68
65	Repairs & Maintenance of others	2.33		24.38
66	Repairs & Maintenance Motor Vehicles	6.12		5.92
67	Repairs & Maintenance of Fire Extinguishers	0.76		0.08
68	Repairs & Maintenance of software	19.05		0.00
	Sub-Total - C		54.94	65.74
D	<u>OTHERS</u>			
69	Data Processing charges	0.84		3.50
70	Packing Forwarding & freight	10.40		7.79
71	Meeting Expenses-Others	0.22		1.20
72	Expenses on Board Meeting	0.12		0.06
73	Expenses on Depot Managers Meeting	0.69		0.38
74	Expenses on Ceremonial Functions	0.32		0.23
75	Annual General Body Meeting Expenses	1.65		0.10
76	Loss on Sale of assets	12.00		1.11
	Sub-Total-D		26.24	14.37
	TOTAL		4584.14	3830.26

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - M

FORMING PART OF THE PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2010

MANAGERIAL REMUNERATION

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A	<u>WHOLETIME DIRECTORS(MD)</u>		
	Salary & Allowances	12.30	8.17
	Exgratia	0.10	0.05
	Travelling Expenses	2.78	2.86
	Telephone Expenses	0.06	0.00
	Reimbursement of Medical expenses	0.34	0.11
	Leave Salary contribution	0.83	1.60
	Pension contribution.	1.73	4.22
	Sub Total -A	18.14	17.01
B	<u>OTHER DIRECTORS</u>		
	Sitting Fees	0.04	0.03
	Sub Total -B	0.04	0.03
	TOTAL	18.18	17.04



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - N

**FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010**

FINANCE CHARGES

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Interest paid on Overdraft	55.58	214.99
2	Bank Charges	7.35	32.08
3	Interest paid	0.00	35.94
	TOTAL	62.93	283.01

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE - O

**FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010**

PREVIOUS YEAR'S ADJUSTMENTS

₹ in Lakhs

Sl. No	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Withdrawal of Income pertaining to previous years	105.54	0.56
2	Withdrawal of Expenses pertaining to previous years	(1.76)	(5.09)
3	Income pertaining to previous years	0.00	(32.59)
	TOTAL	103.78	(37.12)

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

SCHEDULE – P

FORMING PART OF 2009-10 ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1) Method of Accounting :

- i) Financial Statements have been prepared under historical cost convention.
- ii) Accrual basis of accounting has been adopted except in the case of demurrage income in respect of slow moving stocks from inoperative distilleries, which is accounted on receipt basis.
- iii) Purchase and Sales Policy :

a) Purchase

IML : Manufacturer /supplier places an offer to supply liquor based on demand prevailing in various locations. Thereafter, an order for supply is issued to the manufacturer / supplier. Goods so supplied are stacked in the depot of the Corporation and the ownership of these stocks continues to vest with the manufacturer / supplier. Manufacturers / suppliers undertake responsibility for creating demand for the goods supplied to the Corporation. Price for the supply to the extent of purchase by the Corporation and sale to the retailers is paid after such purchase and corresponding sale.

SPIRIT : The Excise Commissioner, Karnataka, authorizes the buyers to procure their requirements from the specific supplier. Upon remittance of the sale value of the supply, (except Oil Companies) orders are placed by the Corporation on the supplier so authorized.

b) Sales

IML : The Corporation is authorised to issue stocks to retail licensees only. Stocks are issued only after receipt of full value of the goods.

SPIRIT : Credit sale is permitted for the period of 30 days' time for supply of Ethanol to the oil companies. The margin on sale of spirit is being collected, except **respective captive consumption** within the premises.

iv) Income recognition

- a) Sales: Sales are recognized on invoicing and clearance of the goods from the depots. Sales do not include inter-depot transfers.
- b) Interest: Interest earned on advance to distilleries and on fixed deposits with Banks is accounted on accrual basis.
- c) Dividend: Dividend earned on the investments made in Debt based Mutual Funds is recognized when right to receive is established.



2) Fixed Assets and Depreciation

a) Fixed Assets

Fixed Assets and leasehold improvements are stated at cost less accumulated depreciation. Intangible assets are recorded at the consideration paid for acquisition.

b) Depreciation

i) Depreciation: is calculated on straight-line method adopting the rates specified in the Companies Act, 1956 except in the following cases :

- Computer Software classified as intangible assets is being written off over a period of three years being the estimated useful life of the asset.
- Leasehold improvements are written off over the period of the lease in respect of HO. However, Partitions / Cubicles constructed in depots, is classified as Furniture & Fixture and depreciated accordingly.

ii) Depreciation in respect of additions / deletions is charged proportionately for the period from the date of its addition.

iii) Assets costing ₹ 5,000/- or less individually are depreciated fully.

3) Personnel

The Corporation has personnel deputed from other State Government Organizations. In respect of these personnel, the Corporation has made remittances towards Leave Salary, Pensions, Provident Fund / Gratuity and ESI Contribution to the respective parent organizations.

4) Current Tax & Deferred Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

The timing differences that result between the profit considered for income taxes liability / asset is recognized. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized.

5) Contingencies & Provisions

Contingent liabilities are provided for if there are reasonable prospects of maturing such liabilities.

6) Investments

The investments in debt based mutual funds are carried at lower of cost or market value.

7) Cash flow statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in the Accounting Standard-3.

B) Notes on Accounts

1) Claims against the Corporation not acknowledged as debt

- i. A demand was received on the income of penalty on slow moving stocks (demurrage charges) from the Commissioner of Service Tax for payment of service tax amounting ₹ 1,00,00,000/- together with applicable interest under Section 75 of the Finance Act,1994; penalty under Section 77 of the Finance Act,1994 and ₹ 1,00,00,000/- under Section 78 of the Finance Act,1994 in case of failure to discharge the liability. The Corporation was legally advised that the said order could be contested in the court of law, as the demand is untenable. Accordingly KSBCL filed an appeal before CESTAT contesting the said demand. An interim order of stay was obtained subject to deposit of ₹ 25 lakhs. The said ₹ 25 lakhs was deposited on 10-11-2006 with the Commissioner of Service Tax, Bangalore.

However, as abundant caution, without prejudice to the stand taken by the Corporation before the CESTAT, the Corporation collected service tax at applicable rates, on the amount of penalty for old stock w.e.f. 01-04 2006 and the same was remitted to the Government of India. The amount so remitted / adjusted as on 31-03 -2008 comes to ₹ 74,55,751/-.

The Hon'ble CESTAT has adjudicated the matter under its final order No. 994/2007 dated 24.08.2007 and has allowed the appeal with consequent relief.

In view of the CESTAT's judgment upholding the Corporation's stand that no service tax is payable on demurrage charges collected, the Corporation stopped collection of service tax effect from 16-11-2007 and the Corporation requested for refund ₹ 74,55,751/- being the service tax collected and paid ₹ 74,55,751/- and the deposit of ₹ 25,00,000/-.

The service tax department has refunded ₹ 25,00,000/- vide their communication No. C No. IV / 10/ 16/ 2007 Cor –V Dvn II dated 16-01-2008. However, the Deputy Commissioner, Service Tax Division 2, Bangalore vide his order in original No. 11/2008 dated 14.02.2008 rejected the refund claim of ₹ 74,55,751/-, mainly on the ground that while the appeal allowed is in respect of the period on or before 31-03-2005, refund claimed is for the subsequent period. The Corporation has been advised that the said order could be contested and accordingly an appeal has been filed against the said order of Deputy Commissioner, Service Tax Division 2, Bangalore. The Appellate Authority vide order dated 30.09.2008 had set aside the order of the Deputy Commissioner with instruction to consider the case denovo. The order of the Deputy Commissioner is still awaited. In the meanwhile, Service Tax Department preferred an appeal against CESTAT order dated 24.08.2007 in the Hon'ble High Court of Karnataka, Bangalore. The Hon'ble High Court issued the notice to the Corporation to appear before the court. Thereafter, the Corporation appointed the advocate for furnishing the replies and also to appear before the High Court.

- ii. A notice received from the Assistant Commissioner of Commercial Tax (Intelligence) Mangalore has advised the Corporation to pay ₹ 18.44 lakhs towards sales tax in respect of empty bottles returned by the wholesalers attached to Mangalore Depot to the breweries for the financial years 2003-04, 2004-05 and 2005-06, on the ground that sale of empty bottles is liable for multi point levy under the Karnataka Sales Tax Act, 1957. In the year 2005-06, the amount credited to the wholesale licencees' accounts towards value of empty bottles returned to the breweries as per the credit notes furnished by the breweries is ₹ 19.80 crores

Further the Deputy Commissioner of Commercial Taxes (Transition -43), B.C.D-2 & 4, Bangalore vide his Notice-cum-Final Assessment Order No. R.C. No. 04500623 / 04550626 dated 29.01.2008 read with Rectification-cum-Final Order No. R.C. No. 04500623 /04550626 dated 21.02.2008, has assessed sales tax and penalty on the alleged sale of empty bottles, as detailed below:-



Year of assessment	Sales Tax assessed	Penalty	Total
2003-04	1,20,26,317	1,20,26,317	2,40,52,634

Further, the Deputy Commissioner of Commercial Taxes (Transition-43), B.C.D-2 & 4, and Bangalore vide his Notice-cum-Final Assessment Order No. R.C.No. 04500623/ 04550626 dated 29.01.2008 read with Rectification –cum- Final Order No. R.C. No, 04500623/04550626 dated 21.02.2008, has assessed sale tax and penalty on the alleged sale of empty bottles, as detailed below:-

Year of assessment	Sales Tax assessed	Penalty	Total
2004-05	2,80,89,839	2,80,89,839	5,61,79,678

The Corporation has filed two appeals against the above Assessment orders (one for 2003-04 and another 2004-05 stated above) before the Joint Commissioner of Commercial Taxes (Appeals-II). The JCCT (Appeals-2) has passed an order setting aside the order passed by the DCCT (Recovery -43).

Further, Additional Commissioner of Commercial Taxes (Zone -2) vide his notice dated 12.09.08 intended to revise the orders of the appeal passed by the JCCT (Appeals-2) against which an objection was filed and appeared before the Additional Commissioner of Commercial Taxes (Zone-2) on 23.09.2008. On hearing from us, the Additional Commissioner of Commercial Taxes (Zone-2) has dropped the notice.

For the year 2005-06, DCCT (Enforcement) -05 has issued a demand notice U/s 39 (i) read with rule 45 of the KVAT Act, 2003 for payment of ₹ 79,06,408/-, Penalty of ₹ 15,81,282 and interest of ₹ 40,24,839/- (Totaling ₹ 1,35,12,529/-).

Since the demand notice issued for the period 2005-06 by DCCT enforcement -05 is similar and identical for the period of 2003-04 and 2004-05, which has been dropped and resolved at Appellate Authorities of Commmerical Taxes, a letter was addressed to Commissioner of Commercial Taxes on 28.02.2009 requesting him to take necessary action on similar grounds as that of 2003-04 and 2004-05. The decision of the Commissioner on the issue is awaited. In view of the decision of the Additional Commissioner on similar issue taken for the year 2003-04 and 2004-05, no provision is made for 2005-06 also.

- iii. The Additional Director General, office of the Director General of Central Excise Intelligence had issued show cause notice for the payment of service tax amounting to ₹ 11,32,52,833/- considering the activities of the Corporation under “Business Auxiliary Services” (BAS) in January 2007 for the period 07/03 to 03/06. The Corporation had furnished reply vide its letter No.CSL2-022 dated 26.02.2007 substantiating the activities of the Corporation is purely trading and does not come under the purview of BAS. The Central Excise Department has not communicated any decision on the reply of the Corporation. The department however has issued a fresh notice under No. CNOIV/16/48/2008/STD/I / CAU 38 /DI /GR3 B/3042 /08 dated 09.04.2008, stating that the Corporation is liable for service tax of ₹ 41,25,03,450/- for the period from 04/06 to 09/07 and that Corporation is also liable for to pay penalty for suppression of facts.

As already replied by KSBCL on 26.02.2007, the Corporation is not liable to pay service tax as Corporation's trading activities do not come under the purview of Business Auxiliary Service. Accordingly, the Corporation had filed legal replies (July 2008). Subsequently, an appeal before CESTAT was filed against the OIO No. 26-28/2009 dated 29.06.2009 passed by the Commissioner of Service Tax.

Similarly, show-cause notice demanding payment of service tax for the period Oct -07 to Sept -08 amounting to ₹ 3,24,88,699/- received from the Commissioner of Service Tax in April 2009. As the Corporation is not liable to pay service tax as indicated above, the Corporation finalized a legal reply to the above show –cause notice and furnished in May -2009. Hence, no provision is made for the above demand and on the margin.

On 16.01.2010 CESTAT pronounced the judgment stating as under:-

“On mere perusal of the balance sheets which are filed by the appellant before the statutory authorities, we find that the entire balance sheet talks about the profit arrived on purchase and sale of liquor. It is also seen from the balance sheet that the appellants have been showing closing stock of liquor lying with them as at a particular year end. This would indicate that, the appellant is doing trading activity of the liquor in the state of Karnataka as per the Karnataka Government's Liquor policy. We find that the appellant has made out a prima-facia case for the waiver of pre-deposits of amount involved. Thus, application for waiver of pre-deposit of the amounts involved is allowed and recovery there of stayed, till disposal of the appeal.”

Further, a notice to show-cause under Section 73 of the Finance Act, 1994, demanding payment of service tax on margin for the period Oct -08 to Sept -09 amounting to ₹ 28,47,01,583/- received from the Commissioner Service Tax in April 2010. The Corporation yet to reply for the same and has sought extension of time.

- iv. The Income Tax Department had issued notice to pay ₹ 6,65,723/- as Income Tax on the privilege fee of ₹ 3.50 crores paid to Government for the year 2004-05. The Corporation has taken a stand that no income tax is payable on privilege fee. However, ₹ 6,65,723/- has been paid under protest and an appeal has been filed before the Commissioner of Income-Tax, Appeals, where the matter is still pending. The amount of ₹ 6,65,723/- paid has been treated as taxes paid under protest.

2) Following are the Inventory particulars

a) IML & BEER

Sl. No.	Particulars	Quantity (CBs)		Value (₹ in crores)	
		Previous Year	Current Year	Previous Year	Current Year
1	Opening Stock	1044	1044	NIL	NIL
2	Purchases	51976736	53195728	7002.04	8262.95
3	Sales	51976736	53195728	7499.28	8849.69
4	Shortages/ Damage	NIL	NIL	NIL	NIL
5	Closing Stock	1044	1044	NIL	NIL

Stocks of 1044 CBs represents stock taken over from MSIL at the inception of the Corporation and are considered to have no realizable value as on 31-03-2010.

b) SPIRIT

Sl. No.	Particulars	Quantity (Bls)		Value ₹ in crores	
		Previous Year	Current Year	Previous Year	Current Year
1	Opening Stock	NIL	NIL	NIL	NIL
2	Purchases	256504218	234174899	725.69	800.64
3	Sales	256504218	234174899	729.13	803.52
4	Closing Stock	NIL	NIL	NIL	NIL

3. Letters seeking confirmation of balances as on 31-03-2010 in respect of Sundry Creditors, Advance to Distilleries & EMD have been sent and their response is awaited. Advance from Retailers is unconfirmed.
4. The Corporation has not received information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence, disclosure relating to amount unpaid as at the year end together with interest paid/ payable under this Act have not been given.
5. There are no earnings and / or outgo in foreign exchange.
6. **Particulars of Deferred Tax Liability**

₹ in lakhs		
Timing Difference on account of	Current Year	Previous Year
Opening Balance of DTL	40.13	62.95
Depreciation (Deferred Tax Liability)	(5.79)	(22.82)
Preliminary & Pre-operative Expenses Written Off (DTL)	NIL	NIL
Change in DTL due to change in IT rules	NIL	NIL
Net Deferred Tax Liability	34.35	40.13

7. In the 34th meeting held on 30-06-2010 Board of Directors approved for payment of ex-gratia to the employees of the Corporation. Hence, provision of ₹ 38.00 lakhs has been made for payment of ex-gratia in the accounts of 2009-10.
8. Government of Karnataka has given an interest free loan of ₹ 5.00 crores to KSBCL. No repayment conditions have been stipulated by the Government. However, as stipulated in GO No. FD47 FAA 2003 dated 11-09-2003 the payments made towards rewards paid to excise department staff was being adjusted towards loan repayment. Thus the loan liability used to come down as and when each payment was done and adjusted. As on 31.03.2010 after adjusting of ₹ 46,80,514 (pertaining to period upto March 2006) the loan outstanding is ₹ 2,53,19,486/-. However, Government vide its order No. FD 30 EAA 2007 has amended its earlier order dated 11.09.2003 and has ordered that the expenditure towards rewards paid to Excise Department staff be met as part of KSBCL expenditure with effect from 1st April 2006 onwards. Since Government orders came after closure of books of accounts for the year 2006-07, the expenditure of ₹ 11,54,088/- towards rewards paid to Excise Dept. staff, during 2006-07 treated as loan repaid, has been treated as administrative expenditure through prior period adjustment during 2007-08.

9. As on 31.03.2010, the Corporation has an investment of ₹10.00 crores in LIC Income Mutual Fund. The market value of this investment as at 31.03.2010 is ₹ 10.00 crores.
10. In the case of Corporation, no assets are carried at more than its realizable value. As such recognition of impairment loss does not arise as required under AS 28 Impairment of Assets.
11. Related party Disclosure
Key Management Personnel
(i) Managing Director- Remuneration: ₹ 18,14,031/- (Previous Year ₹ 17,00,881/-)
12. Previous Year's figures have been regrouped / recast/ rearranged wherever found necessary.

**for and on behalf of the Board
Signatories to Accounting Policies and
Schedules “A to P”**

As per our report of even date

for V.K. NIRANJAN & Co.,
Chartered Accountants

Dr. H. SHASHIDHAR
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN. G.
Partner
Membership No. 036348
Firm Regn. No. 002468S

C.VEERABHADRAIAH
Executive Director (Finance)

B.B. BIRADAR
Company Secretary &
General Manager (Finance)

Date: 01.07.2010
Place: Bengaluru.



Figures at a glance

KARNATAKA STATE BEVERAGES CORPORATION LIMITED
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Pursuant to Part-IV of Schedule-VI to the Companies Act 1956)

I Registration Details

Registration No.	3 2 0 3 3	State Code	0 8
Balance Sheet Date	3 1 0 3 2 0 1 0		

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

Public Issue	N I L	Right Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

III Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities	0 6 2 3 3 2 7	Total Assests	0 6 2 3 3 2 7
Sources of Funds			
Paid-up Capital	1 2 0 0 0 0	Reserves & Surplus	4 7 4 5 7 3
Secured Loans	0 0 0 0 0 0 0	Unsecured Loans	2 5 3 1 9
Deferred Tax Liability	3 4 3 5		
Application of Funds			
Net Fixed Assets	2 5 5 1 8 6	Investment	1 0 0 0 0 0
Next Current Assets	2 6 8 1 4 1		

IV Performance of Company (Amount in ₹ Thousands)

Turn Over	9 6 9 1 0 5 2 9	Total Expenditure	9 6 8 1 4 4 7 6
Profit Before Tax	0 8 5 6 7 5	Profit After Tax	0 7 7 3 9 1
Earnings per share (Rs.)	0 3 8 7 0	Dividend @%	1 0 0

V General Names of Three Principal Products/Services of Company

Item Code No.	N I L
Product Description	I M L B E E R S P I R I T

As per our report of even date

for and on behalf of the board

for V.K. NIRANJAN & Co.,
Chartered Accountants

Dr. H. SHASHIDHAR
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN. G.
Partner
Membership No. 036348

C.VEERABHADRAIAH
Executive Director (Finance)

B.B. BIRADAR
Company Secretary &
General Manager (Finance)

Date: 01.07.2010

Place: Bengaluru.