



KERALA FOREST DEVELOPMENT CORPORATION LTD.,
(A Govt. of Kerala Undertaking)
KOTTAYAM - 686 003

Regd. Office : "Aaranyakom",
Karapuzha,
Kottayam - 686 003

Grams : 'Trees '

Fax : 0481-2581338 (S.F.M)

E-Mail : md_kfdcktm@yahoo.co.in, mail@keralafdc.org

Web : www.keralafdc.org

Telephone : 2581236 (Chairman)
2582640 (M.D.)
2580593
2581204
2581205

38th ANNUAL REPORT
2011-2012



KERALA FOREST DEVELOPMENT CORPORATION LIMITED

BOARD OF DIRECTORS

Adv. M. Manoharan Pillai
Chairman

Sri. K.J. Varughese I.F.S.
Managing Director

Sri. N.V. Trivedi Babu I.F.S.
Addl. Principal Chief Conservator of Forests,
Eco Development & Tribal Welfare
Director

Sri. K.S. Reddy I.F.S.
Regional Chief Conservator of Forests (Central)
Director

Sri. P.K. Mohanty I.A.S.
Additional Chief Secretary
Forest & Wild Life Department
Director

Sri. M. Chandradhas
Additional Secretary, Finance Department
Director

SECRETARY - CUM - FINANCE MANAGER
Sri. C.R. Mohanakumar B.Com, ACA, ACS, LLB.

Bankers :

Union Bank of India
State Bank of Travancore
District Treasury Kottayam
Canara Bank

Auditors :

M/s.Koshy & Mani
Chartered Accountants
Kottayam



KERALA FOREST DEVELOPMENT CORPORATION LTD.

(A Govt. of Kerala Undertaking)

REGISTERED OFFICE : AARANYAKOM, KARAPUZHA, KOTTAYAM - 686 003. KERALA, INDIA

Tele : 0481-2582640 (MD), 2581204, 2581205 (Office) Fax : 0481-2581338, Gram TREES

E. mail: md_kfdcktm@yahoo.co.in, mail@keralafdc.org

Web : www.keralafdc.org

NOTICE TO SHARE HOLDERS

Notice is hereby given that the 38th Annual General Meeting of the Company shall be convened on Saturday the 29th day of September 2012 and shall be held at the Registered office of the Company at Building No. 13/XXV/KMC, Aaranyakom, Karapuzha, Kottayam 686 003 at 11 AM to transact the following business:-

1. To receive and adopt the Director's Report and Audited Accounts for the year ended 31st March, 2012.
2. Declaration of dividend for 2011-'12
3. To transact any other business of which due notice is given

*By order of the Board,
For Kerala Forest Development Corporation Ltd.,*

Sd/-
SECRETARY-cum-FINANCE MANAGER

Place : Kottayam,

Date : 04/09/2012

DIRECTORS' REPORT

Gentlemen,

Your Directors have pleasure in presenting the 38th Annual Report and the audited statements of accounts for the year ended 31st March, 2012.

1. SHARE CAPITAL AND FINANCE

There was no change in the authorised Share Capital of the company which stand at Rs. 10 crores as on 31st March 2012. 75000 equity shares of Rs. 100/- each were issued to State Government during the year raising the paid up share capital of the Company to Rs. 91953500/- as on 31st March 2012. The amount of the loans due to the State Government including interest is Rs. 50447695.22.

WORKING RESULTS

The summarised operating results are as follows:

	2011-12		2010-11	
	Rs.	Ps.	Rs.	Ps.
Profit before depreciation and taxes	6,92,63,745.62		4,16,16,409.45	
Less Provision for Depreciation	88,11,060.71		86,18,649.40	
Less Provision for Taxation	19,94,901.00		2,01,27,189.53	
Net Profit transferred to Profit & Loss Appropriation Account	5,84,57,783.91		1,28,70,570.50	

Adjustments relating to expenses and incomes of previous years have also been made during the year and the net expenses on this account is Rs. 42,37,422.35

Appropriation made from the profits.

a) Dividend

The Directors are pleased to recommend a dividend of Re. 1 per share (1% on par value of Rs. 100/- per share) for the year under report. The outflow of funds on this account is as detailed below:

Payable to Govt. of India	-	Rs. 93,000.00
Payable to Govt. of Kerala	-	Rs. 8,26,535.00
Total	-	Rs. 9,19,535.00
Dividend Tax	-	Rs. 1,49,172.00

b) Transfer to Reserve

An amount of Rs. 58,45,778/- was transferred to the General Reserve account out of the profits available for appropriation during the year, which is in accordance with the companies (Transfer of Profits to Reserves) Rules 1975.

2. PLANTATIONS

The area under tree plantations was 8085 ha. Tree growth over 630 ha. plantations was sold during the year. Fresh plantations were raised or Coppice Plantations maintained in the areas where felling was done.

The area of cardamom plantations is 1083 ha. Area under coffee plantations is 155.5 ha.

The area under tea cultivation is 90 ha. which includes about 10 ha. of administrative area and no further expansion was made during the year under report.

477 ha. of coffee plantations in Kallumala, Cheeyambam and Pambra Estates of the Forest Department transferred to the company continue to be in the records of the company. The Plantations are under encroachment by workers and tribals and no income was received by the company from those plantations and hence the Forest Department was informed that we are vacating the premises from 05/05/2011.

Vettiyil Estate of Akamalavaram Plantations entrusted to the company by Government for management still remains with the company.

The Eco Tourism activities in Gavi and Munnar Divisions continued during the year under report, and the activities were expanded to Arippa in Trivandrum division and Kambamala in Mananthavadi Division.

The Floriculture centre at Munnar is doing brisk business and a visitor facilitation centre is set up with comfort station.

The following estates in Nelliampathy belonging to Forest Department were entrusted to the Company for collection of usufructs.

1. Meeraflores
2. Rossary
3. Thuthumpara
4. Beatrice

Minimum operations required for facilitating crop collections are also being undertaken by the company.

Retail sale of sandwood business has picked up well during the year and it has become an important activity generating handsome profits to the Corporation.

3. SANDALWOOD OIL FACTORY

The company has set up a sandal wood oil extraction unit at Marayoor Sandal Wood Depot Compound of Forest Department. The factory commenced production on 19th August 2011.

4. NEW ECO TOURISM PROJECTS

The State Government have entrusted the implementation of various Eco Tourism Projects in forest areas including a packaged drinking water projects to the company and preliminary actions have been initiated by the company in this connection.

5. FOREIGN EXCHANGE EARNINGS

There was no earnings or outgo of foreign exchange during the year.

6. CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION

As the company is engaged in forestry operations the requirements relating to these matters are not applicable to the Company. However the company have been utilizing gravitational force to provide drinking water to workers and irrigation to plantation wherever possible, to dispense with use of fuel and electricity. Drying of cardamom is now being done using energy efficient modern driers. A small hydel power generation unit has been set up in Silent Valley of Munnar division to meet the energy requirements of camping facilities. Preliminary work of setting up of another such unit has been completed at Gavi. A biogas plant has been set up in Gavi Eco tourism unit which operates on bio wastes originating from the kitchen.

7. SUBSIDIARY

The Annual Report and Audited Accounts of M/s Kerala State Wood Industries Ltd. (KESWIL) for the year 2011-12 have not been finalised and hence not annexed hereto. The audited accounts of M/s KESWIL for the year ended 31st March 2012 shall be furnished to the members on demand, as and when, these are ready.

The State Govt. has taken a decision in January 2009 to wind up the company.

8. PERSONNEL

Employer - Employee relations remained cordial and there were no employees coming within the purview of section 217 (2A) of the Companies Act, during the year under review.

9. AUDIT COMMITTEE

An audit committee has been constituted to comply with the directions contained in circular No. 13883/BPE-2/8/Plg. dt. 15/11/2008 issued by the Planning & Economic Affairs (BPE) Department.

10. AUDITORS

M/s.Koshy & Mani, Chartered Accountants, Kottayam were appointed the Auditors of the Corporation for the year under review and their Audit Report has been annexed to the Accounts.

11. DIRECTORS

During the period under report Shri.E.K.Vijayan, Chairman Shri. S. Haridas, Shri. C.K. Krishnankutty, Shri. A. Radhakrishnan, Shri. K. Lohia, Shri. Janardhanan Naikuppa and Shri. Amarnatha Shetty I.F.S., Managing Director ceased to be Directors and Adv. M.Manoharan Pillai was appointed as Chairman and Shri. K.J. Varughese I.F.S as Managing Director.

12. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, on the Directors Responsibility Statement, it is hereby confirmed that:

- a. in the preparation of Annual Accounts for the financial year ended 31.03.2012, no material departures from the applicable accounting standards have been followed. The Statutory Auditors comments on compliance with various applicable mandatory Accounting Standards contain in Para 9 of the Report of Statutory Auditors enclosed.
- b. The Directors have selected the accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give true and fair view of the state of affairs of the company at the end of the year under review and of the profit of the company for that period.
- c. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d. The Directors have prepared the Annual Accounts for the year ended 31st March 2012 on a going concern basis.

13. ACKNOWLEDGEMENTS

In conclusion, your Directors wish to place on record their appreciation to the contribution made by the employees at all levels to the successful operations of the company during the year. They also take this opportunity to thank the Central and State Government, Financial Institutions, Banks, Spices Board, Tea Board, Suppliers, Tour Operators, Business Associates and all customers who unhesitatingly reposed their trust on the company during the year under review.

on behalf of the Board of Directors,

Sd/-
CHAIRMAN

KERALA FOREST DEVELOPMENT CORPORATION LTD. KOTTAYAM - 3

BALANCE SHEET AS AT 31st MARCH 2012

Description	Notes Ref. No.	As at 31st March 2012	As at 31st March 2011
		₹	₹
EQUITY & LIABILITIES			
1. Share holders Funds			
a. Share Capital	2	91953500.00	84453500.00
b. Reserves Surplus	3	419269601.10	349120460.19
2. Share application money pending allotment		0.00	7500000.00
3. Non current liabilities			
a. Long term borrowings	4	50447695.22	49013157.71
4. Current liabilities			
a. Other current liabilities	5	97301224.06	113203502.07
b. Short term provisions	6	76406355.00	90804670.35
Total		735378375.38	694095290.32
ASSETS			
1. Non Current Assets			
a. Fixed Assets			
i. Tangible Assets	7	86682617.02	86296692.61
ii. Capital work in progress	8	989881.59	3875712.59
b. Non Current Investments	9 & 10	36506950.00	9522400.00
2. Current Assets			
a. Inventories	11	504763583.74	459126185.02
b. Trade receivables	12	33476711.81	28788458.81
c. Cash & Bank Balance	13	49199042.86	83551638.53
d. Loans & Advances	14	23759588.36	22934202.76
Total		735378375.38	694095290.32
Significant Accounting Policies Notes forming intergral part of financial statements	1 2-50		

As per our report of even date attached

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD. KOTTAYAM - 3
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENED 31st MARCH 2012

PARTICULARS	Notes Ref.No.	As at	As at
		31st March 2012	31st March 2011
		₹	₹
I Revenue From Operations	15	186561069.00	153563167.53
II Other Income	16	47069367.84	31678431.06
III Total Revenue (I + II)		233630436.84	185241598.59
IV Expenses:			
Changes in Inventories	17	-45637398.72	-35296952.25
Plantation, Upkeep, Harvesting	18	109478847.65	78919243.89
Employee Benefit Expenses	19	72093504.61	73292539.88
General Administrative Expenses	20	8607766.65	9917799.74
Finance Cost	21	1434537.51	1542817.51
Depreciation/Amortisation	7	8811060.71	8618649.40
Other Expenses	22	18389433.52	18288182.37
Total Expenses		173177751.93	155282280.54
V Profit before Tax (III - IV)		60452684.91	29959318.05
VI Tax Expenses			
Income Tax		1994901.00	1517347.55
Agricultural Income Tax		0.00	18609842.00
VII Profit for the Period (V- VI)		58457783.91	9832128.50
VIII Earning per Equity Share			
(I) Basic Earning per Share	50	66.28	11.15
(II) Face Value per Share		100.00	100.00
Significant Accounting Policies	1		
Notes forming integral part of financial statements	2-50		

As per our report of even date attached

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

NOTES TO FINANCIAL STATEMENTS

Accounting Policies

1. The Accounting policies followed by the Company are as stated below:
 - a. The accounts have been prepared on the basis of historical costs. All Incomes and Expenses have been accounted on the accrual basis, except those mentioned elsewhere in the notes.
 - b. Fixed Assets have been capitalized at cost and include all expenses up to putting the asset into use. Depreciation has been provided on the written downvalue method at the rates specified in Scheduled XIV to the Companies Act 1956 except in the case of Development of property, the treatment of which is stated separately. In the case of Assets, which have been lost or rendered useless the balance cost remaining in the books have been written off.
 - c. Sales are recognised on supply of the material to the customers. In cases where supplies have not been billed, due to technical reasons, the sale value has been estimated on probable realizable value, after taking into account all the relevant circumstances. In case of auction sales of future crops, appropriate amount has been transferred to advance account.
 - d. The cost of raising wood plantations have been accumulated and shown under the head ' Work - in - Progress - Wood Plantations'. The wood plantations have been raised for the purpose of felling and sale of the wood when the trees reach commercial maturity. The opening and closing work -in- progress have been valued at cost (including overheads). The cost of Plantions sold/transferred during the year has been reduced from the value of closing work-in-progress, while the cost of new plantations raised as well as the maintencnace cost of existing plantations has been added to it. Incidental revenues arising from plantations during their grown period have been shown as income in the Profit and Loss A/c and have not been set off against the cost of the plantations.
 - e. The cost of raising cardamom plantation till the commercially yielding stage has been capitalized and shown under the head ' Development of Property Account'. Every year 1/15th of this capitalized amount is being written off in the profit and loss account on the basis that the commercial life of the cardamom plant is 15 years.
 - f. The cost of raising Tea, Coffee and cashew Plantations till the commercially yielding stage has been capitalized and shown under the head 'Development of Property'. Every year 1/50th of this capitalized amount of Tea and Coffee and 1/30th of such cost of Cashew plantation are being written off in the Profit & Loss A/c. on the basis that commercial yielding period of Tea and coffee plants is 50 years and that of Cashew 30 years.

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- g. The basis adopted for the valuation of closing stock of Coffee, Cardamom, Pepper, Timber and Teak poles is net realizable price.
- h. Loose tools, Survey instruments and Hospital equipments have been valued on the basis of revaluation by the Managing Director.
- i. Prior Period Income & Expenditure have been seperately disclosed in the Notes on Accounts.
- j. Forest Development Tariff/Regeneration charges collected on wood billets and subsidy from Government on pulpwood sales are accounted as capital receipts.
- k. The Company is a participant in the Group-Gratutiy-cum-Life Assurance Scheme of the LIC of India with regard to the gratutiy liability of the staff of the Company. Only the premium pertaining to each year is brought into account. Valuation method followed is projected unit credit methods as referred inAs 15. In the case of estate workers engaged by the company, the provision is created based on the actuarial valuation done by LIC.

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

Note Ref. No.	Particulars	As at 31-03-2012		As at 31-03-2011	
		₹	%	₹	%
2.	Share Capital				
	Equity Share Capital				
	a) Authorised	10,00,00,000	100	10,00,00,000	100
	<i>10,00,000 Equity shares of Rs.100/each</i>				
	b) Issued subscribed and fully paid up	91953500	91.95	84453500	84.45
	<i>919535 Equity shares of Rs.100/each fully paid up</i>				
		91953500		84453500	
	c) Particulars of share holders holding more than 5% of the aggregate shares in the company				
	<i>(a) Govt. of India - 93000 shares</i>	93000	9.30	93000	9.30
	<i>(b) Govt. of Kerala - 826535 shares</i>	826536	82.65	751535	75.15
d) The reconciliation of the number of shares outstanding is set out below					
	No.of Shares	Value	No.of Shares	Value	
<i>Balance of the beginning of the year</i>	844535	84453500	794535	79453500	
<i>Issued during the year</i>	75000	7500000	50000	5000000	
<i>Balance as at the end of the year</i>	919535	91953500	844535	84453500	

As per our report of even date attached

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Reference No. 3 RESERVES AND SURPLUS

As at 31st March 2011	Particulars		As at 31st March 2012
₹. Ps.			₹. Ps.
5,43,510.00	Capital Reserve		5,43,510.00
	Regeration Reserve		
4,80,37,808.80	Opening Balance	5,43,30,278.80	
62,92,470.00	Addition during the year	73,72,064.00	
0.00	Deduction during the year	26,56,745.00	5,90,45,597.80
	General Reserve		
14,79,129.30	Opening Balance	27,66,186.35	
12,87,057.05	Addition during the year	58,45,778.00	86,11,964.35
	Govt. Grant		
22,53,26,737.00	Opening Balance	22,99,26,737.00	
46,00,000.00	Addition during the year	53,88,000.00	23,53,14,737.00
	Investment Subsidy		
3,64,82,000.00	Opening Balance	3,58,05,745.00	
0.00	Addition during the year	26,56,745.00	3,84,62,490.00
6,76,255.00	Deduction during the year		
	Surplus		
2,21,26,992.59	Opening balance:	2,57,48,003.04	
98,32,128.50	Add: profit for the year	5,84,57,783.91	
	Less : Appropriations		
42,22,675.00	a) Proposed Dividend	9,19,535.00	
7,01,386.00	b) Proposed Dividend Tax	1,49,172.00	
12,87,057.05	e) General Reserve	58,45,778.00	7,72,91,301.95
34,91,20,460.19	TOTAL		41,92,69,601.10

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 4

Long term borrowings

As at 31st March 2011 ₹.	Particulars	As at 31st March 2012 ₹.
	<u>Unsecured Loans</u>	
10,00,000.00	Loan for Fire Wood Distribution Scheme	10,00,000.00
13,00,000.00	Loan for Pulp Wood Plantation	13,00,000.00
81,00,000.00	Fund from State Government Contingency Fund	81,00,000.00
15,00,000.00	Loan for Cardamom Plantation	15,00,000.00
6,09,200.00	Loan for PKNM Cardamom Plantation	6,09,200.00
	Interest accrued and due on loan	
3,40,22,142.20	Up to 31-03-2011	3,65,03,957.71
2481815.51	During the year	14,34,537.51
3,65,03,957.71	as on 31-03-2012	3,79,38,495.22
4,90,13,157.71	TOTAL	5,04,47,695.22

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 5

OTHER CURRENT LIABILITIES

As at 31st March 2011 ₹.	Particulars	As at 31st March 2012 ₹.
3,65,61,061.93	Advance from customers	2,55,88,395.93
23,71,603.00	Fund from Government (KESWIL)	20,18,636.00
63,01,082.57	Government Account-Firewood	63,01,082.57
96,63,018.70	Government Account-(Coupe sale and plantations)	96,63,018.70
1,71,73,054.75	Government Account Wind Fallen trees	1,71,73,054.75
1,16,67,152.24	Scheme Fund	90,23,795.54
24,59,489.00	Government Account - Windfallen trees (Rosewood)	24,59,489.00
13,40,253.00	Government Account - Mathikettan (Cardamom)	13,40,253.00
2,30,727.00	Retension Deposit	2,84,041.00
1,96,139.00	Earnest Money Deposit	2,05,889.00
1,41,805.00	Security Deposit	2,36,475.00
2,50,98,115.88	Other liabilities	2,30,07,093.57
11,32,03,502.07	TOTAL	97301224.06

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

**Note Ref.No.6
PROVISIONS**

As at 31st March 2011 ₹.	Particulars	As at 31st March 2012 ₹.
	Short Term Provisions	
2,56,841.00	Provision for Income Tax	9,72,170.00
43,88,724.35	Provision for Plantation Tax	2,70,000.00
2,76,75,451.00	Provision for Agriculture Income Tax	2,76,75,451.00
3,13,77,348.00	Provision for Gratuity	2,82,63,318.00
42,22,675.00	Proposed Dividend	9,19,535.00
7,01,386.00	Dividend Tax	1,49,172.00
2,12,01,005.00	Provision for Pay and Allowance	1,35,00,000.00
9,81,240.00	Provision for PF on pay arrears	3,120.00
0.00	Provision for Wages arrears	46,53,589.00
9,08,04,670.35	TOTAL	7,64,06,355.00

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT

Note Ref.No.7

ORIGINAL COST

Particulars	As on 01-4-2011		Additions during the year		Deductions on account of sale/ Adjustment (-)		As on 31-3-2012	
	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.
<i>Assets purchased or works completed</i>								
Land	23,59,302.73			0.00		0.00		23,59,302.73
Check Dam/Ponds	36,19,650.30			0.00		0.00		36,19,650.30
Buildings	4,73,11,041.63		63,82,429.00			0.00		5,36,93,470.63
Computer Installation	29,92,691.40		2,34,718.00			0.00		32,27,409.40
Electrical Fittings	19,61,383.89		65,546.00			0.00		20,25,929.89
Furniture	23,56,163.24		1,74,961.00			0.00		25,31,124.24
Office Equipments	11,72,731.65		36,100.00			0.00		12,08,831.65
Plant and Machinery	31,63,749.74		2,26,225.84			0.00		33,89,974.74
Library	54,903.26		0.00			0.00		54,903.26
Vehicles	82,42,659.77		21,15,207.00			13,93,966.24		89,63,900.53
Water Supply Installations	1,88,01,768.10		0.00			0.00		1,88,01,768.10
TOTAL	9,20,36,045.71		92,34,186.00			13,93,966.24		9,98,76,265.47
DEVELOPMENT OF PROPERTY								
Kanni Elam Project	34,02,808.30			0.00		0.00		34,02,808.30
Mankulam Project	33,45,938.18			0.00		0.00		33,45,938.18
Nenmara Project	1,06,05,903.80			0.00		0.00		1,06,05,903.80
Pachakkanam Project	4,01,07,910.54			0.00		0.00		4,01,07,910.54
Cashew Project	54,83,900.40			0.00		0.00		54,83,900.40
Wynad Project	96,91,928.63			0.00		0.00		96,91,928.63
TOTAL	7,26,38,389.85		0.00			0.00		7,26,38,389.85
	16,46,74,435.56		92,34,186.00			13,93,966.24		17,25,14,655.32
Note Ref. No. 8								
WORKS-IN-PROGRESS								
i) Buildings	9,17,358.42			0.00		6,75,000.00		2,42,358.42
ii) Cardamom Projects	1,96,023.17			0.00		0.00		1,96,023.17
iii) Buildings (Sandal oil)	22,10,831.00			0.00		22,10,831.00		0.00
iv) Tea Factory	5,51,500.00			0.00		0.00		5,51,500.00
TOTAL	38,75,712.59		0.00			28,85,831.00		9,89,881.59
GRAND TOTAL	16,85,50,148.15		92,34,186.00			42,79,797.24		17,35,04,536.91
PREVIOUS YEAR	16,06,48,204.15		89,79,265.00			10,77,321.00		16,85,50,148.15

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

CORPORATION LTD., KOTTAYAM - 3

Tangible Assets

DEPRECIATION (W.D.V)						NET BALANCE					
Up to 31-3-2011		During the Year		Adj. due to sale etc. during the year (+/-)		Up to 31-3-2012		As on 31-3-2012		As on 31-3-2011	
Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	Rs.	Ps.
	0.00		0.00		0.00		0.00		23,59,302.73		23,59,302.73
	10,24,747.55		1,29,745.14		0.00		11,54,492.69		24,65,157.61		25,94,902.75
	2,29,64,179.66		12,85,673.32		0.00		2,42,49,852.98		2,94,43,617.65		243,46,861.97
	24,44,072.66		2,70,472.98		74.84		27,14,470.80		5,12,938.60		5,48,618.74
	9,08,782.98		1,52,824.30		0.00		10,61,607.28		9,64,322.61		10,52,600.91
	13,02,335.41		1,99,923.69		0.00		15,02,259.10		10,28,865.14		10,53,827.83
	8,22,801.49		50,096.38		0.00		8,72,897.87		3,35,933.78		3,49,930.16
	21,23,825.05		1,58,870.00		5,457.77		22,77,237.28		11,12,737.46		10,39,924.69
	47,848.99		981.25		0.00		48,830.24		6,073.02		7,054.27
	46,61,134.61		12,96,678.00		13,56,765.36		46,01,047.25		43,62,853.28		35,81,525.16
	96,41,542.23		12,73,761.55		0.00		1,09,15,303.78		78,86,464.32		91,60,225.87
4,59,41,270.63		48,19,026.61		13,62,297.97		4,93,97,999.27		5,04,78,266.20		4,60,94,775.08	
	8,67,547.13		68,056.17		0.00		9,35,603.30		24,67,205.00		25,35,261.17
	14,08,069.20		1,77,525.46		0.00		15,85,594.66		17,60,343.52		19,37,868.97
	31,76,768.55		5,23,715.10		0.00		37,00,483.67		69,05,420.13		74,29,135.23
	2,10,01,948.96		28,51,634.73		0.00		2,38,53,583.69		1,62,54,326.85		1,91,05,961.56
	10,71,529.19		1,82,796.68		0.00		12,54,325.87		42,29,574.53		44,12,371.21
	49,10,609.27		1,93,838.57		0.00		51,04,447.84		45,87,480.79		47,81,319.36
3,24,36,472.31		39,97,566.72		0.00		3,64,34,039.03		3,62,04,350.82		40,201,917.49	
7,88,77,742.94		88,16,593.33		13,62,297.97		8,58,32,038.30		8,66,82,617.02		8,62,96,692.57	
Note Ref. No. 8											
	0.00		0.00		0.00		0.00		2,42,358.42		917358.42
	0.00		0.00		0.00		0.00		1,96,023.17		1,96,023.17
	0.00		0.00		0.00		0.00		0.00		22,10,831.00
	0.00		0.00		0.00		0.00		5,51,500.00		5,51,500.00
0.00		0.00		0.00		0.00		0.00	9,89,881.59		38,75,712.59
7,83,77,742.94		88,16,593.33		13,62,297.97		8,58,32,038.30		8,76,72,498.61		9,01,72,405.17	
7,07,56,241.96		86,18,649.40		9,97,148.38		7,83,77,742.93		9,01,72,405.17		8,98,91,962.15	

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 9

Non Current Investment Other Investments

As at 31st March 2011 ₹.		As at 31st March 2012 ₹.
95,22,400.00	(1) Investment in Equity Shares in Kerala State wood Industries Ltd., a subsidiary of Kerala Forest development Corporation Ltd. (95,224 Shares of 100/- each fully paid up). These shares are unquoted and valued at cost.	95,22,400.00
0.00	(2) Sandal Oil Factory (Note Ref.No.10 & 32)	2,69,84,550.00
95,22,400.00	TOTAL	3,65,06,950.00

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 10

Trading and Profit and Loss Account for the year ended 31st March-2012

Opening Stock		0	Sale of Sandal Oil		1606608
Raw Materials consumed					
Purchases	23238048		Closing stock:		
Process loss			Sandal oil finished		1845432
Add: Opening Stock			Sandal oil semi-finished		14021865
Less: Closing Stock	11419672	11818376	Sandal Dust		56250
Production Expenses		973762			
Packing Charges		346225			
Gross Profit b/f		4391792			
Total		17530155		Total	17530155
Administrative Expenses		996364	Gross Profit c/d		4391792
Marketing Expenses		150831			
Depreciation		1177319			
Return on Investment to KFDC		4152811	Government A/c		2403935
Excise duty		318402			
Total		6795727	Total		6795727

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 11

Inventories

As at 31st March 2011 ₹.	Particulars	As at 31st March 2012 ₹.
44,67,06,496.00	Work-in-Progress (wood plantations) valued at Cost Agricultural Products (valued at net realisable value)	49,20,20,160.98
20,51,423.00	Cardamom	70,39,940.00
1,24,925.00	Pepper	1,17,635.00
11,39,005.00	Coffee	15,15,675.00
27,92,762.00	Teal Poles/Timber	0.00
45,835.00	Vanila	0.00
13,55,000.00	Garden Plants	71,765.00
43,56,197.30	Sandalwood (valued at cost)	34,43,866.04
5,54,541.72	Loose tools as revalued by the Managing Director	5,54,541.72
45,91,26,185.02	TOTAL	50,47,63,583.74

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 12

Trade Receivables

As at 31st March 2011 ₹.	Particulars	As at 31st March 2012 ₹.
	Trade Receivables (Subject to conformation, considered wood, secured by debtors personal security)	
22,605,949.40	a) Debtors outstanding for a period exceeding 6 month 22610819.40	
1,75,18,167.00	b) Other debts 22201550.00 44812369.40	
1,13,35,657.59	Less: Provision for doubtful debts 11335657.59	3,34,76,711.81
28788458.81	TOTAL	33476711.81

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 13

Cash and Bank Balances

As at 31st March 2011 ₹.	Particulars	As at 31st March 2012 ₹.
58653698.00	a) Short Term Deposits	28556930.00
16165678.53	b) Cash with Scheduled banks	13010456.86
	c) Cash with Govt. Treasury:	
5584.00	Sub Treasury Kottayam (TPA 55)	5584.00
2587.00	Sub Treasury Vellayambalam (TSB 4178)	2587.00
2818800.00	District Treasury KTM (SPLTSB 5460)	2156125.00
192925.00	District Treasury KTM (TSB 5377)	375020.00
	d) Bank deposit with 12 months maturity	
5712366.00	District Treasury KTM (TSB 5589)	5000000.00
0.00	e) Cash in hand	92340.00
83551638.53	TOTAL	49199042.86

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

KERALA FOREST DEVELOPMENT CORPORATION LTD., KOTTAYAM-3

Note Ref. No. 14

Loans and Advances

As at 31st March 2011 ₹.	Particulars	As at 31st March 2012 ₹.
	<u>Loans :</u>	
0.00	Education Loan	50000.00
	<u>Advances :</u>	
558478.83	Govt.Account - Akamalavaram Estate	-1218334.37
	Govt.Account - Nelliampathy Estate	4586953.88
1472712.70	Other Advances	1545422.25
1345450.00	Advance to plantation tax	0.00
17767898.60	Agricultural Income Tax Advances	17667898.60
728266.00	Advance to VAT	728266.00
175845.00	Tax Deducted at source	274382.00
25000.00	Earnest money deposit	25000.00
315266.00	KRFB receiveable	0.00
545285.63	Prepaid Expenses	0.00
22934202.76	TOTAL	23759588.36

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

Note Ref.. No	Profit & Loss A/c	For the year ended 31st March 2012	For the year ended 31st March 2011
15	Revenue from Operations		
	Sale of Products :		
	Cardamom	12730974.00	17614895.00
	Cashew	2051040.00	2395852.00
	Coffee	1545888.00	886333.00
	Graden Plants	985345.00	920585.00
	Green Tea Leves	12154385.00	13009765.00
	Pepper	447512.00	205450.00
	Sale Proceeds from Akamalavaram Plantations	4611284.00	4711032.00
	Sandalwood	4154983.00	3020699.00
	Timber & Tree Growth	127316470.00	104864817.53
	Sales of Spontaneous Tree Growth	18907031.00	4882921.00
	Others	1656157.00	1050818.00
		186561069.00	153563167.53
16	Other Income		
	Eco-Tourism (Receipts)	25697149.00	21238383.00
	Floriculture Receipts	5983752.00	4421505.00
	Intrest on Deposit	3068318.37	3242582.63
	Return on Investment from sandal oil factory	4152811.00	0.00
	Miscellaneous Receipts, Fine, Penalty etc.	2331904.00	1753762.00
	Pass/Tender Forms	555600.00	483520.00
	Profit on Sale of Old Vehicle	1042411.12	538678.43
	Prior period Income (Net)	4237422.35	0.00
		47069367.84	31678431.06
17	Increase/Decrease in stock		
	Closing Stock		
	Cardamom	7039940.00	2051423.00
	Coffee	1515675.00	1139005.00
	Garden Plants	71765.00	1355000.00
	Pepper	117635.00	124925.00
	Sandalwood	3443866.04	4356197.30
	Teak Poles / Timber	0.00	2792762.00
	Vanila - Stock	0.00	45835.00
	WIP Wood Plantation	492020160.98	446706496.00
		504209042.02	458571643.30

	Opening Stock		
	Cardamom	2051423.00	616110.00
	Coffee	1139005.00	1658120.00
	Garden Plants	1355000.00	496000.00
	Pepper	124925.00	69062.00
	Sandal Wood	4356197.30	2632000.00
	Vanila Stock	45835.00	0.00
	Teak Poles / Timber	2792762.00	459000.00
	WIP Wood Plantation	446706496.00	417344399.05
		458571643.30	423274691.05
	NET	-45637398.72	-35296952.25
18	Plantation, Up keep, Harvesting		
	Harvesting & Processing Exp.	6725722.61	13718681.87
	Akamalavaram Plantations	1776813.20	2718810.71
	Packing and forwarding	-230808.00	-199488.00
	Plantation Stores	6341617.61	4300936.52
	Plantation Direct expences	66144047.22	35549940.73
	Wages to workers	28721455.01	22830362.06
		109478847.65	78919243.89
19	Employees Benefit		
	Bonus & Festival Allowances	2552333.00	1901732.08
	Contribution to LWF	4940.00	8792.00
	Contribution to PF	5226318.00	6351408.00
	Contribution to GIS	325553.00	332207.00
	Festival Allowance to MD	1750.00	1500.00
	Gratuvity Exp.	5968278.63	1803830.00
	Group Gratuvity-cum-Life Assurance Scheme	12029913.00	9627535.00
	Honorarium to Chairman	25800.00	65699.00
	Pay and Allownce to MD	1343306.00	1514685.00
	Pension Contribution	129812.00	45769.00
	Salaries and Allowances	42411615.00	49264860.00
	Staff Training Exp.	4800.00	88938.00
	Welfare Exp. to Staff and Workers	2069085.98	2285584.80
		72093504.61	73292539.88
20	General Administrative Exp.		
	Advertisement Charges	816679.00	969846.00
	Audit Expenses	22710.00	21710.00
	Bank Charges & Commission	52291.74	116716.32
	Books and Periodicals	65116.00	56645.90
	Computer Software Development Exp.	150870.00	97190.00
	Doubtful Debts - written off	0.00	31944.00
	Electricity and Water Charges	489472.00	504970.00

	Insurance on Vehicles	179626.00	170037.00
	Lease Rent	616176.00	658125.00
	Miscellaneous assets written off	64736.00	89167.00
	Office and Miscellaneous Exp.	218736.46	220796.42
	Personal Accident Insurance Scheme	16192.00	0.00
	TA to Directors	56636.00	81816.00
	TA to M.D	56774.00	161609.00
	Travelling expenses	700501.50	734641.50
	Postage and Telephone	278391.00	314525.50
	Printing and Stationery	327477.91	454163.95
	Professional fees/Legal Charges	367255.00	367213.00
	Rates, Taxes & Registration Expenses	83151.00	73711.00
	Remuneration to Auditors	80000.00	70000.00
	Rent	379080.00	314230.00
	Repairs & Maintenance		
	Building	637567.45	1405151.98
	Vehicles	1707281.59	1908412.81
	Machinery & Other Assets	973886.00	782462.36
	Research & Development	137500.00	0.00
	Sales Commission	0.00	3829.00
	Sales Promotion	13860.00	40537.00
	Security Exp.	88550.00	143825.00
	Vehicle Hire Charges	27250.00	124524.00
		8607766.65	9917799.74
21	Finance cost	1434537.51	1542817.51
22	Other Expenses		
	Eco-Tourism	14561629.52	10258516.37
	Floricultural Expenses	1666517.00	1132515.00
	Purchase of Sandal wood	1960824.00	3728709.00
	KVAT (Eco Tourism)	19415.00	0.00
	Luxury Tax	37775.00	0.00
	Plantation Tax	143273.00	130000.00
	Prior period Expenses (Net)	0.00	3038442.00
		18389433.52	18288182.37

23. The Balance Sheet as at 31-03-2012 and the Profit & Loss A/c. for the year ended on that date have been drawn up as far as possible and are applicable in terms of the provisions of Schedule VI of the Companies Act 1956. All the other required information has been given in these Notes. The figures for the previous year have been regrouped or recast wherever necessary
24. The details of opening stock, closing stock, production and disposal of cured cardamom, coffee, pepper and tea are as follows:

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

I. CURED CARDAMOM

Year	Opening Stock		Production	Disposal		Closing Stock	
	Qty. Kg.	Value `.	Qty. Kg.	Qty. Kg.	Value `.	Qty. Kg.	Value `.
2010-11	1482.600	1658120.00	18643.250	17687.850	17614895.00	2438.000	2051423.00
2011-12	2438.00	2051423.00	25448.400	18925.850	12730974.00	8960.550	7039940.00

II. GREEN TEA LEAVES

Year	Opening Stock		Production	Disposal		Closing Stock	
	Qty. Kg.	Value `.	Qty. Kg.	Qty. Kg.	Value `.	Qty. Kg.	Value `.
2010-11	Nil	Nil	1082962	1082962	13009765.00	Nil	Nil
2011-12	Nil	Nil	997055	997055	12154385.00	Nil	Nil

ii) The details of wood plantations areas felled are as follows:

Particulars	Year	
	2011-12	2010-2011
a) Area felled	622.23 Ha	630 Ha.
b) Sale value (Including misc.tree growth, teak poles and unbilled sale of wood billets)	146223501.00	110642042.00

25. The details of area under Wood, Cardamom, Coffee, Tea and Cashew plantations are as follows:

A. Wood Plantations

Particulars	Year	
	2011-2012	2010-2011
a) Total Area of wood plantations	6332 Ha (excluding Cashew and Bamboo plantations)	8085 Ha (excluding Cashew plantations)

B. Cash crops

i) Cardamom Plantations

Division	Total area under cardamom	Unproductive area	Commercially yielding area	Plantation area in developmental stage
	Ha.	Ha.	Ha.	Ha.
Munnar	138.25	74	46	18.25
Thrissur	120	86.5	13.5	20
Gavi	835	647	110	78
Total	1093.25	807.5	169.5	116.25
(2010-11)	1020	849	171	0

ii) Coffee Plantation

Division	Total area under Coffee	Unproductive area	Commercially yielding area	Plantation area in developmental stage
	Ha.	Ha.	Ha.	Ha.
Thrissur	77	22	55	
Munnar	60.75	52.25	8.5
Gavi	70	42	28	
Total	207.75	116.25	91.5
(2010-11)	155.5	81	74.5	0

III. COFFEE SEEDS

Year	Opening Stock		Production	Disposal		Closing Stock				
	Qty.	Kg.		Value `.	Qty.	Kg.	Value `.	Qty.	Kg.	Value `.
2010-11	14936.00	616110.00	46630.00	41103.00	886333.00	20463.00	1139005.00			
2011-12	20463.00	1139005.00	20059.00	20313.00	1545888.00	20209.00	1515675.00			

IV. PEPPER

Year	Opening Stock		Production	Disposal		Closing Stock				
	Qty.	Kg.		Value `.	Qty.	Kg.	Value `.	Qty.	Kg.	Value `.
2010-11	493.300	69062.00	699.00	667.700	205450.00	524.600	124925.00			
2011-12	524.600	124925.00	518.200	706.700	447512.00	336.100	117635.00			

V. SANDAL WOOD

Year	Opening Stock		Purchase during 2010-2011	Disposal		Closing Stock				
	Qty.	Kg.		Value `.	Qty.	Kg.	Value `.	Qty.	Kg.	Value `.
2010-11	469.99	2632000	716.472	454.331	3020699.00	732.134	4356197.30			
2011-12	732.134	4356197.30	377.032	533.147	4154983.00	576.019	3443866.04			

V) The closing stock of Garden Plants during the year 2011-2012 is valued at Rs.71,765/- only

In addition to this, 477Ha. of coffee plantation in Kallumala, Cheeyambam and Pampra Estates of the Forest Department have been transferred to the Company during 2000-01, vide G.O. (MS) No.33/2000/F&WLD dated 1-6-2000. These plantations are under illegal encroachment by workers/tribals since 2002-03. Order of the Government on the request of the Company for returning the area to Forest Department are awaited.

iii) Tea Plantations

Division	Area under Tea cultivation	
	2011-2012	2010-2011
Mananthavady	90 ha.	90 ha.

Note: 9.5 Ha area is used on colony, office etc.

iv) Cashew Plantation

	2011-12		2010-11	
	Total Area (Ha)	Yielding Area (Ha)	Total Area (Ha)	Yielding Area (Ha)
Trivandrum	149.063	149.063	157	157
Punalur	163.200	163.200	170	170
Total	312.263	312.263	327	327

26. The cost of softwood plantations where teak is interplanted with Elavu/Matty is written off in the accounts on extraction of the teak and miscellaneous trees of GBH of 75 cm. and above. The softwood and mis. trees remaining after the extraction of teak and mis. trees as above have not been valued and included in the accounts due to practical difficulties.

27. Related party disclosures :

a) Related parties

1. KESWIL (Subsidiary Company)
2. Key Managerial Personnel

b) Transaction with related parties.

1. Balance in fund received from Govt. (KESWIL) : 2018636
2. Managing Director

Nature of Payment	2011-2012	2010-2011.
1. Salaries & Allowances	1343306.00	15,14,685.00
2. Festival Allowance	1750.00	1,500.00
Total	1345056.00	1516185.00

28.

		2011-12	2010-11
i.	Value of imports on CIF basis	NIL	NIL
ii.	Expenditure in foreign currency during the year on royalty, know how, professional consultation fees, interest etc.	NIL	NIL
iii.	Value of imported raw materials, spare parts and components during the year.	NIL	NIL
iv.	Amount remitted in foreign currencies towards dividends during the year	NIL	NIL
v.	Earnings in foreign exchange during the year.	NIL	NIL

29. The Annual Accounts of Kerala State Wood Industries Ltd., the Company's Subsidiary, have not been finalised. Therefore, the requirements of Section 212 of the Companies Act, 1956 could not be complied with.

30. The management of 156 hectares of rubber, coconut and other miscellaneous plantations in Akamalavaram

area has been transferred to the company by Government Vide G.O.No.48/93/Forest dt.18/06/93. After surrender of various plantations back to Forest Department, the actual area under possession of the company as on 31/03/08 is 59.519 Ha. only. The terms of management have not yet been finalised. The money spent by the Company on the said plantations after deducting the income there from has been debited to 'Govt. A/c. Akamalavaram Plantations' and has been shown under the head 'Current Assets, Loans & Advances' in the Balance sheet. The share of overhead costs is credited to 'Management Cost of Akamalavaram Plantations' which appears as an income in the Profit & Loss A/c.

31. Nellyampathy Estate : KFDC had been taken over the collection of usufructs in Beatrice Rosary, Miraflores and Thoothampara estate on 11-12-2011 as per Govt. Letter No. 2127/B2/2009/F7WLD dtd.25-11-2011. The terms of management have not yet been finalised. The money spent by the Company on the said estate has been debited to ' Govt A/c. Nellyampathy Estate' and has been shown under the head 'Current Assets, Loans and Advances' in the Balance Sheet.
32. Sandal Oil Factory : Govt wide order No. G.O. (MS) N.84/2010/F&WLD dtd.04-12-2010 accorded administrative sanction for the setting up of a Sandal Oil Extraction Unit at Marayoor, Idukki. Factory commenced production on 19-08-2011. The total investment including share capital contribution of govt is shown under Investment and as agreed by Govt. 15% of investment has been taken as KFDC Return of investment and accounted during this period.
33. The Board of Directors of the Company at the 73rd Meeting passed a resolution (No. 592) for collecting Forest Development Tariff (FDT) for setting up a Forest Development Reserve to be utilised for research and developmental activities. As FDT collected is in the nature of a capital receipt, this has been taken directly to the Balance Sheet as an addition to the said Reserve A/c. As per Resolution (No.1187) in 141st Meeting of the Board Directors held on 21/05/07, the nomenclature of Forest Development Tarrif has been changed as 'Regeneration Charges'.
34. Agricultural Income Tax:

Period	Present Position
Period up to 31/03/2005 A.Y. 2005 - 06	Settled under Amnesty scheme and remitted ` . 1,63,26,648/-during 2010 - 11. Loss of ` . 56,87,279/- is available for set off for the A. Y 2004-05. Assessed loss is ` . 8,46,840/- . Sale value of spontaneous tree growth to the extend of ` . 49,84,164/- could not exclude from agricultural income in the original return and hence revised return filed on 14-01-2012 claiming loss of ` . 58,31,004/- and requested Inspecting Assistant Commissioner to revise the assessment order.
A.Y. 2006 - 07	Assessed taxable income as ` . 75,59,380/- and tax ` . 37,79,690/- . Filed appeal before the Deputy Commissioner (Appeals) which is still pending. Sale value of spontaneous tree growth to the extend of ` . 1,17,79,166/- could not exclude from agricultural income in the original return and hence revised return filed on 14-01-2012 claiming loss of ` . 42,19,786/- and requested Inspecting Assistant Commissioner to revise the assessment order.
A.Y. 2007 - 08	Assessed taxable income is ` . 40,83,370/- and tax ` . 20,41,685 /-. Sale value of spontaneous tree growth to the extend of ` . 1,13,83,240/- could not exclude from agricultural income in the original return and hence revised return filed on 14-01-2012 claiming loss of ` . 72,99,870/- and requested Inspecting Assistant Commissioner to revise the assessment order. Filed appeal before the Deputy Commissioner (Appeals) which is still pending.

A.Y. 2008 - 09	Assessed taxable income is ` . 14,63,650/- and tax ` . 7,31,825/- . Sale value of spontaneous tree growth to the extend of ` . 1,37,40,110/- could not exclude from agricultural income in the original return and hence revised return filed on 14-01-2012 claiming loss of ` . 1,22,76,460/- and requested to the Inspecting Assistant Commissioner to revise the assessment order and refund the tax already paid on 31-12-2010 ` . 7,31,825/-
A.Y. 2010 - 11	As per self assessment Agricultural Income worked out was ` . 2,85,61,829/- sale vale of spontaneous tree growth to the extent of ` . 4,01,45,427/- was not considered at the time of self assessment and hence advance tax to the extent of ` . 1,14,24,732/- paid and an amount of ` . 57,12,366/- deposited to the Invest Deposit Scheme. On 14-01-2012 return on income filed claiming loss of ` . 1,15,83,598/- and claimed refund of advance tax paid ` . 1,14,24,732/- . Deposit of ` . 57,12,366/- has been withdrawn on 15-02-2012 for utilizing the plantation activities.
A.Y. 2011 - 12	As per self assessment Agricultural Income worked out was ` . 2,4815,105,-/ without considering sale vale of spontaneous tree growth of ` . 48,82,921/- . The actual agricultural income as per return is ` . 36,67,801/- . More over the loss for the previous years can be set off aganist the income. Hence there is no tax liability for the year. The advance tax paid ` . 25,00,000/- has been claimed as refund.
A.Y. 2012 - 13	As per self assessment Agricultural Income worked out is ` . 2,89,83,405/- . The loss of the previous years can be set off aganist the income. Hence there is no tax liability.

35. Reassessment of KGST & KVAT for the years 2003-04, 04-05, 05-06 & 06-07 has been done by Assessing Officer and additional liability has been fixed at Rs. 72,82,655/- including interest. These assessments are under appeal. The IAC (commercial Taxes) has however initiated revenue recovery proceedings against the Company for realizing the tax assessed and interest thereon aggregating to Rs. 72,86,655/- for the year from 2003-04 to 2006-07. To avoid recovery proceedings the Company was compelled to remit 10% of the total demand ie. Rs.7,28,665/- during 2010-11 to the authority to settle it in future demands. It has included in loans and advances in Schedule C. The Appellate order have been received on 06/05/2011 and the orders on certain issues were against the law and facts submitted and hence appeal before the Hon'ble Tribunal have been filed and that order is waiting.
36. (i) In the case of loan of Rs.81.00 lakhs from Contingency Fund, though Government in G.O.No.90/94/ F&WLD dt.19.02.94 ordered that the terms and condition in the General Circular No.60/86/Fin dt. 08.08.86 would apply, interest rates specified therein could not be adopted as Government has not stipulated the nature of the loan whether it is investment loan or working capital loan and also the period of its repayment. The Company has therefore adopted the interest rate at 10.75% as in the case of other loans. If the rate of 14% specified in the Govt. Circular dt. 08/08/1986 is adopted with penal interest @ 2.75% p.a. for defaulted instalment of principal and interest, the additional liability for the period upto 31/03/2012 comes to ` . 198.55 lakhs. (Previous year ` . 196.27 lakhs)
- (ii) In the case of loan for Pulpwood (` . 13 lakhs) and Loan for Cardamom (` . 15 lakhs) penal interest has

been provided on outstanding instalments of principal only, the additional liability for the period upto 31-03-2012 comes to ` . 117.52/- (previous year ` . 113.81 lakhs)

37. Fund assistance received from Govt. under various schemes such as Kerala Forestry Project, Western Ghat Development Programme, National Afforestation and Eco-Development Board's Programme etc. have been accounted as deferred Govt. grant and shown below 'Reserves and Surplus' on the liability side of Balance sheet. The assets created/plantation raised using such funds are accounted under appropriate sub head in fixed/Current assets.

The adjustment of these grants in terms of the relevant Accounting Standard will be considered at the time of extraction of these plantations.

38. Fund received and expended from National Medicinal Planting Board, Bamboo Mission & Fund form Forest Department for Eco-Tourism activities etc. have been accounted and net amounts are viewed under Scheme fund Account in Current Liabilities.
39. Since the bills relating to the Curing House at Munnar are pending settlement due to some dispute, the expenditure incurred ` . 2,42,358.42/- in these work has not been transferred from work-in-progress to the respective asset account in the final accounts.
40. Subsidy received from Government on the wood billets supplied to M/s HNL and other firms, on concessional rate is accounted on cash basis. The amount already received was taken directly to Reserves and Surplus in the Balance Sheet.
41. Employees receiving remuneration more than ` . 24,00,000 per annum : Nil
42. Contingent liabilities : Nil
43. The company have no liability towards trade payables to any micro, small and medium enterprises for more than 30 days.
44. These financial statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956, previous years figures have been recasted/restarted to confirm to the classification of the current period.
45. The confirmation of balances from debtors is pending and other balances are also subject to confirmation.
46. All the wood and cash crop plantations shown under appropriate sub heads under current and fixed assets and other items such as Building, Check Dam, Water supply installation etc are on lease hold land except those relating to Head Office.
47. Deferred tax expense or benefit is recognized on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or subsequently enacted by the balance sheet date. Differed tax assets are recognised

and carried forward only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such asset items can be realised.

48. The details of previous period adjustments for expenses and incomes as appearing in the Profit & Loss A/c are as shown below.

Previous years Adjustment-Expenditure			Previous years Adjustment-income		
	Items	Amount ` .		Items	Amount ` .
			1.	Provision for terminal Surrender	12,46,165.00
			2.	PF arrears	61,620.00
			3.	Provision for Plantation tax	29,13,274.35
			4.	Provision for dividend tax	16,363.00
				Total	42,37,422.35

49. **Audit Fee**

1.	Statutory Audit	` . 65000
2.	Taxation matters	` . 15000
3.	Audit expenses	` . 22710
		` . 102710

50. **Earning Per Share**

	Current Year ` .	Previous Year ` .
Net Profit	58457784	9832128
Weighted average No. of share	882035	882035
Earning Per Share	66.28	11.15
Nominal value of share	100	100

"For and on behalf of Board of Directors"

Sd/-
C.R. MOHANAKUMAR
Secretary-cum-Finance Manager

Sd/-
K.J.VARUGHESE - IFS
Managing Director

Sd/-
ADV.M. MANOHARAN PILLAI
Chairman

For Koshy & Mani
Sd/-
Chartered Accountants
FRN - 001430S

**M/S. KOSHY & MANI
CHARTERED ACCOUNTANTS, KOTTAYAM.**

AUDITOR'S REPORT

To the Members of Kerala Forest Development Corporation Ltd., Kottayam

1. We have audited the attached Balance sheet of **Kerala Forest Development Corporation Ltd.**, Aranyakom, Karapuzha, Kottayam as at 31st March 2012 and also the Profit & Loss Account of the Company 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 have 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 mis-statements. 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 sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the **Annexure** a statement of the matters specified in Paragraphs 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:-
 1. *The credits in the Regeneration Reserve (PY - Forest Development Reserve) represents Forest Development Tariff (collected as regenerations charge w.e.f. 01-04-2007) collected at 5% on value of invoice raised for Timber and Tree growth. It is a charge collected by the company on the decision of the Board. Accordingly this forms a part of Sales. But it has been accounted as an addition to the Forest Development Reserve. Hence the profit is understated by ₹ . 73,72,064/-*
 2. *Previous year's Statutory Auditor in his report dated 27/09/2011 under the clause 1b) has commented about non-recognition of subsidy of ₹ 26,56,745/- received by the Company from Government of Kerala as a compensation for selling timber at a reduced price. This year Company should have recognized this amount by crediting it in profit & loss statement as prior period item. Instead Company credited the amount directly to Subsidy under "Reserves & Surplus". As a result Company has not complied with both Accounting Standard- 12 (Accounting for Government Grants) and Accounting Standard- 5 (Net Profit or Loss for the Period, Prior Period Items, Changes in Accounting Policies). To this extent, the Profit & Loss Account is understated.*
 3. *The Company has shown grant received as "Government Grant" under "Reserves and Surplus". Total grant received till 31/03/2012 is ₹ 23.53 crores. As per Accounting Standard-12 Revenue related*

Government Grants should be recognized in the profit and loss account statement on a systematic basis and rational basis over the periods necessary to match them with the related costs. This has not been complied by the Company. The impact as a result of the departure on the financial statement is not ascertainable in the absence of relevant details.

4. *Prior Period Penal Interest for belated payment of Principal and Interest has not been provided on loan repayment to State Government as per Government order No. GO(MS) No. 74/86/FE&WL dated 04.08.1986 for Pachakkanam Cardamom Plantation upto 31.03.2009. We are unable to quantify the provision for prior period penal interest due for the period 04.08.1987 to 31.03.2009. To this extent, the profit is overstated.*
5. *The balance of each item under Trade Receivables-Note 12, Loans & Advances-Note 14 and Other Current Liabilities-Note 5 are subject to confirmation, reconciliation and consequential adjustment. We have relied only on the books of accounts maintained and information and explanations furnished by the Company. The impact, if any, on the financial statements is not ascertainable.*
6. *The requirement of Section 212 of the Companies Act, 1956 has not been complied with in the case of Company's subsidiary Kerala Wood Industries Ltd. The Company has also not complied with Accounting Standard – 21 (Consolidated Financial Statements).*
7. *Audited financial statements of Kerala Wood Industries are not available. Hence we are not in a position to comment on the provision, if any, to be provided against the diminution in the value of investment. To that extent the Company has not complied with disclosure requirements of Accounting Standard-13.*
8. *In the case of Work-in-progress, statement of up-to-date input cost incurred for each plantation cannot be precisely verified for lack of information and records. The yearly write off from work-in-progress also could not be precisely verified. In the light of the above we are unable to comment on the correctness of the value of work-in-progress.*
9. *Provision for Central Income Tax ₹ 19,94,901 is short by ₹ 2,72,790 as the amount provided is net of TDS of the tax computed for the year.*
10. a) *During the year operations of sandal wood oil factory commenced and the result of which has not been properly disclosed under the provisions of Schedule VI of the Companies Act, 1956. As a result operational activities of the new venture are not reflected in the statement of Profit & Loss Statement. The same way assets and the liabilities of the unit is not shown in the Balance Sheet under proper heads.*
b) *The Company has arrived at the profit from sandal wood oil factory based on an agreement with State Government wherein the return is fixed at 15% on investment. Thus the profit from the new*

unit is taken at 15% on investment namely ₹ 41,52,811 irrespective of Income & Expenditure of the relevant unit. In our opinion the amount worked out as investment of the Company is not directly supported by the concerned agreement and return on investment as taken by the Company is subject to confirmation or approval by the State Government.

11. Loose Tools includes ₹ 5,53,542/- stated as revalued by the Managing Director. In the absence of records to support such revaluation we are unable to vouch the correctness of the value of Loose Tools.
12. In certain cases, the Plantation Journals are not being maintained in the proper format. The Company also does not have any system of periodical enumeration for identification of inventory of plants. The internal control over felling and transportation of trees is inadequate.
13. The internal control over the use of vouchers/invoices/receipts is inadequate.
14. The internal control over cash is weak. There is no system of physical verification of cash.
15. The internal controls over purchases in the divisions are weak. In certain instances, the system of obtaining competitive quotations is not being implemented.
16. We are unable to quantify the amounts mentioned in paragraph 3,4,7 & 10(b) for want of full information and as and when the quantification is made by the Company, the overstatement/understatement of the profit will further decrease/increase to that extent. Therefore without considering items mentioned in paragraph 3,4,7 & 10(b) the effect of which could not be determined, had the observations made by us in paragraphs 1,2 & 9 above been considered, the profit for the year would have been ₹ 6.82 crores (as against the reported figure of ₹ 5.84 crores), reserves and surplus would have been ₹ 41.90 crores (as against the reported figure of ₹ 41.93 crores) and short term provisions would have been ₹ 7.67 crores (as against the reported figure of ₹ 7.64 crores).

Subject to our above:

- (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 accounts as required by law have been kept by the Company so far as appears from our examination of these books;
- (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report, comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.

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- (e) As per notification No. G. S. R. 829(E) dated 21.10.2003, the Central Government has directed that Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, shall not apply to a Government Company. Hence declaration from directors in terms of section 274(1)(g) of the Companies Act, 1956, have not obtained.
- (f) Without considering the effect of our qualifications above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- i) in the case of Balance Sheet, on the state of affairs of the Company as at 31st March, 2012 and
- ii) in the case of Profit and Loss Account, of the **profit** for the year ended on that date.

For Koshy & Mani
Chartered Accountants
FRN-001430S

CA. Thomas Mani
M. No. 20015 (Partner)

Kottayam
13th August, 2012

ANNEXURE TO AUDITORS REPORT

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) Physical verification of the fixed assets is done by the management as per regular program of verification, which in our opinion needs to be strengthened having regard to the size of company and nature of assets. As informed, no material discrepancies were noticed on such verification.
(c) The fixed assets disposed of during the year were not substantial and therefore do not affect the going concern assumption.
2. (a) The inventories have been physically verified by the management during the year at reasonable intervals except in the case of Work in progress and Loose Tools.
(b) Procedure for physical verification of inventory followed by the management is not adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory except in the case of Work in Progress and Loose Tools. It is reported that the discrepancies noted in physical verification between physical stock and book records were not material.
3. The company has neither taken nor granted any loans, secured or unsecured to companies, firms or other parties covered in the register referred under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us internal control with respect to the purchase of inventory and fixed assets and for the sale of goods are inadequate and there is a continuing failure to correct the major weakness in internal control system.
5. On the basis of our examination of books of accounts, the Company has not made any such transactions, during the financial year, that needs to be entered in the register pursuant to Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year.
7. The Company does not have a operating internal audit system.
8. The maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues. According to information and explanation given to us there are no undisputed statutory dues as at 31st March, 2012 outstanding for a period of more than six months from the date they became payable.
b) Disputed Sales tax dues pertaining to years 2003-04, 2004-05, 2005-06, 2006-07 is ₹. 65,54,000. The matter is pending before Sales Tax Tribunal (Refer Note 35 of Notes to financial statements)
10. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.

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11. The Company has not defaulted in repayment of dues to banks/financial institutions/debenture holders during the year.
 12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. The Company is not a Chit Fund, Nidhi, Mutual Benefit Fund or a Society.
 14. The Company is not dealing or trading in shares, securities, debentures or other investments.
 15. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
 16. The Company has not availed any term loans during the year.
 17. The Company has not raised funds on short term basis during the year.
 18. The Company has not made preferential allotment of shares to parties or companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
 19. The Company has not issued any debentures during the year.
 20. The Company has not raised any money by public issues during the year.
 21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For Koshy & Mani
Chartered Accountants
FRN-001430S

CA. Thomas Mani
M. No. 20015 (Partner)

Kottayam
13th August, 2012

REPLIES TO THE REPORT OF AUDITORS (M/s. KOSHY & MANI CHARTERED ACCOUNTANTS) TO THE MEMBERS OF THE M/s. KFDC LTD., KOTTAYAM, ON AUDIT OF ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2012.

1. RESERVES & SURPLUS (Note Reference No.3)

1. Forest Development Reserve.

Opening Balance	Rs.5,43,30,279.00
Addition during the year	Rs.73,72,064.00
Deduction during the year	<u>Rs.26,56,745.00</u>
Balance as on 31/03/2012	<u><u>Rs.5,90,45,597.00</u></u>

The claim for refund of Rs.29.50 lakhs by Govt. has not been accepted by the Company as the Company has collected the amount not as tax but as Forest Development Tariff, which is not required to be remitted to Govt. The Company is also not empowered to collect Forest Development Tax as there is no specific provision for the same in the Kerala Forest Act, 1961. The relevant section of the Act read as follows-

*"Notwithstanding anything contained in this Act, **in respect of forest produce disposed of by the Government by sale**, there shall be levied and collected a tax at the rate of five per cent, of the amount of consideration paid".*

Forest Development Tariff (now renamed as Regeneration Charges) is collected and utilised by the Company for Research & Development Expenses and the amount collected is accounted as capital receipt instead of as revenue in the Profit and Loss Account. This has been the practice followed by the Company in accounting of the above item since its introduction.

However, by G.O dt. 11/02/2011, the State Government has directed the Company to pay Rs.33.33 lakhs as Forest Development Tariff and sales tax collected during the period 1997/98- 2000/01. Accordingly after adjusting Rs.26.56 lakhs from subsidy towards loss incurred by KFDC by supply of raw materials to industries in the state, Rs. 6,76,255/- paid back to Government. Necessary adjustment entries has been passed in the accounts during the period of Audit.

2. The amount claimed by the Company from Govt. as Subsidy was towards replacement cost of the plantation. Although the Govt. Orders releasing the subsidy were silent on this fact, the understanding with the Govt., was on these lines as could be seen from the minutes of the meeting held in this connection by the Govt. on 27.12.1989.
3. Government Grant: A.S 12 describes about the presentation of grants of the nature of Promoters' contribution. Since, the Central & State Governments are the promoters of the Company, grants received are shown separately as "Government Grant" so as to exhibit the Government's contribution in the Corporation clearly. If income approach is followed, entire amount will be absorbed through P & L Account after a certain period of time. Promoters of the Company are State and Central Government and hence the grant-in-aid received has been treated as Promoters Contribution and shown under "Govt. Grants".
4. Prior period penal interest for belated payment of principal and interest for Pachakkanam Cardamom Plantation upto 31.03.2009 will be provided in the accounts for 2012-13.

5. Traders and Contractors have not furnished the confirmation Certificate. However, balances have been confirmed by the concerned Divisional Managers.

6&7. Shares in Kerala Wood Industries Ltd., Rs.95,22,400/-

The accounts of the Kerala Wood Industries are heavily in arrears and hence the same could not be included along with the annual accounts of the Company. Action is on to finalise the pending accounts of KSWIL. Valuation of investment is not possible as the accounts of the Subsidiary Company are in arrears from 91-92 onwards. KSWIL being a Govt. Company, the Company cannot suo moto value the investment.

8. **Work in progress**

The method adopted for valuation of work-in-progress (wood plantation) is same as in the previous years and it has been followed consistently over the years. The expenditure incurred for each plantation is not accounted separately. Instead, the total expenditure incurred (both direct and indirect) is aggregated and it is apportioned to each year's plantation based on the product of the area and weightage assigned based on the age and nature of plantation.

All the relevant details such as the sanctioned estimate, voucher wise details of actual expenditure, area planted, area extracted and Plantation Journals etc. are available for verification.

9. Tax deducted at source will be charged in provisions of Income tax and set off entry has been passed in the accounts of the year 2012-13.

10. a)&b) The Sandal Oil Factory was set up on the basis of an Memorandum Of Understanding with Forest Department. As per the MOU Company is entitled to only 15% of Return of Investment. During the year operations have started, separate set of accounts are maintained for the operations of Sandal Oil Factory. However, for consolidation purpose we have accounted 15% of Return on Investment even though profit earned was less than the assured Return. The net effect of the transactions are accounted in the head office books to give true picture of the primary operations of the company.

11. Loose Tools: Register has been maintained at divisions and in head office and is available for verification.

12. Instructions have already been issued to field officers to maintain the plantation journals in respect of all the plantation with all the relevant details and journals are verified during the Inspection of the Division/ Estate by the MD, GM, AGM etc.

Proper records relating to enumeration, felling, stacking, transport etc. are maintained in the field offices. The transportation of felled trees and pulpwood billets are regulated by issue of passes under the provision of Forest Act /Code and Rules, The materials transported are verified along with the passes at various points enroute its transportation by various offices of the forest Department. In the case of pulpwood transportation, the lorry load wise dispatches are checked with the lorry wise weightment details furnished monthly by M/s. HNL and if any discrepancies are noticed the same is investigated and remedial measures taken.

13. Receipts and Invoices are now used with pre-printed numbers in all Divisions and in Head office. Centralized system of printing and issue of receipts and invoices with pre printed numbers are followed from 01/04/2011 onwards.

-
14. Divisional Managers are authorized to physical verification of cash at divisions. Every month reports regarding cash book closing is submitted to head office. Reports submitted by Divisional Managers on year end physical verification is available for verification. In Head office cashier in the presence of Finance Manager have done the physical verification of cash as on 31st March.
 15. Internal Control: As regards the internal control on purchase of store and other items, it may be pointed out that the company is strictly following the store purchase rules issued by State Govt. As for the sale of timber and store items, the prescribed procedure for the same in the Forest department, such as conducting of auction/ inviting of competitive offers, removal/ transportation of items by issue of passes, checking of the material along with the passes enroot its transportation by various wings of the Forest Department etc. Thus effective internal control over sales and purchases are exercised.

SECRETARY-cum-FINANCE MANAGER



सत्यमेव जयते

എക്കൗണ്ടന്റ് ജനറൽ (E & RSA) കേരളം, തിരുവനന്തപുരം

**OFFICE OF THE ACCOUNTANT GENERAL (Economic & Revenue Sector Audit)
KERALA, THIRUVANANTHAPURAM**

31 മാർച്ച് 2012 ന്റെ കേരള ഫോറസ്റ്റ് ഡെവലപ്മെന്റ് കോർപ്പറേഷൻ ലിമിറ്റഡ്, കോട്ടയം ന്റെ കൗണ്ടിംഗ് അക്കൗണ്ടുകൾ 1956 ന്റെ ഭാഗം 19(4) ന്നു കീഴിൽ പരിശോധിക്കുന്നതിനുള്ള കമന്റുകൾ

Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of Kerala Forest Development Corporation Limited Kottayam for the year ended 31 March 2012

The preparation of financial statements of **Kerala Forest Development Corporation Limited, Kottayam** for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 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 **13, August 2012**.

I, on behalf of the Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors on the accounts of **Kerala Forest Development Corporation Limited, Kottayam** for the year ended **31st March 2012** and as such have no comments to make under Section 619 (4) of the Companies Act, 1956.

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

Sd/-

Dr. Biju Jacob

Thiruvananthapuram
Date : 28.09.2012

എക്കൗണ്ടന്റ് ജനറൽ (E & RSA) കേരളം
ACCOUNTANT GENERAL (E & RSA), KERALA



GOVERNMENT OF KERALA

No. 77458/PU-B3/2012/Fin

FINANCE (PU-B) DEPARTMENT

**COMMENTS OF SECRETARY (FINANCE) ON THE AUDITED ACCOUNTS OF KERALA
FOREST DEVELOPMENT CORPORATION LIMITED FOR THE YEAR ENDED ON 31/03/2012**

1. The net profit of the Corporation during the year under review is Rs. 5.84 core. The profit has been understated to the extent of Rs. 98 Lakh.
2. The possibility of converting the Government grant as share capital to be discussed by the Board of Directors of the Corporation.
3. Sufficient provisions is not seen provided for servicing loans.
4. Action to be taken to bring down the sundry creditors to the possible minimum level.
5. Funds deposited elsewhere to be transferred to the Treasury.
6. The Board of Directors should take action to streamline the expenditure on fixed cost at the industry standard.
7. The Company should ensure the reconciliation of Trade Receivables, Loans and advances and Current Liabilities.
8. Plantation Journals should strictly be maintained and the enumeration of plants should be made periodically.
9. The internal control system and procedure for physical verification should be strengthened commensurate with the volume of the transaction of the Corporation.
10. The Board of Directors should ensure that Kerala State Wood Industries Limited is made as a subsidiary Company as per the statutory provisions. Disclosure need be made only after the same.

DR. V. P. JOY

PRINCIPAL SECRETARY (FINANCE)

Thiruvananthapuram

Dated: 27.09.2012.

KFDC Ltd.

38th Annual Report 2011-12