



ANNUAL REPORT

AND

AUDIT REPORT

2010 - 11



INDEX

AUDITORS

M/s V.K.Niranjan & 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 of India
16. Vijaya Bank
17. Bank of Maharashtra

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KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

CS13-051

NOTICE

Notice is hereby given that the 8th Annual General Meeting of the Members of the Corporation will be held as under :-

Day	: Thursday
Date	: 25 th Aug.2011
Time	: 12.00 hours
Venue	: Registered Office, No.78, Sitalakshmi Towers Mission Road, Bengaluru

to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2011 and the Audited Profit and Loss Account for the year ended on that date along with the Auditors' Report thereon, and the comments of the Comptroller and Auditor General of India.
2. To declare dividend.

By Order of the Board of Directors

Bengaluru
Date :18/08/2011

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 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 31.03.2012.
3. Consent of the share-holders for shorter notice under Sec.171(2) of the Companies Act, 1956 has been obtained.



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

DIRECTORS' REPORT 2010-11

1. On behalf of the Board of Directors of our Corporation, I have immense pleasure in presenting the 8th Annual Report of the Corporation along with audited financial statements for the financial year 2010-11.

2. Business Model

As the members are aware, the Corporation is solely engaged in canalization of liquor and spirit in Karnataka State. Under the present 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 and 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 further new heights and set several new benchmarks 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 :-

Sl.No.	Particulars	2010-11	2009-10	2008-09
A.	Sales turn-over	11707.30	9653.21	8228.00
B.	Other income	45.49	37.84	38.48
C.	Privilege fee to Government of Karnataka	695.15	570.14	479.64
D.	Finance charges	0.12	0.63	2.83
E.	Net Profit after tax	14.54	7.74	16.05
F.	Dividend	2.40	2.00	2.00
G.	Reserves and surplus	59.20	47.46	42.06
H.	Paid up share capital	12.00	2.00	2.00

4. Share Capital

Government of Karnataka released a sum of ₹10.00 crores as share application money to the Corporation. The Board of Directors, after completion of necessary formalities, allotted 1,00,000 equity shares of Rs.1,000 each aggregating to Rs.10.00 crores in favour of Governor of Karnataka. The share certificate in this regard has been issued. Consequent upon this allotment, the total issued, subscribed and paid up share capital stands at Rs.12.00 crores consisting of 1,20,000 equity shares of Rs.1,000 each.

5. Finance

The secured loans availed by the Corporation stood at "NIL". The amount of unsecured loan borrowed from Government of Karnataka continued to be at Rs.2.53 crores.

6. Sales Turn-over

The Corporation achieved the sales turn-over of ₹ 11,707.30 crores as increase of 21.28% over the previous year. The break up of sales were as under :-

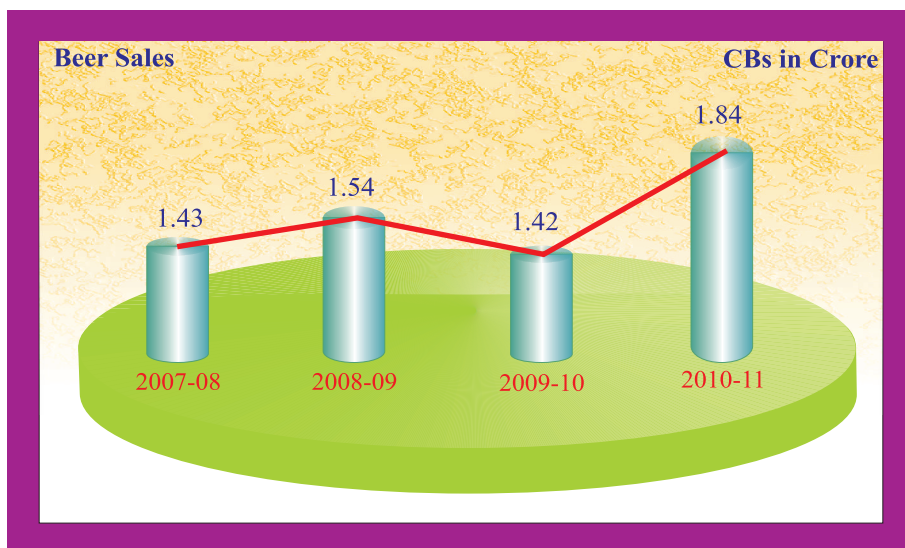
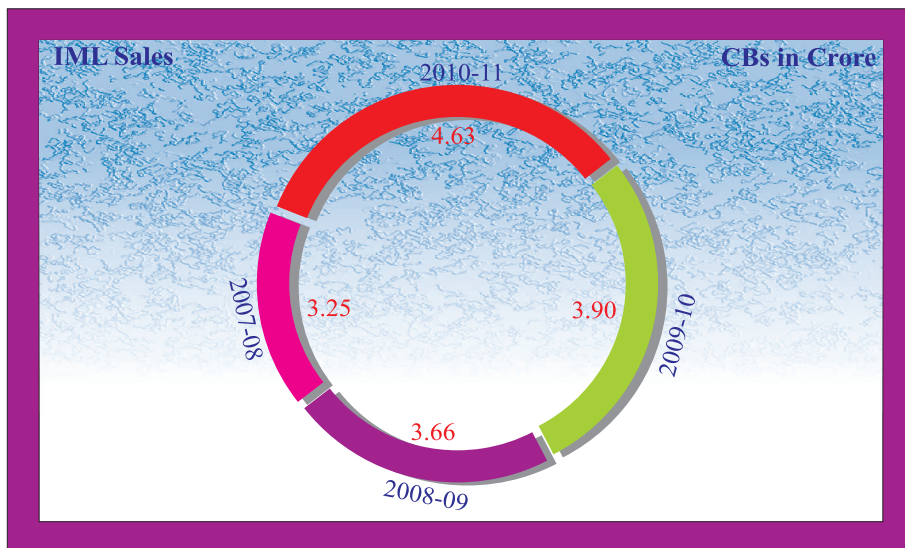
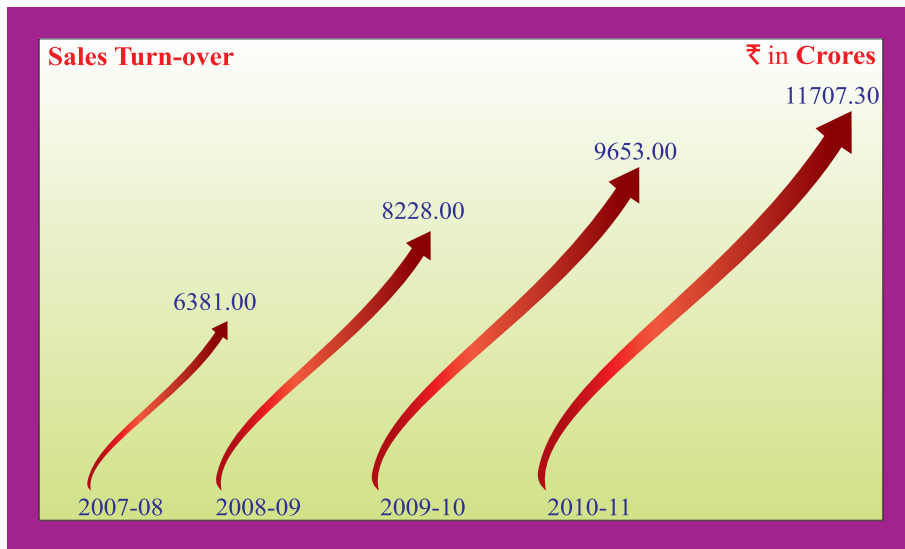
Table-2 Quantitative Sales (in crore CBs)

Sl. No.	Particulars	2010-11	2009-10	2008-09
A.	IML (Indian Made Liquor)	4.63	3.90	3.66
B.	Beer	1.84	1.42	1.54
C.	Spirit*	30.44	23.42	25.65

* in crore bulk litres.

Table-3 Sales Value -₹ in crores

Sl. No.	Particulars	2010-11	2009-10	2008-09
A.	IML (Indian Made Liquor)	9289.24	7681.91	6428.00
B.	Beer	1500.73	1167.79	1071.00
C.	Spirit	917.33	803.52	729.00
	Total	11,707.30	9653.22	8228.00





7. Liquor Segment

During 2010-11, in value terms, IML segment constituted 79.35% (previous year 80%) of the total sales turn-over, while beer segment constituted 12.82% (previous year 12%) of the total sales turn-over, whereas, spirit constituted 7.83% (previous year 8.32%) of the total sales turn-over. The break up of IML sales was as under :-

Table-4 Qnty - in crore CBs / Value - ₹ in crores

Particulars	Quantity		Value	
	2010-11	2009-10	2010-11	2009-10
Whisky	3.82	3.13	7347.84	5921.00
Rum	0.31	0.34	678.96	708.00
Brandy	0.37	0.31	921.07	753.00
Gin, Vodka & others	0.13	0.12	341.37	300.00
Total			9289.24	7682.00

In value terms, Bengaluru Urban district contributed 24% (previous year 25%) of the liquor sales. Bengaluru division consisting districts of Bengaluru Urban and Rural, Kolar, Tumkur, Chikkaballapur and Ramnagaram contributed 37% (previous year 38%) of the total liquor sales. Gulbarga division consisting of Bidar, Gulbarga and Raichur contributed 8% (previous year 8%) of the total liquor sales.

8. Spirit Segment

The details of local sales, export sales, imports both in quantity and value, capacity utilization and average yield are furnished hereunder :

Table-5 Quantity in Crore bulk ltrs.

Particulars	2010-11	2009-10	2008-09	% of increase in 2010-11 over 2009 10
Local sales	20.21	17.55	18.87	15.17
Export sales	7.78	3.68	5.14	111.41
Import	2.45	2.19	1.64	11.90
Total	30.44	23.42	25.65	29.99

Table-6 value ₹ in crores

Particulars	2010-11	2009-10	2008-09	% of increase in 2010-11 over 2009 10
Local sales	590.99	585.67	522.92	0.91
Export sales	225.83	124.62	141.38	81.22
Import	100.51	93.18	64.10	7.86
Total	917.33	803.47	728.40	14.17

Table-7 Capacity utilization

Particulars	2010-11	2009-10	2008-09
Installed Capacity	39.33	37.66	51.91
Utilisation in %			
Production Days in %	58.59	49.39	55.15

Average yield in Bulk Lits

Particulars	2010-11	2009-10	2008-09
Average yield per metric ton of molasses	259.08	260.83	266.46

9. Financial Results

After paying the privilege fee of ₹ 695.15 crores to Government of Karnataka and meeting all other expenses, during the year 2010-11 the Corporation earned an amount of ₹ 22.84 crores as profit before tax. The profit after tax, was ₹ 14.54 crores. The comparison of the profits over the previous two years were as stated in Table-8

Table-8 ₹ in crores

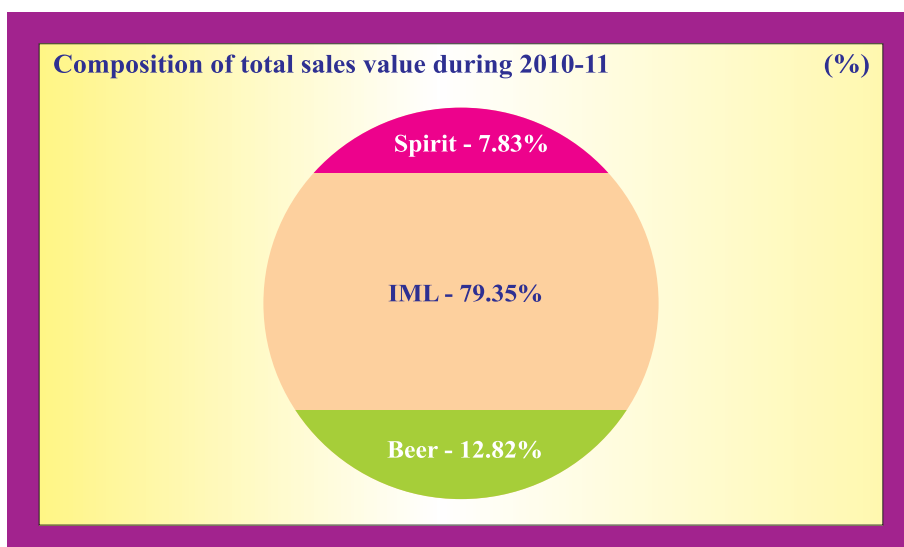
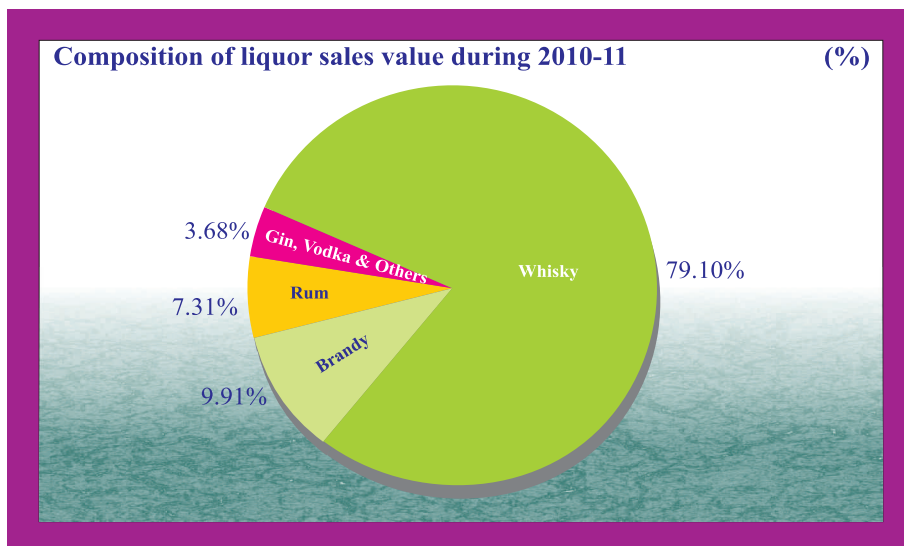
Sl.No.	Particulars	2010-11	2009-10	2008-09
a.	Profit before tax	22.84	8.57	17.57
b.	Less : Tax	8.30	0.83	1.52
c.	Profit after tax	14.54	7.74	16.05

10. Reserves and surplus

We propose to transfer a sum of ₹ 1.45 crores to the General Reserves. An amount of ₹10.29 crores is proposed to be retained in the Profit & Loss Account. You will be glad to note that the cumulative reserves and surplus as on 31.03.2011 were at ₹59.20 crores.

11. Major Achievements

The major achievements of the Corporation





during the year were: :-

- i. All-time-high payment of ₹695.15 crores - as privilege fee to Government of Karnataka.,
- ii. Decrease in finance charges to ₹ 11.51 lakhs from ₹ 62.93 lakhs (a decrease of 81.71% over the previous year) even though there was increase in sales turn over to the extent of 21.28%,
- iii. Secured loans “NIL”,
- iv. Decrease in loans and advances to the extent of 37.05%.,
- v. Decrease in administrative and general expenses by 2.2% inspite of increase in sales turn-over,
- vi. All time high earning of other income of ₹ 45.49 crores (previous year 37.84 crores)

12. Transparency and Safety

During the year under review, the Corporation continued to follow 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 33% in income from interest on fixed deposits and dividend from mutual funds while the sales turn over gone up by 21.28%.

13. Treasury Management

As in the case of earlier years, in respect of temporarily available operational funds, the Corporation continued to invest in liquid schemes of mutual funds ranging from one day to eight days. In respect of the amount meant for payment of privilege fee to Government of Karnataka during March month, the Corporation continued to invest in fixed deposits of scheduled banks.

During the year under review, the particulars of investments in, and redemptions from, fixed deposits and mutual funds respectively were as under :-

Table-9 ₹ in crores

Particulars	Invested (including opening balance)	Matured / redeemed	Balance as on 31.03.2011
Fixed deposits	871.04	751.04	120.00
Mutual funds	7693.91	7637.23	56.68*

*redeemed on 06.04.2011

14. 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-10 ₹ in crores

Sl. No.	Particulars	2010-11	2009-10	2008-09
A.	Income from fixed deposit and mutual funds-			
a.	Fixed deposit	29.27	17.15	10.82
b.	Dividend from mutual fund			
i.	Liquid funds	3.05	1.58	12.85
ii.	fixed maturity plans	0.00	5.59	00.00
	Total (A)	32.32	24.32	23.67
B.	Income from Other Sources			
a.	Demurrage fees	4.54	4.71	7.14
b.	Interest from others	6.86	6.98	6.76
c.	Others	1.77	1.83	0.93
	Total (B)	13.17	13.52	14.83
	Grand Total (A) + (B)	45.49	37.84	38.50

15. Dividend

Your Directors recommended a dividend of 20% for the year under review on the expanded share capital of Rs.12.00 crores (previous year Rs.2.00 crores). The dividend outgo, excluding tax, amounts to Rs.2.40 crores, (previous year Rs.2.00 crores), an increase of 20%.

16. Key ratios

The key ratios achieved by the Corporation were as per Table-11.

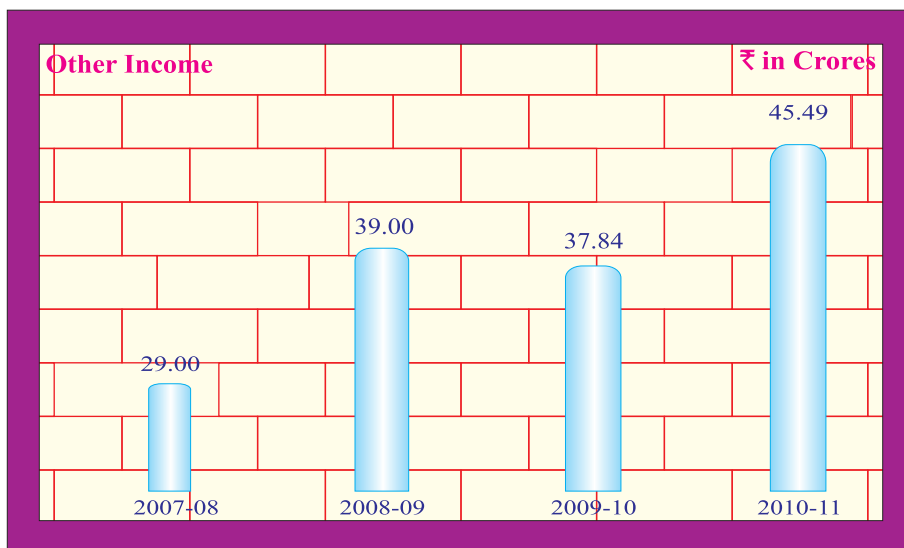
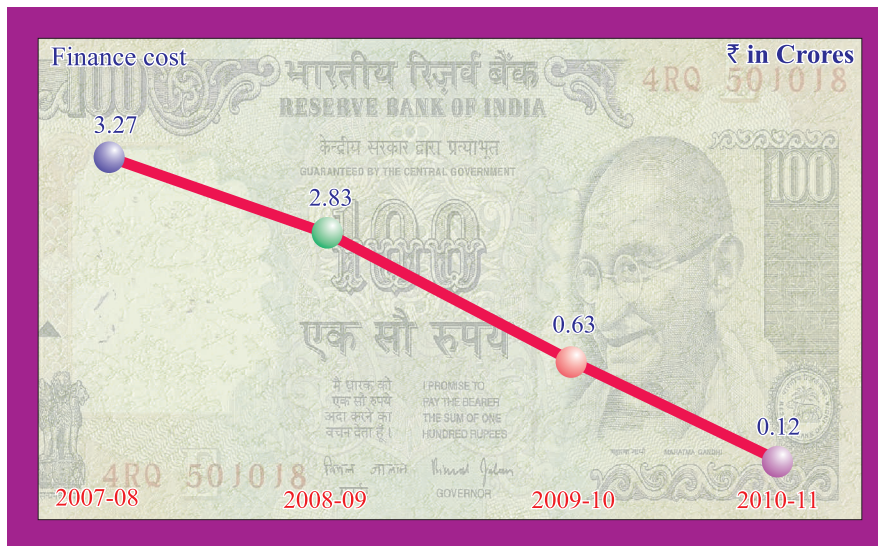
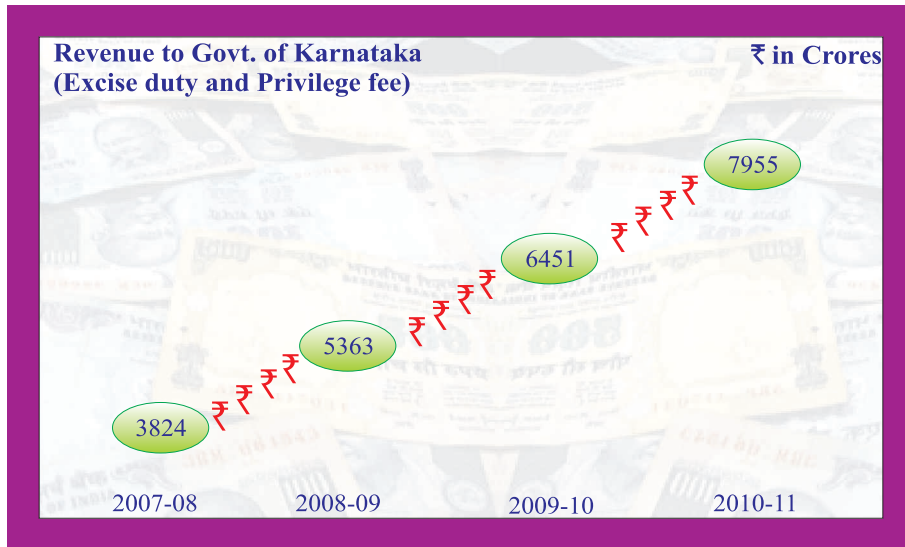




Table -11

Sl.No.	Particulars	2010-11	2009-10	2008-09
a.	Personal costs to sales turn-over (%)	0.23	0.27	0.26
b.	Finance charges to sales turn-over (%)	0.001	0.006	0.030
c.	General and maintenance expenses to sales turn-over %	0.147	0.198	0.20
d.	Earning per share (₹.)	1212.00*	3870	8027
e.	Book value per share (₹.)	5933.33*	24729	22965

* On increased share capital to ₹ 12.00 crores (previous year 2.00 crores)

17. Contribution to public exchequer

During the year under review, the Corporation contributed a sum of ₹ 7963.22 crores to the exchequer of Central and State Government as under :-

Table-12 ₹ in crores

Particulars	2010-11	2009-10	2008-09
a. Privilege fee paid	695.15	570.14	479.64
b. Duty collected	7259.76	5881.30	4883.17
c. Corporate Tax & Fringe Benefit Tax	8.31	0.84	1.52
Total	7963.22	6452.28	5364.33

18. Human Capital

As on 31.03.2011, the total man-power of the Corporation stood at 481. The break up of man power was as under :-

Table-13

a. Officers and non-officers

Particulars	Officers	Non-officers	Total
Deputed	78	356	434
Contract	12	35	47
Total	90	391	481

b. Male & Female employees

Particulars	Male	Female	Total
Deputed	423	11	434
Contract	29	18	47
Total	452	29	481

19. Employer – Employee Relation

We are happy to inform you that the employer-employee relation in the Corporation continued to be peaceful, cordial and harmonious.

20. Up-gradation of skills

During the year 2010-11, the Corporation continued to give thrust for training and development of the employees. The Corporation imparted training equivalent to 389 man days both internal as well as external training programmes as against the MoU target of 133 man days. The coverage of training includes

Corporate governance, Saral TCS & TDS,
Power of positive thinking, Leadership development,

Financial management for non-financial executives, e-procurement

Communication and transaction skill, Usage and up keeping of generator set

Acupressure - the miracle of stress relief, Pranac healing

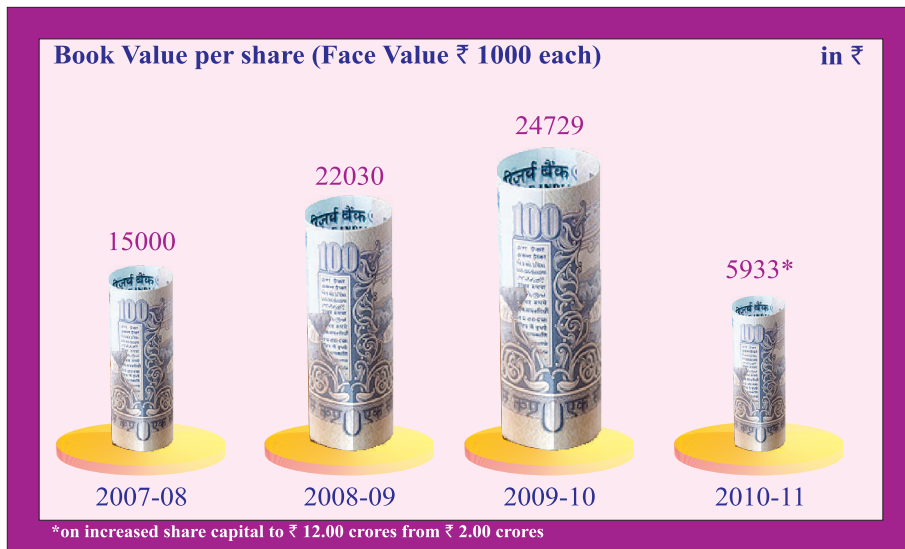
Karnataka Transparency in Public Procurement) RTI Act, 2005
Act, 1999

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

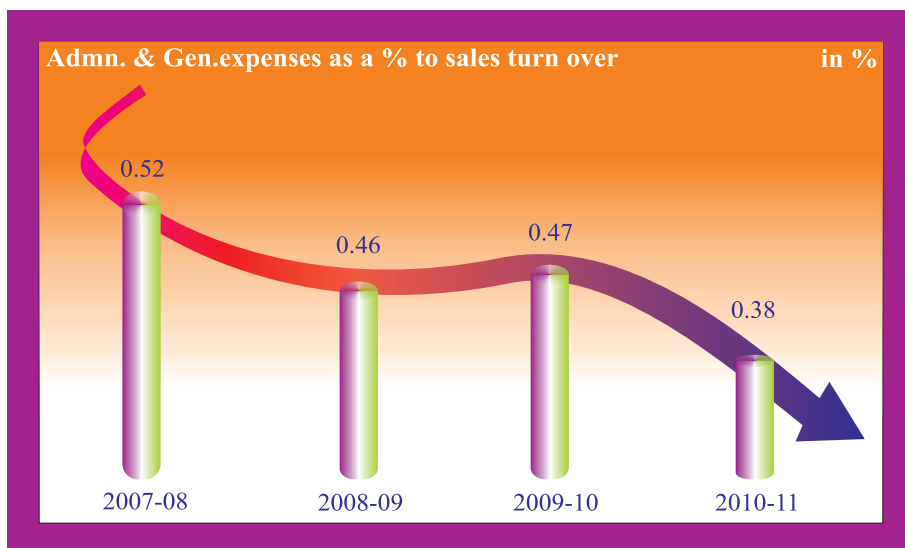
The information, required under sec.217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Board of Directors' report) Rules, 1988, are furnished in Annexure-1.

22. Meetings

During the year 2010-11, the Corporation held 04 Board meetings. The 7th Annual General Meeting of the Corporation was held on 06.08.2010.



Employees attending the Training Programme on
"Karnataka (Transparency in Public Procurement) Act"





23. Board of Directors

Government of Karnataka appointed Sri.I.M.Vittala Murthy, IAS, as Managing Director of the Corporation. The particulars of changes on the Board were as under :

Sl.No.	Name	Appointed w.e.f.	Ceased w.e.f.
a	Sri.Yogendra Tripathi	--	02.06.2010
b	Sri. Aravind Jannu	02.06.2010	--
c	Dr.H.Shashidhar, Managing Director	--	30.11.2010
d	Sri. B.R.Jayaramaraje Urs, Managing Director	14.01.2011	02.05.2011
e	Sri.I.M.Vittala Murthy, Managing Director	16.05.2011	--

The Board placed on record with deep sense of gratitude for excellent contribution made, unstinted support extended by Sri.Yogendra Tripathi, Dr.H.Shashidhar and Sri.B.R.Jayaramaraje Urs during their tenure on the Board of the Corporation.

24. 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 2011, 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, 2011 and of the profit of the Corporation for that year.

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 2011 have been prepared on a going concern basis.

25. Corporate Governance

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

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

None of the employees of the Corporation received remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

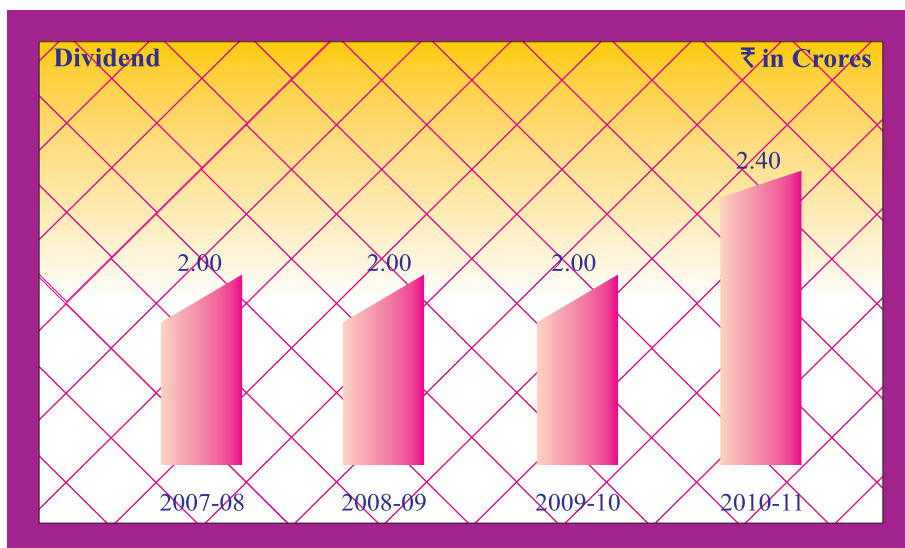
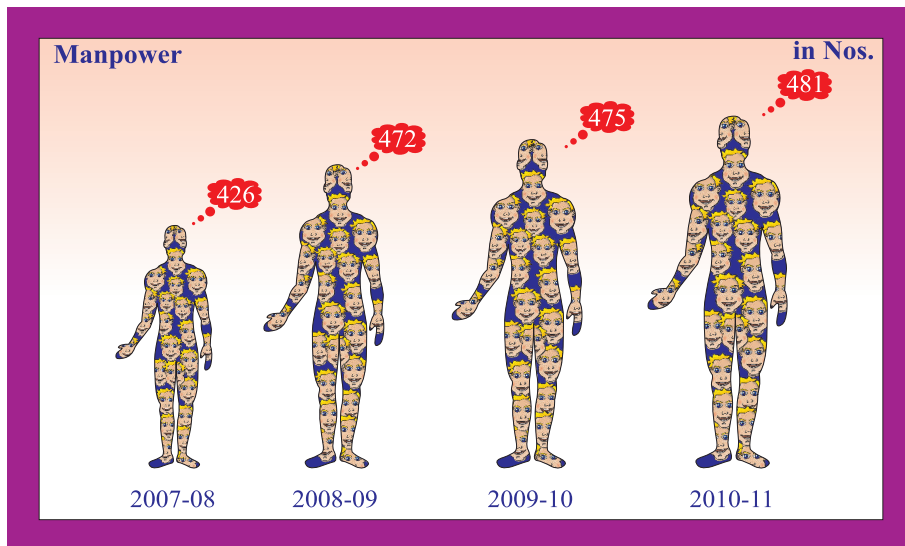
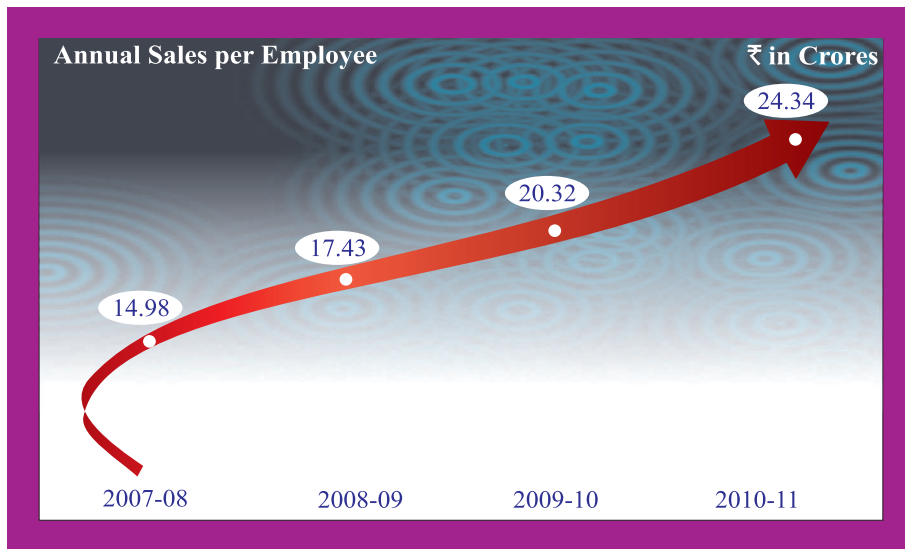
27. Fixed deposits

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.

28. Right to Information

As a public authority, the Corporation has taken steps towards the compliances under the Right to Information Act 2005. The particulars of applications / appeals received seeking information are as under :-

Sl.No.	Particulars	Applications	Appeals
i	No. of applications/appeals pending at the beginning of the year	Nil	Nil
ii	No. of applications/appeals received seeking information	79	01
iii	No. of applications/appeals disposed off during the year	79	01
iv	No. of applications/appeals pending for disposal at the end of the year	Nil	Nil





29. Comments of 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 is appended.

30. Auditors and Audit reports

The Comptroller and Auditor General of India have appointed M/s V.K.Niranjan & Co., Chartered Accountants, Bengaluru as Statutory Auditors of the Corporation for the year 2010-11. The notes on the accounts referred to in the Auditors' Report are self explanatory and do not call for any further comments.

31. Acknowledgements

Your Directors take this opportunity to express their gratitude and thanks to Government of Karnataka, particularly, the officials of Finance Department and the Excise Department.

We express our appreciation to the Bankers for their continued support to the operations of the Corporation.

The assistance and co-operation provided by the Comptroller and Audit 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.

We thank our customers, vendors and bankers for their continued support during the year.

We place on record our appreciation of the contribution made by our employees at all levels.

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

For and on behalf of the Board,

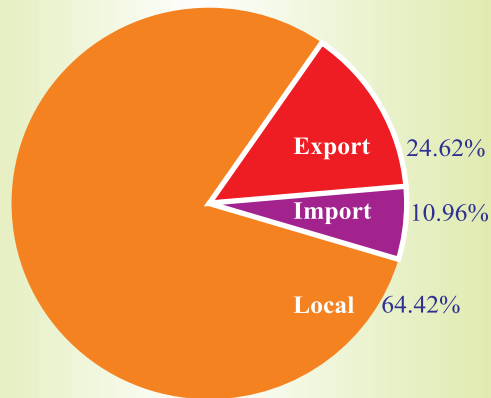
Bengaluru
Date: 27/07/2010

L.V.Nagarajan
Chairman

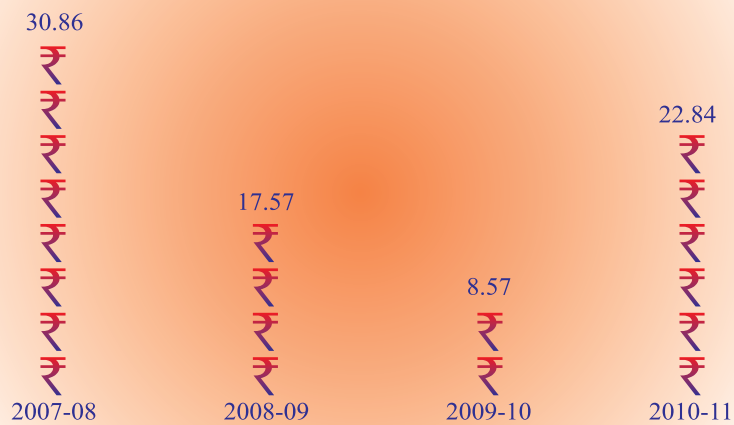


Officers attending the workshop on Treasury Funds Management

Composition of Spirit sales value during 2010-11 (%)



Profit Before Tax ₹ in Crores



Reserves and surplus ₹ in Crores





Annexure - 1

Annexure to the Directors' Report under the Companies (disclosure of particulars in the report of Board of Directors) 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 2010-11, the Corporation neither utilized nor earned any foreign exchange.

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 31.03.11, the Board consisted of 04 directors including the Chairman and the Managing Director. The other two are 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 Rs.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. 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 Aravind Jannu, IAS

Sri. Aravind Jannu, IAS, is an Officer of the Indian Administrative Service, working with Government of Karnataka. Currently, he is Excise Commissioner, Karnataka and also Director, Karnataka State Electronics Development Corporation Limited.

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.

Sri I.M. Vittala Murthy, IAS

Sri. I.M. Vittala Murthy, IAS, completed his Master degree in Economics (with distinction) from Bangalore University. He belongs to the 1986 batch of the Indian Administrative Service. Sri. Vittala Murthy has worked in different departments / companies of Government of Karnataka, such as Commissioner of Tourism & Managing Director, KSTDC, Commissioner for Transport, Transport department, Secretary to Government (Ecology & Environment), Forest, Ecology and Environment department, Managing Director, KSIIDC, Secretary to Government, Kannada & Culture, Information & Tourism department; Managing Director, MSIL; Secretary to Government, Youth services and Sports; Principal Secretary to Government, Health & Family Welfare Department; Medical Education. During his tenure, as Managing Director, MSIL, he organized two major national Art Camps at Chikkamagalore and Hampi. Scouted out the talents in the children by conducting Nityotsava for promoting Kannada poetry and rural talent.. Sri. Vittala Murthy is lover of art, literature, theatre, music & cinema and has been supporting the cause of promotion of art and culture.

Sri.B.R.Jayaramaraje Urs

Sri.B.R.Jayaramaraje Urs, IAS, completed his Master degree in political science during 1975 from Bangalore University. He joined Indian Administrative Service during 1989. During his service, among other posts, he held the posts of Director, Department of Women & Child Welfare, Managing Director, Karnataka State Financial Corporation, Managing Director, Karnataka State Co-operative Marketing Federation Ltd., Special Commissioner (Administration), Bruhat Bangalore Mahanagara Palike, Secretary to Government, Department of Kannada and Culture & Information, Managing Director, Karnataka Public Lands Corporation Ltd. & Ex-officio Revenue Secretary to Government, Managing Director of Karnataka State Beverages Corporation Ltd., Bangalore. Presently, he is serving as Ombudsman at KERC, Bangalore

Dr.H.Shashidhar, IAS,

Dr.H.Shashidhar, IAS., held the position of Managing Director of the Corporation from

05.02.2009 to 30.11.2010. 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.

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, Delhil. 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.

3. Board Meetings

- a) During the year 2010-11, four meetings were held on 30.06.10, 06.08.10, 29.12.10 and 29.03.2011
- b) 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 : 06.08.10	No. of outside directorship as on 31.03.11	No. of outside Board committee membership / chairman as on 31.03.11
L.V.Nagarajan,	Chairman	4/4	Yes	14	1
Ajay Seth	Non- Executive Director	4/4	Yes	08	--
Yogendra Tripathi (up to 02.06.10)	Non- Executive Director	0/0	N.A	--	--
H.Shashidhar (upto 30.11.10)	Managing Director	2/2	Yes	--	--
Sri.Aravind Jannu (from 02.06.10)	Non- Executive Director	4/4	Yes	1	--
Sri.Jayaramaraje Urs (14.01.11 to 02.05.11)	Managing Director	1/1	NA	1	--
Sri.I.M. Vittala Murthy (w.e.f. 16.05.11)	Managing Director	--	NA	--	--



4. Board material distributed in advance

The agenda and notes on agenda are circulated to the Directors in advance in the defined agenda format. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is tabled before the meeting. In exceptional circumstances, additional/supplementary items on the agenda are permitted.

5. Recording minutes of proceedings of the Board

The Company Secretary records the minutes of the proceedings of each meeting. After approval of the minutes by the Chairman of the Board, the same are circulated among the members of the Board. The minutes are entered in the minutes book within 30 days from the conclusion of the meeting.

6. Post meeting follow up mechanism

The important decisions taken at the Board meeting are communicated to the department / sections promptly. Action taken report on the decisions of the previous meetings is placed at the immediately succeeding meeting of the Board for noting by the Board.

7. Annual Report

Annual report containing inter-alia audited annual accounts, directors' report, auditors' report and other important information is circulated to the members and others entitled there to. Annual report is displayed on the Corporation's website www.ksbcl.com.

8 Dividend Payment

The Corporation is having the practice of disbursing the dividend on the day of AGM itself..

9. Audit Committee

The provisions of section 292(A) of the Companies Act, 1956 regarding Audit Committee are not applicable to the Corporation.

10. 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 2010-11 was as follows :

Dr.H.Shashidhar, Managing Director : ₹ 14.90 lakhs
(from 01.04.10 to 30.11.10)

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 (Rs.)
1.	L.V.Nagarajan	2000
2.	Ajay Seth	2000
3.	Yogendra Tripathi	--
4.	Aravind Jannu	2000

11. Annual General Meetings

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

Year	Date of meeting	Time	Venue
2007-08	28.06.08	10.30am	Registered office
2008-09	29.08.09	11.00 am	Registered Office
2009-10	06.08.10	11.30 am	Chamber of the Principal Secretary, Finance Department, Vidhana Soudha, Bangalore

b. No special resolutions were taken up in the last 04 annual general meetings.

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

12. Address for correspondence

The address of the Registered Office of the Corporation is

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

Signature to Annexure-1 & Annexure-2

Place : Bengaluru
Date : 27.07.11

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 2011.**

The preparation of financial statements of **Karnataka State Beverages Corporation Limited, Bangalore** for the year ended **31 March 2011** 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 **27 June 2011**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit, under Section 619(3)(b) of the Companies Act, 1956, of the financial statement of **“Karnataka State Beverages Corporation Limited, Bangalore”** for the year ended **31 March 2011**. 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 Auditors' 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.ACCOUNTANT GENERAL
(CIVIL & COMMERCIAL AUDIT)
KARNATAKA, BANGALORE**

**BANGALORE
DATED : 14 July 2011**



V. K. NIRANJAN & CO.
Chartered Accountants

Kurubara Sangha Building
202&204, Kanakadasa Circle
Kalidasa Marga, Gandhinagar,
Bangalore-560009
Email: vkniranjan_co@yahoo.com

Ref. No. : K-5391/16634/2010-11

Date: 27.06.2011

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 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 (4A) 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 it 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 II(4) of Schedule 17 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/to Retailers.**
- (2) Current Liabilities in the Balance Sheet Includes, Unadjusted amount of Rs 1004.32 Lakhs and Receipt on Behalf of others Rs 103.26 Lakhs. These accounts are under reconciliation and therefore, we are not in a position to ascertain the impact of these amounts on the financial statements of the Corporation.**
- (3) Sundry Debtors shown under Current Assets in the Balance Sheet includes, Rs 175.94 Lakhs, accounted in the books as Receipt on Behalf of others. This account is under reconciliation and therefore, we are not in a position to ascertain the impact of this amount on the financial statements of the Corporation.**
- (4) Note No II (1) of Schedule 17 of Notes on accounts pertaining to Claims against the Corporation not acknowledged as debt, the corporation has not made provision in respect of disputed statutory dues on account of matters pending before various authorities, the outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.**

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 Corporation as at 31st March 2011;
- 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
(Firm Registration No.002468S)

Vijayan G
Date: 27.06.2011

Partner
(Membership No.36348)

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 any substantial part of its fixed assets during the year and the going concern status of the Corporation is not affected.
2. In respect of its inventories:
 - a. As explained to us the inventories were 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 Corporation and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, The Corporation has maintained proper records of its inventories. As explained to us no material discrepancies were noticed on physical verification of inventories. Inventories are however not valued in the books of the corporation.
3. In respect of loans, secured or unsecured granted or taken by the Corporation to/from companies, firm or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
 - a. The Corporation has not given 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 Corporation 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 Corporation 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 major weaknesses in such internal control systems.

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 Corporation has not accepted any deposits from the public. Consequently the provisions of clause (VI) of paragraph 4 of the Order are 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 strengthened by **increasing the scope of Internal Audit which should include, auditors' direct confirmation of balances from customers, suppliers, banks & financial institutions, reconciliation of accounts, verification of management information reports, consolidation of divisional accounts and verification and reporting of damaged products at depots.**
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 2011 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 (Rs.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	Finance Act	Service Tax	1132.53	2003-04 to 2005-06	Addl. Director General of Central Excise Intelligence
3	Finance Act	Service Tax	4125.03	04/2006 to 09/2007	Addl. Director General of Central Excise Intelligence
4	Finance Act	Service Tax	324.89	10/2007 to 09/2008	Commissioner of Service Tax
5	Finance Act	Service Tax	2847.02	10/2008 to 09/2009	Commissioner of Service Tax
6	Finance Act	Service Tax	4322.08	10/2009 to 09/2010	Commissioner of Service Tax

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 other 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
(Firm Registration No.002468S)

Vijayan G
Partner
Membership No.36348

Place: Bangalore
Date: 27.06.2011



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

FIGURES AT A GLANCE

₹ in crores

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Sales turn-over	1307.00	2228.00	2976.00	3603.00	6381.00	8228.00	9653.00	11707.30
2	Other Income	4.00	10.00	10.00	15.00	29.00	39.00	37.84	45.49
3	Profit before tax	0.41	6.61	6.61	5.31	30.86	17.57	8.57	22.84
4	Profit after tax	0.27	4.12	3.77	2.97	20.00	16.05	7.74	14.54
5	Reserves and surplus	0.26	4.40	8.20	10.68	28.35	42.06	47.46	59.20
6	Net worth	2.26	6.40	10.20	12.68	30.35	44.06	49.46	71.20
7	Revenue to Govt. of Karnataka	401.50	1252.00	1553.00	2119.00	3824.00	5363.00	6451.00	7955.00
8	Finance cost ¹	0.22	0.82	1.25	1.54	3.27	2.83	0.63	0.12
9	Privilege fee	22.50	32.00	41.00	165.50	345.38	479.64	570.14	695.15
10	Duty collected	379.00	1220.00	1512.00	1953.98	3478.70	4883.17	5881.30	7260.00
11	Dividend	--	--	--	2.00	2.00	2.00	2.00	2.40
12	Manpower (Nos.)	160	234	263	294	426	472	475	481
13	Annual Sales per employee	8.17	9.56	11.35	12.31	14.98	17.43	20.32	24.34
14	Admn. & Gen.expenses as a % to sales turn over (%)	0.56	0.54	0.45	0.57	0.52	0.46	0.47	0.38
15	IML Sales (in crores CBs)	0.70	1.13	1.43	1.57	3.25	3.66	3.90	4.63
16	Beer Sales (in Crore CBs)	0.74	0.88	1.14	1.21	1.43	1.54	1.42	1.84
17	Spirit Sales (in crore bulk ltrs)	0.46	5.09	8.51	13.15	24.56	25.65	23.42	30.44
18	Book value per share (₹) (face value ₹ 1,000 each)	1130	3200	5100	6340	15000	22030	24729	5933*
19	Earning per share (₹) (face value ₹ 1,000 each)	133	2302	1887	1487	10002	8027	3870	1212*
20	Composition of liquor sales value during 2010-11	Whiski : 79.10%, Rum : 7.31%, Brandy : 9.91%, Gin, Voidka, Others : 3.68%							
21	Composition of total sales value during 2010-2011	IML : 79.35% Beer : 12.82% Spirit : 7.83%							
22	Composition of spirit sales value during 2010-11	Local : 64.42 Export : 24.62 Import : 10.96							

*on increased share capital to ₹12.00 crores from ₹ 2.00 crores



ANNUAL ACCOUNTS

2010 - 11



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU
BALANCE SHEET AS AT 31ST MARCH 2011

(Rs. in Lakhs)

PARTICULARS	SCHEDULE No.	As at 31st March,2011		As at 31st March,2010	
<u>SOURCES OF FUNDS</u>					
Shareholders' Funds					
a) Capital	1	1200.00		200.00	
b) Reserves & Surplus	2	5919.75	7119.75	4745.73	4945.73
Loan Funds					
a) Secured Loans	3	0.00		0.00	
b) Unsecured Loans	4	253.19	253.19	253.19	253.19
Share Application Money - pending allotment	5		0.00		1000.00
Capital Reserve	6		2.04		0.00
Deferred tax Liabilities			35.07		34.35
TOTAL			7410.05		6233.27
<u>APPLICATION OF FUNDS</u>					
Fixed Assets					
a) Gross Block	7	3236.00		3073.30	
b) Less : Depreciation	7	621.78		521.44	
c) Net Block		2614.22		2551.86	
Capital Work In Progress	7	4.91	2619.13	0.00	2551.86
Investments(at cost)					
Investments In Mutual Funds (Non Trade/ Non Quoted)	8		5667.56		1000.00
Current assets, loans & advances					
a) Sundry Debtors	9	5437.96		1454.52	
b) Cash and bank balances	9	17910.71		14161.91	
c) Loans and advances	10	3242.49		5150.35	
		26591.16		20766.78	
Less:Current liabilities & provisions					
a) Current Liabilities	11	26082.91		16450.24	
b) Provisions	11	1384.89		1635.13	
		27467.80		18085.37	
Net current assets			(876.64)		2681.41
TOTAL			7410.05		6233.27
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS					
		17			

As per our report of even date

For and on behalf of the Board

For V.K. Niranjana & Co.
Chartered Accountants

I. M. VITTALA MURTHY
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN G.
Partner
Membership No. 36348
Date: 27.06.2011
Place: Bangalore

SHRIKANT B. VANAHALLI
Executive Director (Finance)

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



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. in Lakhs)

PARTICULARS	SCHEDULE No	2010-11		2009-10	
INCOME					
SALES					
a) Sale of IML / BEER		1078996.97		884969.71	
b) Sale of Spirit		91732.83	1170729.80	80351.62	965321.33
OTHER INCOME	12		4548.52		3783.96
TOTAL (A)			1175278.32		969105.29
EXPENDITURE					
Cost of Sales			1098805.50		906359.30
Administrative & General Expenses	13		4483.25		4584.14
Managerial Remuneration	14		14.99		18.18
Finance Charges	15		11.51		62.93
Depreciation	7		102.11		105.84
Privilege Fee paid to Govt of Karnataka			69514.70		57014.37
TOTAL (B)			1172932.06		968144.76
PROFIT BEFORE PRIOR PERIOD ITEMS (A - B)			2346.26		960.53
Add / (Less): PRIOR PERIOD ITEMS (NET)	16		(61.83)		(103.78)
PROFIT BEFORE TAX			2284.43		856.75
Less: PROVISION FOR TAXATION					
a) Current Year Income Tax		663.60		88.63	
b) Deferred Tax		0.73		(5.79)	
c) Short Provision of Income Tax for Earlier Year		166.22	830.55	0.00	82.84
PROFIT AFTER TAX			1453.88		773.91
APPROPRIATIONS :					
a) Amount Transferred to General Reserve		145.39		77.39	
b) Proposed Dividend		240.00		200.00	
c) Tax on Dividend		39.86	425.25	33.99	311.38
BALANCE CARRIED TO BALANCE SHEET			1028.63		462.53
Earning per share (Face value of Rs. 1000/- each)			Rs.		Rs.
Basic			1212		3870
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	17				

As per our report of even date

For V.K. Niranjana & Co.
Chartered Accountants

For and on behalf of the Board

I.M. VITTALA MURTHY
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN G.
Partner
Membership No. 36348
Date: 27.06.2011
Place: Bangalore

SHRIKANT B. VANAHALLI
Executive Director (Finance)

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



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU
CASH FLOW STATEMENT FOR THE YEAR 2010-11

(Rs. in Lakhs)

PARTICULARS	2010-11	2009-10
1.CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation, and extraordinary item	2,346.26	960.53
Adjustments for Dividend	(305.17)	(716.78)
Depreciation & misc expenses written off	102.11	105.84
Interest income	(3,612.55)	(2,413.51)
(Profit) / Loss on sale of Assets	(1.32)	12.00
Prior period expenses/Income	(61.83)	(103.78)
Interest expenses	11.51	62.93
<i>Operating profit before working capital changes</i>	(1,520.99)	(2,092.76)
(Increase)/Decrease in sundry debtors	(3,983.44)	468.34
Increase/(Decrease) in sundry creditors	9,632.67	(5,377.92)
(Increase)/Decrease in Current Assets & Advances	1,907.86	1,809.65
<i>Cash generated from operations</i>	6,036.10	(5,192.69)
Income-Tax appropriated	(1,125.93)	-
Income taxes paid	-	-
Income taxes refund received	-	-
Cash flow before extraordinary item	4,910.18	(5,192.69)
Extraordinary item	-	-
<i>Net cash from operating activities</i>	4,910.18	(5,192.69)
2.CASH FLOW FROM INVESTING ACTIVITIES		
Investments	(4,667.56)	4,700.00
Purchase of fixed assets	(161.39)	(80.39)
Capital work in progress	(4.91)	-
Interest received	3,612.55	2,413.50
Dividends received	305.17	716.78
Sale of fixed assets	0.26	-
<i>Net cash from investing activities</i>	(915.88)	7,749.89
3.CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	1,000.00
Proceeds from long term borrowings	-	-
Repayment of long term borrowings	-	(7,895.92)
Interest paid	(11.51)	(62.93)
Dividends paid including Dividend distribution tax	(233.99)	(233.99)
<i>Net cash used in financing activities</i>	(245.50)	(7,192.84)
Net increase in cash and cash equivalents	3,748.80	(4,635.63)
Cash and cash equivalents at the beginning of the year	14,161.91	18,797.54
Cash and cash equivalents at the end of the year	17,910.71	14,161.91

As per our report of even date

For and on behalf of the Board

For V.K. Niranjan & Co.
Chartered Accountants

I.M.VITTALA MURTHY
Managing Director

L.V. NAGARAJAN
Chairman

VIJAYAN G.
Partner
Membership No. 36348
Date: 27.06.2011
Place: BANGALORE

SHRIKANT B. VANAHALLI
Executive Director (Finance)

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



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH

SCHEDULE - 1

SHARE CAPITAL

PARTICULARS	(Rs. in lakhs)	
	As at 31st March,2011	As at 31st March,2010
AUTHORISED :		
1,20,000 Equity Shares of Rs.1,000/- each (Previous year 50,000 equity shares of Rs.1,000/- each)	1200.00	500.00
ISSUED, SUBSCRIBED AND PAID UP :		
1,20,000 Equity Shares of Rs.1,000/- each (Previous year 20,000 equity shares of Rs.1,000/- each)	1200.00	200.00
TOTAL	1200.00	200.00

SCHEDULE - 2

RESERVES & SURPLUS

PARTICULARS	(Rs. in lakhs)	
	As at 31st March,2011	As at 31st March,2010
GENERAL RESERVES :		
Balance as per last Balance sheet	1506.13	1428.74
Add: Transferred from Profit & Loss Account	145.39	77.39
Sub-Total	1651.52	1506.13
PROFIT & LOSS ACCOUNT :		
Balance as per last Balance sheet	3239.60	2777.07
Add: Transferred from Profit & Loss Account	1028.63	462.53
Sub-Total	4268.23	3239.60
TOTAL	5919.75	4745.73



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH

SCHEDULE - 3

SECURED LOANS

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011		As at 31st March 2010	
1	Syndicate Bank-OD 281	0.00		0.00	
2	ING-Vysya Bank OD 1921 & 5275	0.00		0.00	
3	State Bank of Mysore	0.00		0.00	
4	State Bank of India	0.00		0.00	
5	Corporation Bank-005	0.00	0.00	0.00	0.00
	TOTAL :		0.00		0.00

SCHEDULE - 4

UNSECURED LOANS

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011		As at 31st March 2010	
	Un-Secured Loans:				
1	<u>GOVERNMENT LOANS</u>				
	Government of Karnataka		253.19		253.19
	TOTAL		253.19		253.19



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH 2011**

SCHEDULE -5

SHARE APPLICATION MONEY

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	Share Application Money Received from Government of Karnataka	0.00	1000.00
	TOTAL	0.00	1000.00

SCHEDULE - 6

CAPITAL RESERVE

(Rs. in lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	Capital Reserve (Land acquired free of cost from the Government of Karnataka)	2.04	0.00
	TOTAL	2.04	0.00

KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH 2011**

SCHEDULE - 7

FIXED ASSETS

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 01st Apr-10	Additions	Deletions	As at 31st Mar-11	Upto Mar-10	For the Year	Deletions Mar-11	Upto Mar-11	As at 31st Mar-11
1	Land	2103.99	75.52	0.00	2179.51	0.00	0.00	0.00	0.00	2179.51
2	Building	99.00	0.00	0.00	99.00	3.14	1.61	0.00	4.75	94.25
3	Office Equipments	63.53	34.91	0.40	98.04	19.14	4.37	0.08	23.43	74.61
4	Computer Equipments	404.72	28.17	2.15	430.74	235.83	74.69	1.70	308.82	121.92
5	Furniture & Fixtures	171.51	23.28	0.00	194.79	97.99	10.16	0.00	108.15	86.64
6	Fire Fighting Equipments	9.06	0.00	0.00	9.06	5.03	0.25	0.00	5.28	3.78
7	Handling Equipments	62.33	3.37	0.00	65.70	27.54	2.77	0.00	30.31	35.39
8	Vehicles	30.01	0.00	0.00	30.01	9.04	2.85	0.00	11.89	18.12
9	Computer Software	88.57	0.00	0.00	88.57	83.16	5.41	0.00	88.57	0.00
10	Leasehold Improvements	40.58	0.00	0.00	40.58	40.58	0.00	0.00	40.58	0.00
	TOTAL	3073.30	165.25	2.55	3236.00	521.45	102.11	1.78	621.78	2614.22
	PREVIOUS YEAR	3037.13	81.79	45.62	3073.30	448.18	105.84	32.58	521.44	2551.86
	Capital-Work-in Progress	0.00	4.91	0.00	4.91	0.00	0.00	0.00	0.00	4.91

(Rs. in Lakhs)





KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT 31ST MARCH 2011

SCHEDULE - 8

INVESTMENTS

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	SBI Premier Liquid Fund Super IP (Market Value as on 31-03-2011 Rs. 5667.56 Lakhs)	5667.56	0.00
2	LIC Income Plus Fund (Market Value as on 31-3-2010 - Rs. 1000.00 Lakhs)	0.00	1000.00
	TOTAL	5667.56	1000.00



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU
SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH 2011

SCHEDULE - 9

CURRENT ASSETS - SUNDRY DEBTORS & CASH AND BANK BALANCES

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011		As at 31st March 2010	
1	<u>(a) Sundry Debtors, Unsecured & Considered good</u>				
	Amount receivable from Wholesalers/Retailers/Oil Companies				
	a) More than six months	1273.92		215.69	
	b) Less than six months	4164.04	5437.96	1238.83	1454.52
	<u>(b) Sundry Debtors, Unsecured & Considered doubtful & bad</u>				
	Amount receivable from Wholesalers/Retailers/Oil Companies				
	a) More than six months	7.61		7.61	
	b) Less than six months	0.00	7.61	0.00	7.61
	Total		5445.57		1462.13
	Less: Provision for bad debts		7.61		7.61
	TOTAL		5437.96		1454.52
2	Cash & Bank Balances:				
	Cash on Hand	4.17		2.99	
	Cash in Transit				
	Cash at Bank				
	i) in Current A/cs	5906.54		4474.92	
	ii) Fixed Deposits	12000.00		9684.00	
	iii) Flexi Deposits	0.00		0.00	
	TOTAL		17910.71		14161.91



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU
SCHDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE - 10

CURRENT ASSETS-LOANS AND ADVANCES

(Rs.in lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	Advances recoverable in cash or in kind or for value to be received - considered good.		
	Interest Accrued & Not Due (TDS - Current Year Rs. 37.13 lakhs & Previous Year Rs 7.04 Lakhs)	24.76	81.52
	Leave Salary Recoverable Account	55.40	48.56
	Sundries Recoverable from Staff	0.29	0.10
	Sundries Recoverable from Others	0.29	0.29
	Sundries Recoverable from Govt	10.94	10.83
	Sundries Recoverable from Distilleries	4.64	4.64
	Sundries Recoverable from Suppliers	0.59	0.76
	Sundries Recoverable from Govt-Excise Labels	0.34	
	Export Incentive Receivable	178.76	143.33
	Bank Charges Recoverable	0.00	0.66
	Sub Total	276.01	290.69
2	Advance Income Tax	2016.19	2641.81
	Self Assessment Tax	0.01	0.01
	Tax paid under protest	14.29	6.66
	Sub Total	2030.49	2648.48
3	Unsecured Advances:		
	Advance to Suppliers	105.03	158.84
	Advance- Travelling	0.07	0.00
	Advance to staff- Pay	3.74	4.02
	Advance FBT Paid	3.08	7.28
	Advance KIADB	142.79	60.09
	Advance Privilege Fee Paid to GOK	71.45	86.15
	Advance to Wine Board	0.00	0.44
	Rent deposit	244.61	221.42
	Advance for Vehicle -Fuel	0.12	0.31
	Recoverable Credit card amount	0.00	0.02
	Sub Total	570.89	538.57
4	Secured Advances:		
	Advance to Distilleries	234.10	1362.47
5	Deposits:		
	Deposits Paid	79.98	159.99
	Telephone Deposit	3.25	3.29
	Electricity Deposit	0.90	0.90
	Sub Total	84.13	164.18
6	Prepaid Expenses:	46.87	145.96
	TOTAL (1+2+3+4+5+6)	3242.49	5150.35



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST
MARCH 2011**

SCHEDULE - 11

CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	CURRENT LIABILITIES:		
	Sundry Creditors - IML Distilleries	13167.24	9555.42
	Sundry Creditors - RS Distilleries	6655.39	2182.70
	Sundry Creditors - Others [(31A) RS]	0.10	0.10
	Advance from RS Customers	2883.51	795.38
	Advance Amount received from IMLRetailers	829.22	1026.27
	Miscellaneous Deposit	0.13	0.13
	Miscellaneous Deposit-Suppliers & Services	0.07	0.07
	Earnest Money Deposit	1.12	1.29
	Sundry Payable to Suppliers & Services	0.09	0.09
	Sundry Payable to Staff	0.02	0.05
	Receipts on behalf of Others	103.26	794.22
	Receipts on behalf of Others (EFT Refund)	8.31	0.00
	Credit Card Amount Payable	0.00	0.01
	Up-Front Fee Collected & Payable	19.30	0.00
	Sundry Recoverable from Supplier	0.00	0.68
	Fixed deposit from retailers	0.00	2.00
	c/f	23667.76	14358.41



		(Rs. in Lakhs)	
	b/f	23667.76	14358.41
Outstanding Liabilities:			
Rent & Hire charges		215.78	158.49
Establishment expenses		496.19	503.34
Outstanding liabilities- Depots		3.72	0.00
Outstanding liabilities- Others		0.42	0.00
Security Deposit - Services		42.18	61.20
TDS - payable		5.63	17.03
Edcess		0.00	0.01
TCS - payable -Depots		1201.66	905.32
Amount Recovered from duty difference		420.74	441.60
Service Tax Refundable		1.36	1.36
Advance received towards Annual Subscription		2.33	3.23
Sundry Recoverable -Excise Lebals		0.00	0.25
Bank Temporary OD :			
1) State Bank of India		3.70	0.00
2) UTI-CA-24587		16.10	0.00
3) Corporation Bank		4.84	0.00
5) ICICI		0.50	0.00
Subtotal - 1		26082.91	16450.24
2 PROVISIONS:			
Provision for Taxation		1105.03	1401.14
Proposed dividend		240.00	200.00
Corporate Dividend Tax		39.86	33.99
Subtotal - 2		1384.89	1635.13
TOTAL (1+2)		27467.80	18085.37



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

**SCHEDULES FORMING PART OF THE PROFIT & LOSS OF ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011**

SCHEDULE - 12

OTHER INCOME

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	Annual Subscription to KSBCL-Liquor Trade Data	75.01	61.87
2	Interest - FD	2927.10	1715.26
	(TDS - Current Year Rs.251.10 Lakhs & Previous Year Rs. 192.00 lakhs)		
3	Interest from Others	685.45	698.24
	(TDS- Current Year Rs.64.85 Lakhs & Previous Year Rs. 91.58 lakhs)		
4	Miscellaneous Income	100.71	121.40
5	Profit on Sale of Assets	1.45	0.00
6	Penalty from distilleries for slow moving stocks	453.63	470.41
7	Dividend from Mutual Funds	305.17	716.78
	TOTAL	4548.52	3783.96



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

**SCHEDULES FORMING PART OF THE PROFIT & LOSS OF ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011**

SCHEDULE - 13

ADMINISTRATIVE AND GENERAL EXPENSES

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011		As at 31st March 2010	
I	<u>ESTABLISHMENT EXPENSES</u>				
1	Salary and Wages	1414.65		1257.57	
2	Exgratia	37.46		38.80	
3	Incentives	0.00		156.88	
4	Employer's contribution to Provident Fund	125.35		102.98	
5	Employer's contribution to ESI	1.75		1.24	
6	Travelling Expenses	10.49		15.50	
7	Conveyance Expenses	41.93		24.27	
8	Staff Training Expenses	2.57		1.46	
9	Data Entry Operators Expenses	206.21		190.82	
10	Entertainment Expenses-Staff	36.11		30.91	
11	Reimbursement of Medical expenses	30.62		32.57	
12	Reimbursement of Telephone Expenses	7.28		7.85	
13	Reimbursement of Fuel Expenses	19.81		4.99	
14	Expenses on Security	272.41		237.23	
15	Expenses on Security (RS)	243.88		172.54	
16	Leave Salary Contribution	72.07		67.02	
17	Pension Contribution	6.45		13.44	
18	Delegation to Conferences	1.11		0.51	
19	Administrative Charges - PF	1.58		2.48	
20	Gratuity Contribution	46.67		40.20	
21	Staff Welfare	0.05		0.00	
22	Super annuation Fund contribution	9.85		11.44	
23	Group Insurance covered on Staff	74.08		97.49	
24	Performance Incentive Paid To Staff	98.34		156.51	
25	Employees Deposit Linked Insurance Scheme	0.13		0.12	
26	Edli Administrative Charges	0.00		0.00	
27	Labour Welfare Fund Contribution	0.00		0.00	
	Sub Total - I		2760.85		2664.83

(Rs. in Lakhs)

II	GENERAL EXPENSES				
28	Rent	812.39		673.47	
29	Rates & Taxes	6.63		10.98	
30	Books & periodicals	2.57		2.24	
31	Computer Consumables	22.71		27.20	
32	Entertainment Expenses	14.60		12.80	
33	Electricity charges	36.28		31.13	
34	Printing Expenses	47.63		47.11	
35	Stationery Expenses	57.64		69.39	
36	Postage& Courier	4.90		4.97	
37	Telephone Expenses	39.36		35.85	
38	Hire Charges	9.65		12.99	
39	Water Charges	17.55		16.09	
40	Housekeeping expenses	14.24		13.56	
41	Office Expenses	31.52		30.80	
42	Expenses to Auditors	1.90		0.23	
43	Statutory Auditors remuneration- Statutory Audit Fees Rs.1.70 Lakhs Tax Audit Fees Rs.0.30 Lakhs Service Tax Rs.0.21 lakhs	2.21		1.88	
44	Out of Pocket expenses-Statutory auditors	0.10		0.00	
45	Internal audit fees	39.92		37.49	
46	Advertisement & Publicity	5.65		7.67	
47	Professional & Legal Charges	13.96		9.66	
48	Insurance on Stock at Depots	28.82		19.96	
49	Insurance on Vehicles & Machinery	0.44		0.36	
50	Insurance-Medical	40.96		23.66	
51	Miscellaneous expenses	1.01		0.00	
52	Expenses on Depot Support Staff	343.18		325.92	
53	Consultancy Charges	3.35		4.09	
54	Fuel Charges	2.51		1.26	
55	Honorarium	0.05		0.10	
56	Internet charges	7.10		4.37	
57	Donations	20.20		410.20	
58	Property Tax	2.50		2.50	
59	Bad Debts Written Off	0.00		0.20	
	Sub Total - II		1631.53		1838.13
III	MAINTENANCE EXPENSES				
60	Repairs & Maintenance of Buildings	13.85		6.75	
61	Repairs & Maintenance Computer Equipment	24.64		11.07	
62	Repairs & Maintenance Furniture and Fixtures	0.88		0.84	
63	Repairs & Maintenance Office Equipment	7.31		8.02	
64	Repairs & Maintenance of others	0.52		2.33	
65	Repairs & Maintenance Motor Vehicles	7.94		6.12	
66	Repairs & Maintenance of Fire Extinguishers	1.14		0.76	
67	Repairs & Maintenance of software	19.74		19.05	
	Sub-Total - III		76.02		54.94
IV	OTHERS				
68	Data Processing charges	0.51		0.84	
69	Packing Forwarding & freight	10.43		10.40	
70	Meeting Expenses-Others	0.12		0.22	
71	Expenses on Board Meeting	0.08		0.12	
72	Expenses on Depot Managers Meeting	0.00		0.69	
73	Expenses on Ceremonial Functions	1.83		0.32	
74	Annual General Body Meeting Expenses	1.75		1.65	
75	Loss on Sale of assets	0.13		12.00	
	Sub-Total - IV		14.85		26.24
	TOTAL(I+II+III+IV)		4483.25		4584.14



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

**SCHEDULES FORMING PART OF THE PROFIT & LOSS OF ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011**

SCHEDULE - 14

MANAGERIAL REMUNERATION

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011		As at 31st March 2010	
1	<u>WHOLETIME DIRECTORS(MD)</u>				
	Salary & Allowances	9.28		12.30	
	Ex-gratia	0.06		0.10	
	Travelling Expenses	2.96		2.78	
	Telephone Expenses	0.45		0.06	
	Reimbursement of Medical expenses	0.41		0.34	
	Leave Salary contribution	0.57		0.83	
	Pension contribution	1.18		1.73	
	Sub Total - 1		14.91		18.14
2	<u>OTHER DIRECTORS</u>				
	Travelling Expenses	0.02			
	Sitting Fees	0.06		0.04	
	SubTotal - 2		0.08		0.04
	TOTAL (1+2)		14.99		18.18



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

**SCHEDULES FORMING PART OF THE PROFIT & LOSS OF ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011**

SCHEDULE - 15

FINANCE CHARGES

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	Interest paid on Overdraft	5.18	55.58
2	Bank Charges	6.33	7.35
3	Interest paid	0.00	0.00
	TOTAL	11.51	62.93

SCHEDULE - 16

PRIOR PERIOD ITEMS

(Rs. in Lakhs)

Sl. No.	PARTICULARS	As at 31st March 2011	As at 31st March 2010
1	Expenses pertaining to previous years	11.95	0.00
2	Withdrawal of Income pertaining to previous years	49.21	105.54
3	Withdrawal of Expenses pertaining to previous years	0.00	(1.76)
4	Withdrawal of Receipts pertaining to previous years	0.67	0.00
	TOTAL	61.83	103.78



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

SCHEDULE NO. 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2011 AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2011.

I. SIGNIFICANT ACCOUNTING POLICIES

1) Basis for Preparation of Financial Statements

- a) The Corporation has adopted mercantile system of accounting except in case of demurrage income in respect of slow moving stocks from in-operative distilleries which is accounted on cash basis.
- b) Financial Statements have been prepared as per historical cost convention.
- c) Accounting policies not specifically referred to are consistent with the Indian Generally Accepted Accounting Principles (GAAP).

2) Fixed Assets

- a) Fixed assets are stated at cost less accumulated depreciation/amortization.
- b) The fixed assets are accounted on the basis of cost of acquisition or construction, inclusive of freight, duties, taxes and installation charges.
- c) Leasehold improvements are stated at cost less accumulated depreciation / amortization.
- d) Intangible assets are accounted on the basis of cost of acquisition.
- e) Land transferred to the Corporation by the State Govt. during the year 2010-11, free of cost is recorded at the value declared by the State Government.

3) Capital Work in Progress

Capital Expenditure is accounted as capital work in progress until the same is certified as completed/commissioned for the purpose of capitalization.

4) Depreciation

- a) Depreciation on fixed assets is computed using straight-line method at the rates specified in the Companies Act, 1956 except in the following cases:
 - i) Computer Software classified as intangible assets is being amortized over a period of three years being the estimated useful life of the asset.
 - ii) Leasehold improvements are amortized over the lease period in respect of HO. However, Partitions / Cubicles constructed in depots, is classified as Furniture & Fixtures and depreciated accordingly.
- b) Depreciation in respect of additions / deletions is charged proportionately for the period from the date of its additions/deletions.
- c) Individual assets acquired for Rs.5,000/- and below are fully depreciated during the year of acquisition.

5) Reserves

- a) The Corporation has the policy of transferring an amount at the rate of 1/10 of profit after tax to General Reserve every financial year as per the Companies Act, 1956.
- b) The Corporation has accounted the value of land transferred by the Karnataka State Govt. free of cost as capital reserve at the value declared by the State Government.

6) Accounting of Purchases and Sales

a) Accounting of Purchases:

- i) **IML:** Manufacturer /supplier places an offer to supply liquor based on demand prevailing in various locations. Thereafter, an order for supply (OFS) 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 purchases by the Corporation and sales to the retailers is paid after such purchases and corresponding sales.
- ii) **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 by the buyers (except Oil Companies) orders are placed by the Corporation on the supplier so authorized.

b) Accounting of Sales:

- i) **IML:** The Corporation is authorized to issue stocks to retail licensees only after receipt of full value of the goods.
- ii) **Spirit:** Credit sale is permitted for a period of 30 days' time for supply of Ethanol to the oil companies. The margin on sale of spirit is being collected, except in respect of captive consumption within the premises.

7) 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 income:** Interest earned on fixed deposits with Banks & deposit with KSWC and advances to distilleries is accounted on accrual basis.
- c) **Dividend income:** Dividend earned on the investments made in debt based short term mutual funds is recognized when the right to receive the same is established.

8) Personnel

The Corporation is having personnel deputed from State Government and other Government organizations. The Corporation has made contributions towards Leave Salary, Pension, Provident Fund, Gratuity and ESI Contribution to the respective parent organizations from time to time in respect of these personnel.



9) Income Tax & Deferred Tax Liability/Asset

a) Income Tax:

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

b) Deferred Tax Liability/Asset:

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

10) Contingencies & Provisions

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

11) Investments

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

12) Cash flow statement

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

II. NOTES ON ACCOUNTS

1) Claims against the Corporation not acknowledged as debt

a) Service Tax on demurrages:

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 to Rs.65,47,829/- together with applicable interest under Section 75 of the Finance Act,1994; penalty under Section 77 of the Finance Act,1994 and Rs.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 Rs.25,00,000/-. The said Rs.25,00,000/- 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 slow moving 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 Rs.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 on demurrages effect from 16-11-2007 and the Corporation requested for refund of Rs.99,55,751/- being the service tax collected and paid of Rs. 74,55,751/- and the deposit of Rs.25,00,000/-.

The service tax department has refunded Rs.25,00,000/- vide their communication 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 Rs.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 the 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 an 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 of Karnataka, in the judgment dated 13-04-2011 rejected the appeal of the service tax department as not maintainable on the ground that the question raised in the appeal fell within the exception carved out in Sec. 35 G and that the appropriate remedy for the service tax department is to challenge the



order of the CESTAT before the Supreme Court. The appeal lies to the apex Court under section 35L which alone has exclusive jurisdiction to decide said question. In view of the decision of the Hon'ble High Court, the Corporation has requested the Service Tax Department to refund Rs.74,55,751/-.

b) Service Tax on Margin:

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 Rs.11,32,52,833/- considering the activities of the Corporation under “Business Auxiliary Services” (BAS) in January 2007 for the period July 2003 to March 2006. The Corporation had furnished reply vide its letter No.CSL2-022 dated 26-02-2007 substantiating the activities of the Corporation as 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. CNO.IV/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 Rs.41,25,03,450/- for the period from April 2006 to September 2007 and that the Corporation is also liable to pay penalty for suppression of facts.

The Corporation had replied on 26-02-2007, that it was not liable to pay service tax as the Corporation's trading activities do not come under the purview of Business Auxiliary Services. Accordingly, the Corporation had filed legal replies during 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 Rs.3,24,88,699/- was received from the Commissioner, 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 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 Rs.28,47,01,583/- was received from the Commissioner of Service Tax in April 2010.

The Corporation submitted the reply and attended the personal hearing on 09-02-2011 for the same. Further, the Corporation received Order-In-Original on 01-04-2011 demanding Rs.28,47,01,583/-for the period October 2008 to September 2009, for which necessary action has been taken.

A letter from the Department was received on 10-01-2011 to furnish certain information for the period from October 2009 to September 2010. Accordingly the Corporation had furnished the information on 10-02-2011.

Thereafter, the Corporation received a Show-Cause notice on 17-03-2011 for payment of service tax of Rs.43,22,08,173/- for the period from 01-10-2009 to 30-09-2010. The Corporation has initiated necessary action in this regard.

2) Inventory particulars

The Inventory particulars are as follows:

a) Stocks of IML & BEER purchased & sold :

Sl. No.	Particulars	Quantity (CBs)		Value (Rs. in crores)	
		As at 31 st March 2010	As at 31 st March 2011	As at 31 st March 2010	As at 31 st March 2011
1	Opening Stock	1044	1044	NIL	NIL
2	Purchases	53195728	64730506	8262.95	10074.53
3	Sales	53195728	64730506	8849.69	10789.97
4	Shortages/ Damage	NIL	NIL	NIL	NIL
5	Closing Stock	1044	1044	NIL	NIL

Stocks of 1044 CBs indicated above represents stock taken over from MSIL at the inception of the Corporation and are considered to have no realizable value as on 31-03-2011.

b) Closing Stock of IML & BEER:

The Closing stock held at the depots of the Corporation as on 31st March 2011 (as per Material Inward Slip (MIS) reports which are not accounted in the books) is as follows:

Sl. No.	Particulars	Quantity (CBs)		Value (Rs. in crores)	
		As at 31 st March 2010	As at 31 st March 2011	As at 31 st March 2010	As at 31 st March 2011
1	Closing Stock	1720829	1564309	320.41	303.45

c) Stocks of Spirit purchased & sold :

Sl. No.	Particulars	Quantity (BLs)		Value (Rs. in crores)	
		As at 31 st March 2010	As at 31 st March 2011	As at 31 st March 2010	As at 31 st March 2011
1	Opening Stock	NIL	NIL	NIL	NIL
2	Purchases	234174899	304397757	800.64	913.53
3	Sales	234174899	304397757	803.52*	917.33*
4	Closing Stock	NIL	NIL	NIL	NIL

*Note: Sales value includes margin amount.



- 3) The sales for the year 2010-2011 includes a sum of Rs. Nil (Rs. Nil) being goods sold but not lifted by the party.
- 4) Letters seeking confirmation of balances as on 31-03-2011 in respect of Sundry Creditors, Advance to Distilleries & EMD have been sent and their response is awaited. The balances in respect of Sundry Debtors, Sundry Creditors and others relating to loans, advances and deposits are subject to confirmation and reconciliation, if any. Advances from retailers are unconfirmed.
- 5) Estimated amount of contracts remaining to be executed on capital accounts provided is Rs. Nil (previous year Nil).
- 6) The Corporation has not received information from many vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to the amount unpaid as at the year end together with interest paid/ payable under this Act has not been given.
- 7) There are no earnings and/ or outgo in foreign exchange during the year.

8) Income Tax Assessments

- a. Corporate Tax on Privilege Fees for the Assessment Year 2004-05:

The Income Tax Department had issued notice to pay Rs.6,65,723/- as Income Tax on the privilege fee of Rs.3.50 crores paid to Government for the Assessment Year 2004-05. The Corporation has taken a stand that no income tax is payable on privilege fee. However, Rs.6,65,723/- as demanded has been paid under protest and an appeal has been filed before the Commissioner of Income-Tax, (Appeals). The Commissioner of Income-Tax, (Appeals) finally disposed off the appeal on the ground that the same is non-est. and appeal becomes infructuous since the matter was subject to revision by the jurisdictional Commissioner of Income Tax. The Commissioner of Income Tax later disposed off the same without giving any relief to the Corporation but made additions in respect of certain expenditures. Now, the Corporation has filed an appeal before the Income Tax Appellate Tribunal on 31-03-2011 challenging the orders of the Commissioner of Income Tax and the Commissioner of Income Tax (Appeals-1). The Tribunal is yet to hear the Corporation in the appeal.

- b. The Income Tax Department has passed the assessment order for the financial year 2006-07 (Assessment year 2007-08). However, as the department has considered TDS of Rs.1,17,94,105/- only instead of Rs.1,66,52,361/-, the Corporation has sought for rectification of the assessment order. The matter is still pending with the department.

- c. While assessing the income of the financial year 2007-08 (Assessment year 2008-09), the Department has disallowed 50% of the Donations paid to Kidwai Memorial Institute of Oncology and Indira Gandhi Institute of Child Health. The department also charged the Income-Tax on the Dividend earned from Mutual funds on

which the AMC had already deducted the Dividend Distribution Tax which in other words is called tax-free investments in the hands of the recipient. Hence, the Corporation requested for rectification of the same. Since the Department has turned down our request for rectification, the Corporation will be filing an appeal before the ITAT in this regard.

d. The Corporation has received an intimation under Sec.143(1) of the Income-tax Act, 1961 for the financial year 2008-09 (Assessment year 2009-10) and also received a refund Rs.5,65,07,630/-. The Corporation on verification of the tax return had found that the department had not considered the donation paid to CM's Relief fund and considered TDS of Rs.1,63,44,287/- instead of Rs.2,93,27,131/- . Further, the Corporation had paid Income-tax on the Dividend paid to the GOK, which the department had not taken into consideration. In view of the above, the Corporation has requested the department to revise the assessment and sought for refund of the remaining amount.

e. The department is yet to take up the assessment for the financial year 2009-10 (Assessment year 2010-11).

9) The Government of Karnataka had imposed VAT on the Denatured Spirit from 2010-11. However, the buyers of Denatured Spirit are remitting the VAT to the GOK and the Corporation is issuing the OFS only after verification of the remittance made by them. Hence, the Corporation will not have any financial implication / liability on account of the same.

10) Particulars of Deferred Tax Liability (DTL)

(₹ in Lakhs)

Timing Difference on account of	Current Year	Previous Year
Opening Balance of DTL	34.35	40.13
Depreciation (Deferred Tax Liability)	(6.10)	(5.78)
Preliminary & Pre-operative Expenses Written Off (DTL)	NIL	NIL
Earlier year Adjustments	4.90	NIL
Change in DTL due to change in IT rules	1.92	NIL
Net Deferred Tax Liability	35.07	34.35

Note: Errors in computing deferred tax liability/asset in earlier financial years have been rectified in this financial year.

11) The reconciliation of some of the bank accounts for the years 2006-07 to 2008-09 is in progress and will be completed during the financial year 2011-12 along with the related ledger account "Receipt On Behalf Of Others". On reconciliation, necessary effects will be given in the books of accounts.

12) The reconciliation of payments to distilleries for the year 2006-07 to 2010-11 is in progress and necessary effects will be given in the financial year 2011-12.

13) The Corporation has provided Rs.37.53 lakhs towards ex-gratia payments to the employees of the Corporation for the year 2010-11, pending approval of the Government.

14) Government of Karnataka has given an interest free loan of Rs. 3.00 crores to the Corporation. No repayment conditions have been stipulated by the Government in respect



of the said loan. However, as stipulated in GO No. FD47 FAA 2003 dated 11-09-2003, the payments made by the Corporation towards rewards to the Excise Department staff have been adjusted towards loan repayment. The loan amount outstanding after adjusting an amount of Rs.46,80,514/- towards such rewards paid (pertaining to the period up to March 2006) is Rs.2,53,19,486/- as on 31.03.2011.

However, the Government vide its order No. FD 30 EAA 2007 has modified its earlier order dated 11-09-2003 and has ordered that the expenditure towards rewards paid to the Excise Department staff be met by the Corporation with effect from 1st April 2006 onwards. Since the Government order was received after the closure of books of accounts for the year 2006-07, the expenditure of Rs.11,54,088/- towards rewards paid to the Excise Department staff during the year 2006-07 which was then treated as loan repaid was booked as prior period administrative expenditure during the year 2007-08.

- 15) The Corporation has invested of Rs.56.67 crores in SBI Mutual Fund as on 31-03-2011, the market value of which was Rs.56.67 crores as at 31-03-2011.
- 16) The Corporation has not provided for any impairment of assets as per AS- 28 in the absence of any indications of a potential impairment of loss as the assets are carried at more than their realizable value.
- 17) The information required under 4D part II of schedule VI of the Companies Act, is as under : (a), (b), (c), (d) and (e) – NIL (Previous year – NIL).

18) Related party Disclosure

- a. Name of the related party: -Nil-
b. Nature of relationship: -Nil-
c. Transactions and value: -Nil

19) Remuneration to the Managing Director

Current Year Rs.14,90,950/- (Previous Year Rs. 18,14,031/-)

- 20) Figures have been rounded off to the nearest rupee. Previous year figures have been regrouped wherever necessary to confirm to the current year's classifications.

For and on behalf of the Board

As per our report of even date

**For V.K. Niranjana & Co.,
Chartered Accountants**

**I.M. VITTALAMURTHY
Managing Director**

**L.V.NAGARAJAN
Chairman**

**VIJAYAN. G.
Partner
Membership No.36348
Place: Bangalore.
Date:27.06.2011**

**SHRIKANT B. VANAHLLI
Executive Director (Finance)**

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



KARNATAKA STATE BEVERAGES CORPORATION LIMITED, BENGALURU

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	1
---	---	---	---

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 Rs. Thousands)

Total Liabilities

0	7	4	1	0	0	5
---	---	---	---	---	---	---

 Total Assests

0	7	4	1	0	0	5
---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

1	2	0	0	0	0
---	---	---	---	---	---

 Reserves & Surplus

5	9	1	9	7	5
---	---	---	---	---	---

Secured Loans

0	0	0	0	0	0	0
---	---	---	---	---	---	---

 Unsecured Loans

2	5	3	1	9
---	---	---	---	---

Deferred Tax Liability

3	5	0	7
---	---	---	---

 Capital Reserve

2	0	4
---	---	---

Application of Funds

Net Fixed Assets

2	6	1	9	1	3
---	---	---	---	---	---

 Investment

5	6	6	7	5	6
---	---	---	---	---	---

Net Current Assets

-	8	7	6	6	4
---	---	---	---	---	---

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

Turn Over

1	1	7	5	2	7	8	3	2
---	---	---	---	---	---	---	---	---

 Total Expenditure

1	1	7	2	9	3	2	0	6
---	---	---	---	---	---	---	---	---

Profit Before Tax

2	2	8	4	4	3
---	---	---	---	---	---

 Profit After Tax

1	4	5	3	8	8
---	---	---	---	---	---

Earnings per share (Rs.)

0	1	2	1	2
---	---	---	---	---

 Dividend @ %

0	2	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 V.K. Niranjana & Co.
Chartered Accountants

For and on behalf of the board

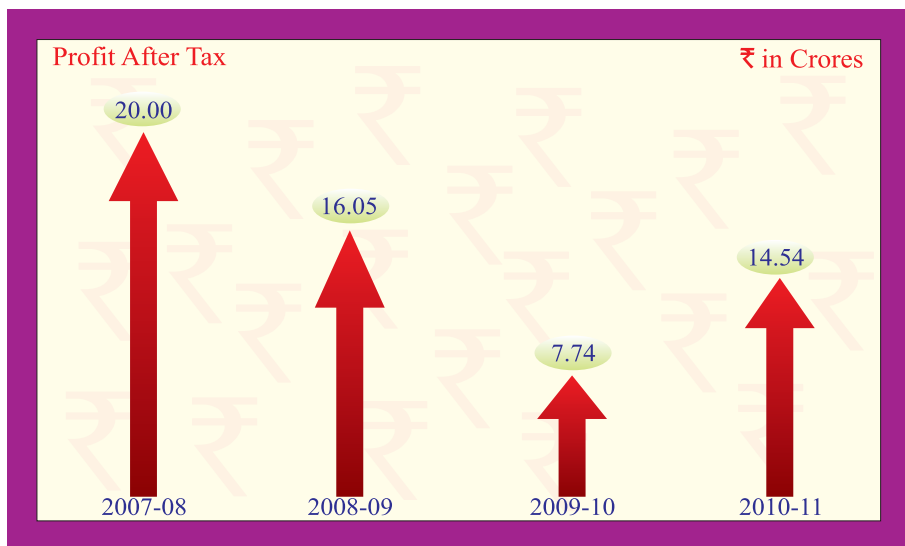
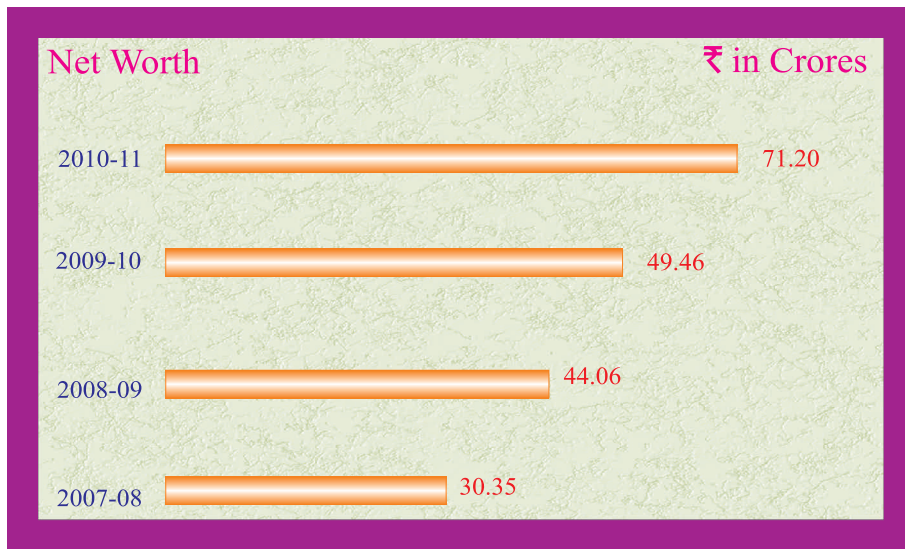
VIJAYAN G
Partner
Membership No. 36348
Date: 27.06.2011
Place: BANGALORE

I. M. VITTALA MURTHY
Managing Director

SHRIKANT B. VANAHALLI
Executive Director (Finance)

L.V. NAGARAJAN
Chairman

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



Training programme on "Pranic Hearing"