41st Annual Report 2009 - 2010
THE KERALA STATE FINANCIAL ENTERPRISES LIMITED
(A Government of Kerala Undertaking)
REGD. OFFICE: "BHADRATHA", PB. No. 510
MUSEUM ROAD, THRISSUR - 680 020

BOARD OF DIRECTORS
Sri. V.P. Joy : Chairman
Sri. V. Anilkumar : Director
Sri. S. Sreekumar : "
Sri. K.R. Vivekanand : "
Sri. P. Rajendran : Managing Director
NOTICE TO SHAREHOLDERS

Notice is hereby given that the 41st Adjourned Annual General Meeting of the Company will be held at 10.30 am on Saturday, 3rd day of September 2011 at the Registered Office of the Company at Thrissur, to transact the following business:

1. To receive and adopt the Directors’ Report, the Audited Balance Sheet as on 31st March, 2010 and the Profit and Loss Account for the Year ended 31st March, 2010 together with Auditors’ Report and the comments of the Comptroller and Auditor-General of India and the comments of the Principal Secretary (Finance) Government of Kerala thereon.

2. To declare dividend for the year 2009-10.

By order of the Board of Directors

(Sd/-)
V.K. MANJOS KUMAR
COMPANY SECRETARY

Regd Office: “Vithaduthi”, Plot No 510, Museum Road, Thrissur 680 020

Kerala.

Note: A member entitled to attend and vote at the above meeting is also entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A form of proxy is enclosed. A member who wishes to appoint a proxy must return the proxy form duly completed so as to reach the Registered Office of the Company not less than 48 hours before the meeting.
Reliable Customer Loan (RCL) & Fixed Deposit Loan (FDL)

Disbursements amounting to Rs17,777.4 lakhs were made under the Reliable Customer Loan Scheme & FDL loan Scheme of the year and the total outstanding as on 31.03.2020 increased to Rs17,762.4 lakhs as against Rs16,041.1 lakhs as on 31.03.2019.

Chitty Loan/New Chitty Loan

Chitty Loan/New Chitty loan amounting to Rs49,141 lakhs was disbursed during the year and the total outstanding as on 31.03.2020 rose to Rs49,927.3 lakhs as against Rs49,997.4 lakhs for the previous year.

New Housing Finance Scheme

During 2019-20, a total of 792 disbursements were made under the scheme. The total loan outstanding including loans under the Old Housing Finance Scheme as on 31 March, 2020 marginally increased to Rs3,228.0 lakhs as against Rs3,219.8 lakhs for 2018-19.

Consumer/vehicle Loan

Total amounts of advances disbursed during the year under Consumer/vehicle loan scheme was Rs911.1 lakhs against Rs725.8 lakhs for the last year. The outstanding advances under both, Hire Purchase and Consumer/vehicle loan scheme as on 31 March, 2010 increased to Rs3,127.49 lakhs from Rs2,732.74 lakhs for the previous year.

Flexible Trade Loan

The total loan disbursed during the year under the scheme amounted to Rs13 lakhs and the total loan outstanding as on 31 March, 2010 reduced to Rs16.61 lakhs as against the outstanding of Rs13,522 lakhs for 2009-10. It could not be ascertained from the above that the Company has a major scheme similar to Chitty, Gold Loan. Reliable Customer Loan/DF loan and New Chitty Loan will have increasing trend vis-a-vis previous year. The reason for high growth in new chitty loan business was primarily due to increase in volume and denominations of chitties. In short, the net result reflects a better position in total advances during the year as advances during the year, 2009-10 rose to Rs1,78,940 lakhs as against Rs1,24,764 lakhs for 2008-09.

Total Advances

(The table gives the total advances as on the year-end)
DEPOSITS
The Deposits under Government Guarantee increased to Rs 16,4480 lakhs at 31.03.2010 as compared to Rs 12,812.14 lakhs as at 31.03.2009. The amount outstanding under Sugasana Deposits under Government Guarantee amounted to Rs 26.93 lakhs whereas the previous years balance was Rs 2,393,900. The short term deposit stood at Rs 62,616 lakhs as on 31.03.2010 vis-a-vis Rs 47,729 lakhs as on 31.03.2009. The breakup of deposit portfolio as on 31.03.2010 was as under:

<table>
<thead>
<tr>
<th>Type of Deposit</th>
<th>Total Deposits</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Deposit</td>
<td>16,297</td>
<td>62.2%</td>
</tr>
<tr>
<td>Sugasana</td>
<td>26,789</td>
<td>9.2%</td>
</tr>
<tr>
<td>Total</td>
<td>20,431</td>
<td>100%</td>
</tr>
</tbody>
</table>

In Information Technology
The Company fully realizes the critical role of IT both as enabler and facilitator and keeping in mind the above view, the computerization process has been given a full thrust. The outcome was the automation of all 375 branches of the Company at its end of financial year 2010-11 through an initiative titled “Mission Samparkos”. Within a short span of 3 weeks, the Company was able to automate the remaining 163 branches and thereby achieve the above stated automation.
Right to Information Act-2005

The Company has taken all necessary steps for effective implementation of the Right to Information Act-2005 in the right earnest. In compliance of the Act, the Company has designated Assistant Public Information Officers, Public Information Officers and Appellate Officer. At Branches, Branch Managers are Public Information officers for the branches concerned with one of the Assistant Managers designated as Assistant Public Information Officer. At SDT Offices also, PIOs and APOs are appointed. At all Regional offices, Assistant General Managers (Regional) are PIOs and Chief Managers/General Managers are designated as APOs. At Head Office of the Company, following officers are appointed as PIOs and APOs:

PIOs and APOs under Right to Information Act 2005 at HO. (As on 4-6-2011)

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Department</th>
<th>Status under RTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.P.</td>
<td>General Manager/</td>
<td>Business</td>
<td>PIO</td>
</tr>
<tr>
<td></td>
<td>Director (Finance)</td>
<td>Accounts</td>
<td>PIO</td>
</tr>
<tr>
<td></td>
<td>Deputy Gen. Manager (HR&amp;IR)</td>
<td>Personnel &amp; Human Resource Development</td>
<td>PIO</td>
</tr>
<tr>
<td></td>
<td>Deputy Gen. Manager (HR&amp;IR)</td>
<td>Corporate Audit &amp; Vigilance</td>
<td>PIO</td>
</tr>
<tr>
<td></td>
<td>Asst. Gen. Manager (Legal)</td>
<td>Legal</td>
<td>PIO</td>
</tr>
<tr>
<td></td>
<td>Asst. Gen. Manager (IT)</td>
<td>Information Technology</td>
<td>PIO</td>
</tr>
<tr>
<td></td>
<td>Asst. Gen. Manager (InS)</td>
<td>General Administration/Secretarial</td>
<td>PIO</td>
</tr>
<tr>
<td></td>
<td>Company Secretary</td>
<td>Administrative Officer</td>
<td>APO</td>
</tr>
</tbody>
</table>

Auditors

The following firms of Chartered Accountants have been the Auditors of the Company for the year 2009-2010:


According to the provisions of the Act, information should be furnished within 30 days from the date of receipt of request in normal cases not satisfied with the reply of Public Information Officer (PIO), first appeal shall be filed with Appellate Officer (AO) and a second appeal filed with Information Commissioner.

HUMAN RESOURCES DEVELOPMENT

The Company’s dynamic performance depends greatly on developing and maintaining an organisational structure and human resources capable of keeping pace with the changing business environment. During the year, the Company has invested resources to strengthen human resources and to improve several HR practices within the organisation.

The total staff strength of the Company as on March 31, 2010 was 6,186. Number of creative employees was 2,842 and 3,344 Part-Time employees. The requirement of disclosure under Section 217 of the Companies Act, 1956 does not apply to any of the Company’s employees.

As per the Companies (Disclosure of particulars in the report of the Board of Directors) Rule 1980 we have to report that, though the operations of the Company are not energy sensitive, all attempts are made to reduce energy consumption to the maximum extent possible. Being a Miscellaneous Non-Banking Company, the required technology absorption is made considering the nature of activities. We further report that there were no foreign exchange earnings and outgoings during the year.

<table>
<thead>
<tr>
<th>NO. OF EMPLOYEES</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>401</td>
<td>411</td>
<td>413</td>
<td>435</td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>2007-08</td>
<td>2008-09</td>
<td>2009-10</td>
<td></td>
</tr>
</tbody>
</table>
DIRECTORS

The MARIETTE was having 15 directors including Chairman and Managing Director, as on 31-03-2010

1. Mr. Harbaksh Jotwani Chairman Appointed as Director and Chairman of the Company vide G.O.(R) No. 2009/07TD dated 07.03.2007

2. Mr. M. B. Mehta Vice Chairman Appointed as Vice Chairman of the Company vide G.O.(R) No. 2009/07TD dated 07.03.2007

3. Mr. K. R. Ramakrishnan Additional Director Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 07.03.2007

4. Mr. S. V. Mehta Managing Director Appointed as Managing Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

5. Mr. B. S. Singh Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

6. Mr. V. V. R. Murthy Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

7. Mr. H. V. Vaidya Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

8. Mr. S. K. K. Giahani Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

9. Mr. V. K. Ramakrishnan Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

10. Mr. R. K. Dutt Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

11. Mr. V. L. P. R. R. Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

12. Mr. V. R. R. Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

13. Mr. V. R. R. Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

14. Mr. V. R. R. Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

15. Mr. V. R. R. Appointed as Director of the Company vide G.O.(R) No. 2009/07TD dated 17-12-2008

DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to the requirements of Sec.217 (2A) of the Companies Act, 1956, the Board of Directors hereby declare that:

(i) in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable Accounting Standards except AS 17 had been followed along with proper explanation relating to mineral deposits as given below:

1. As part of prudential accounting based on actual realisation of cash in each chest, the Company has not recognized "FOOTWEIGHT" on that portion of tickets subscribed by the Company on account of default of the subscribers in the chest. On the subtleties, you do not have to return the tickets, the Company is not carrying or paying any amount rather it is only book entries for the purpose of completing the auction procedure and for complying with the provisions of the Kerala Chit Fund Act, 1966.

2. The Company has provided interest liability on all fixed deposits for the current year based on the accrual concept of accounting. Based on that, the Company has also provided additional interest cost of all those cases of deposits maturing but not paid renewed at the applicable rate of Short-term deposits (Sugams) as the carry over of removal/subscription is not known.

3. Pending revaluation of inter-branch current A/c and Inter-Regional Accounts amount to ₹899,582, this being assessed to and considerable progress has been made during the reported year.

4. Regarding provision for bad & doubtful debts the provision for bad & doubtful debts as prescribed by the Reserve Bank of India under prudential norms, are not applicable to the Company being a Miscellaneous Non Banking Company. However, the Company has made a further provision of ₹210 lacs for bad & doubtful debts during the year on the outstanding balances under various lending schemes for Chit scheme. Also as a matter of absolute prudence, the Company has also provided an additional sum of ₹10,000 lacs as floating provision on Standard balances. The existing provision has been re-arranged on the basis of under

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(v) The Company has not violated the provision u/s 77 (A) of the Companies Act during the reported year.

ACKNOWLEDGEMENT

The Board of Directors also place on record their sincere appreciation for the excellent support and cooperation extended to the Company by the Government of Kerala, all staff members, customers, banks, the Reserve Bank of India and various Departments of Central Government in improving its overall performance during the year 2009-10.

For and on behalf of the Board of Directors,

Sd/-

Adv. Mani Vithayathil

CHAIRMAN

Thiruvananthapuram:

04.05.2011
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic scenario and developments

India's GDP (Gross Domestic Product) growth stands revisited revised to 4.7% for fiscal 2020-21, well within the 5% forecast estimated earlier for the fiscal, mainly on the strength of better performance by sectors such as manufacturing (8.8%) and services (9.2%). Although, the Q4 GDP data of 2020-21 shows a year-on-year increase of 23.2% due to an economic recovery from the slow down in the wake of the worldwide financial crisis it also goes to provide an adverse statistical impact by pulling down the anticipated growth for the fiscal 2010-11 to 8.5 per cent from the upper side of 9 per cent.

Gross Domestic Savings (GDS) in 2009-10 is estimated to be 22.07 lakh crores against 17.98 lakh crores in 2008-09, constituting 33.7% of GDP at market prices as against 32.3% in the previous year. In respect of household sector, the rate of savings in the current year stands decreased from 23.85% to 23.5%, although in absolute terms, the savings of house hold sector has increased from Rs.113.31 lakh crores in 2008-09 to Rs.136.36 lakh crores in 2009-10.

The Indian economy showed a clear momentum in recovery despite the impact of a definite monsoon on agricultural production. As a result of rebound in industrial output and cumulative resilience of the services sector the concerns about domestic output growth are now subdued, as the recovery is getting more broad-based. After a continuous decline for nearly a year, growth has begun to expand now in the week ending September 30, 2021. However, rising inflation continues to be a matter of concern for the industry and the Wholesale Price Index (WPI) for all commodities increased by 9.3% in October 2021 over October 2020.

Inflation: The consumer price index (CPI) for all commodities increased by 8.7% in November 2021 over November 2020. Inflation in the food articles group rose by 17.6% in November 2021 over November 2020.

Financial performance

The Company has posted a profit after tax of Rs.111.12 lakhs against Rs.124.28 lakhs during the previous year. The income statement shown amounts to Rs.40.06 crore which is Rs.6.07 crore higher than the previous year.

Opportunities

After the global financial crisis and consequent erosion of faith in modern sophisticated financial instruments, traditional instruments have been continued to attract public investments. Further, the core area of the Company i.e. chit business continues to offer good potential for the growth of the Company. Moreover, the increased visibility and acceptance of the branded products. The higher interest rate regime is a favorable environment for chit business. With a view to make use of these opportunities, Company has been expanding its branch network by opening new branches at important locations hitherto unrepresented. Company is growing through a newer before growth path, manifold in the turnover and also branch expansion & viability. The increasing gold prices offer good opportunity for the growth of the gold loan portfolio of the Company. It is estimated that there are about 20,000 tonnes of privately held gold in the country and the Company is attempting to leverage its position as one of the leading gold loan companies in the country. The Company’s personal loan product RCL and has turned out to be as much attractive in this market segment due to the reasonable rate of interest. The growth in Chit business, particularly high denomination chities offer good opportunity for NCL growth. Company is strengthening its distribution to area up to the expectations of new and increased customers. Towards this end Company is leveraging technology to offer better customer service.

Threats

The Company is facing stiff competition from commercial banks and other NBFCs in retail loan segment and it is a threat for its advance portfolio particularly to Gold loan. To withstand competition in various fronts and to remain competitive, Company is required to update technology on a regular and continuous basis. Though the Company has performed considerably well during the year under report, the global financial crisis has affected the household income of many families in Kerala and its adverse impact is not yet over on investment products of the Company, including Chitbas. However, the recovery in prices of cash crops particularly rubber, enabled the economy to be in a stable condition. Rising inflation and consequent slow down that may be witnessed in general economic activities is also an area of concern in the growth path of the Company.

Internal Control System and their adequacy

The internal control systems of the Company are commensurate with the size and nature of its operation. The adequacy of the control system is examined by the Management at regular intervals and also by the Auditors. The internal auditors carry out audits at regular intervals to identify weaknesses if any of the systems and suggest improvements for better functioning. The issues raised by the internal auditors on the operation of the Company are regularly discussed at the Audit Committee of Directors. The annual Audit Committee of the Company is headed by the Deputy General Manager (Internal Audit) & Vigilance.

Human Resources and the infrastructure development

The Company's growth and progress is dependant on the development and maintenance of an Organization structure and human resource to keep pace with the changing business environment. The Company has taken a number of initiatives to strengthen human resources during the year including training and development programmes on a regular and continuous basis, so that the Company regards human resources as the most valuable asset.

The Company is now functioning in a fully computerised environment and efforts are continuing to further strengthen the IT capabilities of the Company.
## Report of the Board of Directors on Corporate Governance

Company's philosophy on Corporate Governance: Corporate Governance is the system of principles, policies, and procedures that establish the framework in which an entity is run. The principles, policies, and procedures are the foundation upon which an entity is built. They are the rules that govern the way in which an entity is run. Corporate Governance is a continuous process which evolves over a period of time and undergoes changes to suit the changing times and needs of the business, society and the nation.

### Board of Directors Composition

The composition of the Board has been in compliance with the Companies Act, Memorandum and Articles of Association of the Company. As on 31st March 2010 the Board of Directors of the Company comprised 15 Directors including Chairman and Managing Director. Except Managing Director the rest of the Directors are non-executive Directors. The Board of Directors has been functioning in a professional and transparent manner.

The Audit Committee of the Board was formed on 1st April 2009 and was comprised of three members. The Committee comprises of the following members:

1. Adv. Mani Vithayathil, Chairman
2. Mr. S. B. Sreedevi, Vice Chairman
3. Mr. K. R. Ramakrishnan, Director

The Committee consists of three members.

The Company had a CEO i.e. Mr. S. B. Sreedevi, Mr. K. R. Ramakrishnan and Mr. V. K. Mahanand attended 3 meetings attended.

**SI No.** | Name of director | No. of meetings attended during the year (before initial appointment) | No. of meetings held after initial appointment | No. of meetings attended | Notes
---|---|---|---|---|---
1 | Adv. Mani Vithayathil, Chairman | 13 | 3 | 3 | For and on behalf of the Board of Directors
2 | Mr. S. B. Sreedevi, Vice Chairman | 13 | 3 | 3 |
3 | Mr. K. R. Ramakrishnan, Director | 13 | 3 | 3 |
4 | Mr. V. K. Mahanand | 13 | 3 | 3 |
5 | Mr. S. B. Sreedevi | 13 | 3 | 3 |
6 | Mr. S. B. Sreedevi | 13 | 3 | 3 |
7 | Mr. K. R. Ramakrishnan, Director | 13 | 3 | 3 |
8 | Mr. V. K. Mahanand | 13 | 3 | 3 |
9 | Mr. S. B. Sreedevi | 13 | 3 | 3 |
10 | Mr. S. B. Sreedevi | 13 | 3 | 3 |
11 | Mr. K. R. Ramakrishnan, Director | 13 | 3 | 3 |
12 | Mr. V. K. Mahanand | 13 | 3 | 3 |
13 | Mr. S. B. Sreedevi | 13 | 3 | 3 |
14 | Mr. S. B. Sreedevi | 13 | 3 | 3 |
15 | Mr. K. R. Ramakrishnan, Director | 13 | 3 | 3 |
16 | Mr. V. K. Mahanand | 13 | 3 | 3 |

### Disclosures

During the year, the Company did not enter into any material related party transactions with its directors or senior management or their relatives that would potentially conflict with and adversely affect the interests of the Company.

**SI No.** | Name of member of the Board | No. of meetings held after initial appointment | No. of meetings attended | Notes
---|---|---|---|---
1 | Smt. B. Sreedevi, Chairman | 3 | 3 |
2 | Smt. A. K. Ramakrishnan, Member | 3 |
3 | Sve. B. Sreedevi, Chairman | 3 |
4 | Sve. B. Sreedevi, Chairman | 3 |
5 | Sve. B. Sreedevi, Chairman | 3 |
6 | Sve. B. Sreedevi, Chairman | 3 |
7 | Sve. B. Sreedevi, Chairman | 3 |
8 | Sve. B. Sreedevi, Chairman | 3 |
9 | Sve. B. Sreedevi, Chairman | 3 |
10 | Sve. B. Sreedevi, Chairman | 3 |
11 | Sve. B. Sreedevi, Chairman | 3 |
12 | Sve. B. Sreedevi, Chairman | 3 |
13 | Sve. B. Sreedevi, Chairman | 3 |
14 | Sve. B. Sreedevi, Chairman | 3 |
15 | Sve. B. Sreedevi, Chairman | 3 |
16 | Sve. B. Sreedevi, Chairman | 3 |

For and on behalf of the Board of Directors

Adv. Mani Vithayathil CHAIRMAN
19. (a) The short provision was inadvertently created.

20. (a) During the year, interest on Income Tax refund has been accounted in "Tax due for earlier year's account".

21. (a) The State Government has been exempting the Company from the provisions of the ESI Act through issuance of G.O. from time to time. Matter has already been taken up with the Government to obtain exemption for 2008-09 & 2009-10, which is expected in the due course.

22. (v) The amount mentioned by audit has been subsequently transferred to Investor Education and Protection Fund during 2010-11.

23. (v) The comments regarding classification of Loans and Advances and Sundry Debtors will be looked into favourably.

24. (a) The under provision of Income Tax is due to non-consideration of certain amounts as disallowable expenditure by the audit.

25. (1) (b) Matter has been taken up with revenue authorities for getting duplicate copy of the document.

26. (a) The internal audit system has been since strengthened and it is expected that full computerization would enable conduct of concurrent audit also.

27. (a) Necessary directions has already been given to branches to ensure that statutory payments are made within the due date.

28. (9)(b) In the first case the demand was converted into refund and the Company has already received refund of Rs. 2,53,180 during the year. Item Nos. 26 & 4 are pending before ACIT, Thrissur whereas item no.3 is before CIT(A) and item nos.7 are pending before the Hon'ble Supreme Court of India.

29. 21(a) In respect of the reported fraud amounting to Rs.28,155/- at Changanacherry Branch, the Company has already recovered Rs.28,000/-: Police complaint has also been filed in this regard.

For and on behalf of the Board of Directors,
Sdt.-

Thrissur
04.05.2011
Adv. Mani Vithayathil

CHAIRMAN

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Balance Sheet Abstract and Company's General Business Profile
As per part IV to Schedule VI to the Companies Act, 1956

I Registration Details

<table>
<thead>
<tr>
<th>State Code</th>
<th>0 9</th>
</tr>
</thead>
</table>

Balance Sheet date

<table>
<thead>
<tr>
<th>Date</th>
<th>Month</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 1</td>
<td>0 3</td>
<td>1 1</td>
</tr>
</tbody>
</table>

II Capital Raised during the year (Amount in `, Thousands)

<table>
<thead>
<tr>
<th>Public issue</th>
<th>Right Issue</th>
<th>Bonus Issue</th>
<th>Priv. Placements</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>1 0 0 0 0 0</td>
</tr>
</tbody>
</table>

III Position of mobilization and deployment of funds (Amount in `, Thousands)

<table>
<thead>
<tr>
<th>Tota</th>
<th>Total Assets</th>
<th>Reserves &amp; Surplus</th>
<th>Unsecured Loan</th>
<th>Investments</th>
<th>Miscellaneous Expenditure</th>
<th>Accumulated losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 3 1 4 0 7 7 5 6</td>
<td>0 3 1 4 0 7 7 5 6</td>
<td>0 0 0 0</td>
<td>0 2 9 5 7 3 7</td>
<td>0 0 0 0 0 0 0 0 0 0</td>
<td>0 0 0 0 0 0 0 0 0 0</td>
<td></td>
</tr>
</tbody>
</table>

IV Performance of Company (Amount in `, Thousands)

<table>
<thead>
<tr>
<th>Turnover</th>
<th>0 0 0 5 9 3 9 4 9 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / Loss before tax</td>
<td>0 0 0 3 6 7 4 5</td>
</tr>
<tr>
<td>Profit / Loss after tax</td>
<td>0 0 0 3 8 1 3 2</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>0 0 0 0 0 0 1 9 1</td>
</tr>
<tr>
<td>Dividend rate</td>
<td>0 0 0 2 0 0 0 0 0</td>
</tr>
</tbody>
</table>

Genetic names of three principal products/ services of company (as per monetary terms) - NA

Item Code No. (ITC Code) |
Product description |
MISCELLANEOUS |
BANKING COMPANY |

For G. Venugopal Kamath & Co

<table>
<thead>
<tr>
<th>Item</th>
<th>Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sdt.-</td>
<td>V. Rajappan</td>
</tr>
<tr>
<td>Sankar Shri. P. PCA (Mem. No. 215888) (Partner)</td>
<td>P.C. Pillai</td>
</tr>
<tr>
<td>Thrissur</td>
<td>S. Sarath Chandran</td>
</tr>
</tbody>
</table>

08-03-2011

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MD: K. M. Vithayathil
Chairman |
Non Managing Director |
Early Manager (Finance) |
Manoj Kumar V. R.
Company Secretary
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (C & A), KERALA, THIRUVANANTHAPURAM

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF KERALA STATE FINANCIAL ENTERPRISES LIMITED, TRICHUR, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Kerala State Financial Enterprises Limited, Trichur, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956. Based on an 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 31 March 2011.

Leon behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Kerala State Financial Enterprises Limited for the year ended 31 March 2010. The 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

Thiruvananthapuram
Date: 13/06/2011

G.N. SUNDER RAJA
PRINCIPAL ACCOUNTANT GENERAL (C & A), KERALA

GOVERNMENT OF KERALA
NO: JS660/PUC/11/Fin
FINANCE (P&I) DEPARTMENT
COMMENTS OF PRIMARY SECRETARY (FINANCE) ON THE AUDITED ANNUAL ACCOUNTS OF KERALA STATE FINANCIAL ENTERPRISES LTD, FOR THE YEAR ENDED 31/03/2010

(1) The Company has marginally increased its profit (Rs.6.79 crore) in the year under review against Rs.3.26 crore during the previous year.
(2) Bad and doubtful debts should be properly classified and mentioned in the books of accounts.
(3) The Company should follow the accounting standards stipulated by the Institute of Chartered Accountants of India.
(4) No provision is seen made for ESI contribution amounting to Rs.51 lakhs. Consequently, profit is overstated to that extent.
(5) Guarantee commission due to Government should be quantified as per the instructions contained in G.O. (Ph) No. 4873/Fin dated 16.10.2004 and full provision shall be made for the same in the accounts. The guarantee commission assessed as above should be remitted timely. Inaccurate provision for guarantee commission has resulted into the overstatement of profit to that extent.
(6) The Board should take necessary steps to rectify the defects pointed out by the Auditors in their report for the year under reference.
(7) Urgent steps should be taken to settle the misappropriated amount of Rs.62,95,456/- and appropriate action should be taken against those who were responsible for it. Adequate measures should be taken to prevent fraudulent acts by the customers as well as the employees.
(8) The arrears for the 75% costs of land in Thrissur should be traced immediately and kept in safe custody.
(9) The extent of coverage of the area of operations, frequency of reporting and follow up of internal audit observations needs to be strengthened.

Thiruvananthapuram
Date: 07/05/2011

Sd/-

Dr. A.K. DUBEY
PRINCIPAL SECRETARY (FINANCE)

KSFE

AUDITORS’ REPORT TO THE MEMBERS OF THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

We have audited the attached Balance Sheet of the Kerala State Financial Enterprises Limited, Thrissur as at 31st March, 2010, the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of the Head Office, Thrissur Regional Office, 50 Branches thereof audited by us and the other Six Regional Offices and 286 Branches thereof audited by Branch auditors. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors Report) Order, 2003 issued by the Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable to the Company.

2. On the basis of our audit, and having regard to the report on the accounts of branches / Regional offices audited by the other auditors, which have been considered by us, and subject to Schedule-14, Notes attached to and forming part of Accounts, we report that:

a. Item No. (6) of Note No. I (B), regarding accounting of certain items of income on cash basis is not in accordance with Accounting Standard No. I issued by the Institute of Chartered Accountants of India (ICAI).

b. Non-compliance of Accounting Standard-17 ‘Segment Reporting’ issued by the ICAI.

c. The Company has classified the following amounts due as fully secured in Note 5(a) as under:

1. Hire Purchase Advances: Rs. 28,83,517
2. Amount due from printed subscribers: Rs. 38,50,18,561
3. Revenue Recovery Depositors: Rs. 7,04,90,047
4. Citlcy Loans ICL: Rs. 4,51,53,71,560
5. Gold Loan: Rs. 5,32,29,98,197
6. FDI IFDS: Rs. 72,23,58,015
7. Housing Loan to Employees: Rs. 17,6,85,004
8. Vehicle Loan to Employees: Rs. 1,24,90,409
9. Travle Loan: Rs. 15,60,892
10. HSFI IFDS: Rs. 90,31,70,000
11. Reitable Customer Loan: Rs. 3,02,05,48,371
12. Consumer Vehicle Loan: Rs. 29,84,99,769
13. Texi Planning Loan Scheme: Rs. 35,14,353
14. Sugars Aidhnya OID: Rs. 1,62,86,417
15. Mangalpiti Loan Scheme: Rs. 9,62,430
16. Kanadullawa Loan: Rs. 1,37,474
17. Employees Computer Loan: Rs. 43,79,065
18. Interest Due Outstanding: Rs. 7,46,81,040

In the absence of schedule containing full particulars regarding nature of security held and value thereof as on the date of Balance Sheet in respect of other loans, printed subscribers’ dues and advances, we are unable to comment on the correctness of the classification as made fully secured.

d. In the absence of a proper system for classifying bad and doubtful debts on the basis of securities, for all loans and advances including defaulted printed chits and debt balances in various accounts namely Removed Subscribers contribution, Non-Paid collection, Prize Money payable and Piricheduppu Accounts, we are unable to comment on the adequacy of provision made by the company in respect of bad and doubtful debts.

e. Note No. 12 regarding the outstanding items of Inter-Branch Current Accounts, which are subject to the process of elimination and or reconciliation, the consequential financial impact thereof if any on the Financial Statement is presently unascertainable.

f. Certain balances with Bank’s Treasury in Current/Deposits accounts included in Basic balances (Schedule 5a) and interest accrued on some deposits are subject to Confirmation and Reconciliation. Further, there are cases of unclaimed items remaining outstanding in the reconciliation statements; the consequential effect thereon is not ascertainable.

1. Advance under Hire Purchase, Gold Loan, New Chitty Loan, New Housing Finance Scheme, New Fixed Deposit Loan, Reliable Customer Loan, Consumer Vehicle Loan, Sugars Aidhnya Over drafts, Initial Hire (ECOPH), Paul Merchants, Creditors and Debtors are subject to confirmation/reconciliation and consequent adjustment if any upon confirmation.The financial impact thereof if any on the financial statement is presently unascertainable.

Sd/-
h. Schedule of privatised/dissolved subscribers and non-privileged subscribers balances have not been taken from personal ledgers and tallied with the Central Accounts.

i. Chitry/Kury Balances falling under current Liabilities (Schedule 6A) include balances of undisbursed Terminated Chitry. The effect, if any, on closure of the said Chitry is not ascertainable.

j. Under chitry rules, Chitry is to be registered only after it is fully subscribed and the first instalments are realized. These are instances, where Chitry are registered without full subscription and/or realization of cash due to dehavoir of Cheques against the first instalment.

k. Auction Vehastapala included in Chitry/Kury balances shown under current Liabilities include undistributed Vehastapala on terminated chitry. This pertains to the share of auction discount on the insufficiency of disbursed privi subscribers and forfeited subscribers. On its closure the impact on accounts is not ascertainable.

l. In many cases Loan Documents are incomplete in several respects.

m. Identification of Non Performing Assets is done on facility wise and not borrower wise, which is against the prudential norms prescribed by the Reserve Bank of India.

n. Note Nos.10 and 11 regarding the non-recognition of Revised Bhadrachal Social Security Scheme, the effects of which on accounts is not ascertainable.

o. Controls regarding transfer of fixed assets between branches are not adequate of Head Office and the same are not adequate. The financial impact thereof if any on the financial statements is presently unascertainable.

p. Schedules have not been tallied in Head Office and certain branches in the following accounts, the effect of which is not ascertainable.

(i) Revenue Recovery Debtors

(ii) Festival and Travel Advances to staff

(iii) Old undisbursed balances in various accounts.

(iv) General Suspense account in branches

(v) RA suspense

q. Interest received account in the books maintained in Revenue Recovery section has been debited with an amount of Rs. 62,54 lakhs. This debit includes rebate allowal/IInterest waived under One Time Settlement scheme and also on accounts settled before auditors conducted by the district legal service authority. In our opinion rebate on interest received and recognized as income during prior years should have been segregated and debited to profit and loss account instead of interest received account.

c. The company has quantified the levy of Guarantee Commission, on the balance outstanding on Term Deposits and Sugama Deposits. In our opinion the same has to be quantified on the basis of balance outstanding at the end of preceding year on Term Deposits, Sugama Deposits, Maturity Deposits and Interest payable. Hence, in our opinion, there is a shortfall provision of 7.9933 lakhs towards Guarantee Commission due to Government of Kerala as per notification GO (MS) No. 487/04/Fin dated 16/11/2004 for the current year.

(i) The provision for interest on Chitry security Deposits and Short term Deposits is short by Rs. 6.66 lakhs.

(ii) The Interest on refund of Income Tax and Interest Tax amounting to Rs. 45.95 lakhs has not been disclosed as income of the current year.

(iii) Provision for ESI Contribution amounting to Rs. 41.51 lakhs has not been disclosed in the books of accounts.

(iv) Amount of Rs. 2.23 lakhs identified as fixed deposits matured but not claimed and outstanding as on 1st March 2010 has not been transferred to Investor Education and Protection Fund.

(v) Classification and disclosure regarding loans and advances and Sundry debtors outstanding for more than six months required under Schedule VI of Companies Act 1956 has not been made.

(vi) The provision for Income Tax is short by Rs. 51.57 lakhs.

3. We further report that without considering the items mentioned at 2 (a), (b), (c), (d), (e), (f), (g), (h) the effects of which could not be determined, had the observations made as per paragraph 2 (i) and (ii) above been considered during the year, the Profit before tax for the year would have been Rs. 3,391.28 lakhs as against reported figure of Rs. 3,477.45 lakhs. Reserves and Surplus would have been Rs. 1,470.69 lakhs as against the reported figure of Rs. 1,478.66 lakhs and Current Liabilities and Provisions would have been Rs. 379,955.12 lakhs as against the reported figure of Rs. 377,692.32 lakhs excluding figures as per items mentioned in paragraph 2 (i), Unsecured Loans would have been Rs. 29,557.56 lakhs as against the reported figure of Rs. 29,557.79 lakhs.

4. Further to our comments in the Annexure referred to in paragraph (f) above and subject to our observations in paragraph (2) 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 audits.

b. In our opinion, the company has kept proper books of account as required by law so far as it appears from our examination of those books.

c. We have duly considered the reports of the Branch Auditors in preparing our report.

d. The attached Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

e. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in its sub-section 3C of Section 211 of the Companies Act, 1956 except those referred to in paragraphs (2) (b), (c), (d) and (e) above.

f. Cash and cash equivalents at the end of the year.

a. Cash balances and stamps on hand.

b. Bank and Treasury Balances.

c. Bank and Call Deposits.

d. Office remittance in transit.

Current Year

Previous Year

Rs. 2009-10
Rs. 2008-09

A. Cash from operating activities

3,863,691,189
3,440,974,483

B. Cash from investing activities

(11,219,307)
(379,955.12)

C. Cash flow from financing activities

(46,798,000)
76,601,000

Net change in cash and cash equivalents

4,433,676,085
1,495,620,009

Amount of cash and cash equivalents at the beginning of the year

10,440,580,435
8,944,568,426

Amount of cash and cash equivalents at the end of the year

14,884,245,320
10,440,580,435

For G Venugopal Kanath & Co

DIRECTORS

Chartered Accountants

Adv Mani Vithayathil

V Rajappan

RCS Shenolig L PCA (Ment No. 21598)

Saras Chandran

Chairman

Director

Managing Director

Company Secretary

Thiruvananthapuram

8-20-2011

09-2010

08-2009

08-2009

A

Cash flow from operating activities

3,863,691,189
3,440,974,483

Adjustment for

Depreciation

35,556,062
26,501,216

Provision for earned leave

75,626,939
13,852,851

Provision for bonus

5,297,758
5,826,357

Provision for gratuity contribution to LIC

22,577,618
41,519,742

Provision for bad and doubtful debts

60,218,603
201,003,050

Profit on sale of fixed assets

39,162
23,223

Loss on sale of fixed assets

0
(19,880)

Operating profit before working capital changes

566,919,659
400,004,178

Increase in cash balances and stamps on hand

90,259,633
(234,248)

Increase in unutilized loans

7,043,795,028
3,835,621,459

Increase in cash and cash equivalents (excluding cash balance)

4,708,154,310
1,543,482,388

Increase in cash and cash equivalents

4,667,108,446
(198,462,759)

Increase in cash and cash equivalents

4,603,453,328
8,926,455,460

Cash flow from Operations

4,603,453,328
8,926,455,460

Income tax paid

(19,880,022)
(19,990,056)

Net cash provided by operating activities

4,583,594,306
1,442,978,402

B. Cash flow from Investing Activities

Fixed Assets

(113,219,303)
(23,959,473)

C. Cash flow from Financing Activities

Share capital amount paid in advance

0
100,000,000

Dividend and Dividend tax paid

(46,798,000)
(23,299,000)

Total

(46,798,000)
76,601,000

D. Cash and cash equivalents at the beginning of the year

66,643,193
68,784,451

Bank and Treasury Balances

10,287,607,904
8,744,317,742

Office remittance in transit

247,633,138
131,863,233

10,440,580,435
8,944,568,426

E. Cash and cash equivalents at the end of the year

68,755,035
66,643,193

Bank and Treasury Balances

16,455,797,624
10,126,701,904

Office remittance in transit

16,457,743,138
10,126,701,904

14,884,245,320
10,440,580,435

The Kerala State Financial Enterprises Limited

Corporate Office, "Bhadrachal", Museum Road, Thrissur - 690 020

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31.03.2010

2010-09

2008-09

-
22. Travel expenses include expenses incurred by:
   (a) Managing Director
   (b) Other Directors & Chairman

<table>
<thead>
<tr>
<th>2009-10 (₹)</th>
<th>2008-09(₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
<td>63124</td>
</tr>
<tr>
<td>195690</td>
<td>75000</td>
</tr>
</tbody>
</table>

23. The long-term settlement between the Management and workers of the company had expired on 31.07.2007. The Long Term Settlement was aimed at between Management & the workers Union / Associations on 16.06.10 with regard to revision of pay, allowances & other benefits of workers. Similarly the consensus with regard to revision of pay, allowances & other benefits of officers was agreed upon between Management & the officers Union / Associations on 17.06.10. Accordingly, the staff cost for the current financial year is inclusive of ₹36500000/- for the period 01.02.2007 to 31.03.2010.

24. Government vide GOI 1452010 dt. 22.2.10 had approved the enhancement of Authorized capital of the Company from ₹75 crores to ₹100 crores and given directives for carrying out the required formalities in this regard. Extra-ordinary General Meeting was convened on 19.04.2011 for amending the Memorandum & Articles of Association.

25. Disclosure as per Accounting Standard 18 on Related Party Disclosures:
   (a) Key Management Personnel during 2009-10: Adv. Mani Vithayathil, Chairman, Smt. B. Sreedevi, Vice Chairman, Smt. N. Madhavi, Managing Vice Chairman, Shri. C.M. Pillai, Managing Director and Shri. J.P. Pillai, Managing Director, Remuneration as disclosed in Note No.20.21 & 22.

   (b) Guarantee Commission and Service Charges payable to Govt. of Kerala.

   4108560413  24495202

   411132091  124782484

   26. Earnings per share (EPS) Earnings per share (Basic and Diluted) ₹1.91 1.25

   Net Profit as per Profit & Loss Account Considered as numerator for computing EPS ₹12,000,000

   Weighted average number of equity shares used as Denominator ₹12,000,000

   Nominal value of Shares ₹1

27. Figures have been regrouped/ rearranged wherever necessary.

   As per our report dated 31.03.2011

For G. Venugopal Kannath & Co

Chartered Accountants

Sd/- Sathish Shenoi, P FCA (Mem. No. 215888)

Managing Director

R.C. Pillai

General Manager (Finance)

S.Parthasarathy

Company Secretary

For G. Venugopal Kannath & Co

DIRECTORS

Adv. Mani Vithayathil

Chairman

Sd/-

V. Rajasekhar

Director

Sd/-

Sathish Shenoi, P FCA (Mem. No. 215888)

R.C. Pillai

Managing Director

Sd/-

S.Parthasarathy

General Manager (Finance)

Sd/-

Manoj Kumar V.R.

Company Secretary

Sd/-
b) According to the information and explanations given to us, except in the following cases of income tax and interest tax, there are no dues of sales tax, service tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.

<table>
<thead>
<tr>
<th>Name of Statute</th>
<th>Name of Due</th>
<th>Amount ()</th>
<th>Peraid to which the amount relates</th>
<th>Forum where dispute is pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebate before ACI Tribunal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Tax Act, 1974</td>
<td>Interest Tax</td>
<td>1,91,98,56,09</td>
<td>AT 2004-05</td>
<td>ACI Tribunal</td>
</tr>
<tr>
<td>Rebate before ACI Tribunal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Tax</td>
<td>Interest Tax</td>
<td>1,42,76,74,06</td>
<td>AT 2008-09</td>
<td>ACI Tribunal</td>
</tr>
<tr>
<td>Rebate before ACI Tribunal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Tax</td>
<td>Interest Tax</td>
<td>22,82,28,28</td>
<td>AT 2009-10</td>
<td>ACI Tribunal</td>
</tr>
<tr>
<td>Rebate before Supreme Court of India</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Tax</td>
<td>Interest Tax</td>
<td>20,46,28,81</td>
<td>AT 2009-10</td>
<td>ACI Tribunal</td>
</tr>
</tbody>
</table>

10. The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the financial year under report and 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 bank or financial institution. The Company has not issued any debentures.

12. In our opinion and according to the information and explanations given to us, no Loans and Advances have been granted by the Company on the basis of security by way of pledge of shares and debentures.

13. According to the information and explanations given to us, except as reported in para (2) clauses (h), (i), (j) and (k) the Company has complied with the provisions of the Kerala Chit Fund Act, 1973 in so far as those provisions are applicable to the accounts under report. The company is not liable for incidental benefit fund society.

14. In our opinion, the company is not dealing in or trading in Customers, securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.

16. The Company has not taken any term loans during the year.

17. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The Company has not made any preferential allotment of shares during the year. However, the Company has issued on 20th April 2009, the share certificate worth \( \text{\textsterling}} 10 \text{ Crore} \) to the Government of Kerala as per Government Order (No. 50/GO 6209/TT Dated 31st March 2009.

19. The Company has not issued any debentures.

20. The Company has not made any public issue during the year covered by our audit report.

21. Based on the information and explanations given to us, the following frauds have been reported during the year:

(a) In Changanassery Branch, \( \text{\textsterling}} 629,954.00 \) is said to have been misappropriated in Sugas Accounts.

For G. Venugopal Kannath & Co;
Chartered Accountants
(Firm Registration No: 0046745)

Kochi
31.03.2011

Sfteesh Shenoi P FCA
Partner
(Membership No: 215088)

11. The Company acts as the agent of the Government of Kerala in respect of Bhadralok Social Security Scheme. The amount collected by the branches and remitted to Head Office shows a net difference of:

12. CONTINGENT CONTRACTS:

(i) The Company had entered into a consultancy agreement with M/s Kerala State Construction Corporation Ltd. on 29.03.2010 for construction of office complex (G+4) at its site at Kakkanad, Kochi for an estimated cost of \( \text{\textsterling}} 2,65,25,00 \) against which an amount of \( \text{\textsterling}} 1,25,000 \) has been advanced to them during the year.

(ii) The Company had placed an order with M/s Nest Systems & Technologies (P) Ltd for design, development & implementation of "Care Application Software for Business Accounting" amounting to \( \text{\textsterling}} 7,37,53,026 \) on 31.07.09 and an additional order for further enhancements amounting to \( \text{\textsterling}} 4,68,680 \) on 29.03.10. An amount of \( \text{\textsterling}} 3,13,088 \) has been paid to them during the year.

(iii) The Company had entered into a contract with M/s PCS Technology Ltd for providing Facility Management Services for maintenance of computer systems & accessories, UPS system, generators, air conditioners etc. for a sum of \( \text{\textsterling}} 4,85,000 \) for a period of 12 months from 01.12.2009. Provision to the tune of \( \text{\textsterling}} 1,16,16,666 \) has been made towards services provided till Balance sheet date. As on Balance Sheet date, the contract is contingent for performance till 30.11.2010.

(iv) The Company had entered into a contract with M/s Gemini Communications Ltd for structured LAN cabling, power cabling, supply & installation of air conditioners for a sum of \( \text{\textsterling}} 3,69,00,000 \). An amount of \( \text{\textsterling}} 3,99,00,000 \) has been paid & \( \text{\textsterling}} 99,01,288 \) has been provided towards services provided during the year.

13. (a) sundry creditors (Chettiyar/Con) shown under “Current Liabilities” in Schedule 6.
(b) Amount recoverable from prided subscribers shown under “Leases and Advances” in Schedule 5.
(c) sundry creditors chettiyar/Con shown in Schedule 6 as item No.1 (a) includes price money payable amounting to \( \text{\textsterling}} 3,68,00,000 \) (previous year: \( \text{\textsterling}} 3,77,66,845 \) — This includes the amount payable in respect of tickets substituted by the Company. The said amount is not the price money paid in advance.

14. Schedule of chit deposits are prepared and collated on quarterly basis and postings to current accounts are made from these schedules.

15. Auction/Sequestration in terminated chit shown as liability.

16. Government has allotted 15 cents of land to construct Kollam branch building. The cost of the land has not been paid to the Government as the same has not been fixed so far.

17. (a) Advances includes due from officers of the Company.
(b) Maximum amount due from them any time during the year.
(c) Amount due from Directors.

18. The company has a system to identify the customers at the time of opening of accounts, in respect of loans or deposits. Steps are also taken to identify the customers in line with the guidelines issued by the RBI under Anti Money Laundering (AML) measures/"Know Your Customer (KYC) Norms.

19. Balances of debtors and creditors are confirmed on random basis, at all the branches.

20. Salaries, Allowances and Bonus include:
(a) Honoraryarium to the Chairman
14,00,000
(b) Remuneration to the Managing Director
39,54,44
(c) Medical expenses etc., reimbursed to the Chairman
Nil
(d) Other payments to the Managing Director
10,80,000
(e) Employer's contribution to Gratuity Fund/Provident Fund
36,78
(f) For Managing Director
36,78

2009-10 (\( \) )
2008-09 (\( \) )
25,948
6015

957
6174
Nil
1,491

10,80,000
36,78
65,290
**THE KERALA STATE FINANCIAL ENTERPRISES LIMITED, TRISSUR-600 020**

**BALANCE SHEET AS AT 31ST MARCH, 2010**

### SOURCE OF FUNDS

1. **Shareholders Funds:**
   - a. Capital
     - 1
     - 200,000,000
     - 200,000,000
   - b. Reserves and Surplus
     - 2
     - 1,478,665,622
     - 1,444,332,026

2. **Loan Funds:**
   - a. Secured
     - 3
     - 171,711,796
     - 81,452,163
   - b. Unsecured
     - 29,527,379,156
     - 22,513,584,128

**Total**

- 31,407,756,584
- 23,939,368,317

### APPLICATION OF FUNDS

1. **Fixed Assets:**
   - 4
   - Gross Block
     - 383,690,092
     - 271,291,432
   - Less: Depreciation
     - 219,799,517
     - 185,121,740
   - Net Block
     - 163,890,575
     - 86,169,692
   - d. Capital Work-in-Progress
     - 41,135
     - 41,135

**Total**

- 185,932,310
- 86,210,827

2. **Current Assets: Loans & Advances**
   - 5
   - 69,191,156,668
   - 50,251,058,505

3. **Less: Current Liabilities & Provisions**
   - 6
   - 37,947,332,394
   - 26,397,901,015

**Net Current Assets**

- 31,243,824,274
- 23,853,157,490

**Total**

- 31,407,756,584
- 23,939,368,317

**Significant Accounting Policies and Notes to the Accounts**

**Schedules 1 to 6 & 14 annexed hereto form part of the Balance Sheet.**

This is the Balance Sheet referred to in our report dated 31-03-2011.

---

**For G. Venugopal Ramnath & Co**

**DIRECTORS**

Chartered Accountants

- Adv. Mani Vishayathil - Chairman - Sd/
- V. Rajappan - Director - Sd/
- Sabitha Shenol P. PC.A (Mem No. 315088) - Managing Director - Sd/
- S. Prabha Desai - General Manager (Finance) - Sd/
- Shri R. Ramnath - Company Secretary - Sd/

Thrisur

08-03-2011
THE KERALA STATE FINANCIAL ENTERPRISES LIMITED, THRISSUR-680 020

PROFIT & LOSSES ACCOUNT AS AT 31- MARCH, 2010

Particulars                        Schedule

As at 31-03-2010               As at 31-03-2009

INCOME
Foreman Commission 2,344,932.218  1,629,875.096
Finance Charges  4,288,080  2,777,666
Interest  7  2,503,857.763  2,188,767.828
Other income  386,411.006  206,290.998
Total Income  5,039,499.987  4,237,834.420

EXPENDITURE
Interest & Finance Charges  9  2,382,720.883  1,759,582.045
Staff Expenditure  10  2,067,757.199  1,412,253.498
Administrative & Other Expenses, 11  661,883.017  489,837.829
Promotional Expenses  12  361,217.821  326,777.924
Bad Debt written off  419,706  664,017
Provision for Bad & Doubtful Debts  25,000,000
Floating provision on Standard Assets  35,000,000
Depreciation  35,536,962  26,604,316
Total Expenditure  5,371,555.390  4,015,219.529

Profit for the year  367,915.169  312,646.931
Profit before Tax  367,744.518  311,577.669
Provision for Tax  13  1,090,651  1,037,222
For the Current Year  124,024,000  113,100,000
For Previous Years  137,411,088  61,330,334
Profit After Tax  381,313,406  124,782,335
Balance Brought Forward from Last Year  484  149
Total  381,313,064  124,782,484

APPROPRIATIONS
General Reserve  334,334,000  101,578,000
Proposed Dividend  40,000,000  20,000,000
Corporation Tax  6,798,000  3,399,000
Balance Carried to Balance Sheet  90  464
Total  381,312,090  124,782,404

No. of Equity Shares (Face Value of Rs.10 each). 2,000,000  1,000,000
Earnings per share (Basic & Diluted)  191  125
Significant Accounting policies and Notes to the accounts  1
Schedule 7 to 13 & 14 annexed hereto form part of the Profit & Loss Account
This is the Profit & Loss Account referred to in our report dated 31.03.2011

For G.Venugopal Kamath & Co
DIRECTORS
Chartered Accountants
Adv. Mani Vithayathythil  Chairman  Sd/-
V. Rajappan  Director  Sd/-

Sathesh Shinhol P.CA (Minn No. 215888)
(Partner)
S. Sarah Chandran  General Manager (Finance)  Sd/-

Thiruvananthapuram
08-03-2011

2009-10 (\₹)  2008-09 (\₹)

C) Accounting for Taxes on Income (AS-22)
In compliance with the AS-22 on Accounting for taxes on income, the Company has a net deferred tax assets of `141,932.1074 - as on 31.03.2010 against the Net Deferred Tax Assets of `36,645.653 - as on 31.03.2009 as detailed below:

Particulars
Depreciation on Fixed Assets  120,483.27  282,676.00
Items allowable as 43B  759,499.35  502,443.39
Provision for Leave Salary  331,825.12  310,708.51
Provision for Bad & Doubtful Debts  419,221.74  366,655.35

Net Deferred Tax Assets
Deferred tax assets have not been recognized since there is no virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such Deferred Tax Asset can be realized.
Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted as on the balance sheet date.

D) Service Tax- 1) The appeal preferred by the Company before CESTAT, Bangalore against levy of service tax on commission received from WLMT transactions was decided in favour of the Company. Based on the decision, the Company has submitted its refund claim of service tax already paid under this category & has also stopped making any further payments towards service tax on commission income from WLMT business.
2) Mangalore Branch: Stay has been obtained from the Hon. High Court of Kerala against the verdict of Uppal Ayakut demand for refund of service tax to a specific subscriber.
3) The Company had filed a writ petition before the Hon’ble High Court of Kerala with regard to levy of Service Tax on foreman’s commission & the same is still pending.

4) Prior period adjustment
As required vide AS-5 both prior period income and expenditure have been disclosed in Schedule-13 and the net effect has been taken in the Profit and Loss Account.

5) Particulars of Loans and Advances
Advances recoverable in cash or kind or for valuation to be received:
a) Considered good for which Company is fully secured
   1. Hire Purchase Advances  280,031.17  124,541.32
   2. Amount receivable from prior subscribers  385,816,651  267,904,036
   3. Revenue Recovery Debtors  479,500,047  225,790,083
   4. Cash Loans / New Cash Loans  451,537,156  329,965,063
   5. Gold Loan  593,999,991  510,791,161
   6. FD Loan / New Fixed Deposit Loan  2,120,195  2,215,573
   7. House Loan to Employees  37,405,004  366,427,181
   8. Vehicle Loan to Employees  124,908.09  1,188,087
   9. Trade Loan  156,089.92  375,000
   10. Housing Finance Scheme/NHFS  303,070,500  291,827,199
   11. Reliable Customer Loan  302,058,187  281,795,254
   12. Consumer Vehicle Loan  2,993,076,996  2,711,065
   13. Gold Planning Loan Scheme  351,833  293,948
   14. Sugam Akshay OD  1,189,031  894,343.748
   15. Mangala Loan  96,360  99,134
   16. Kamalashla Loan  137,074  166,644
   17. Employees Computer Loan  437,966  1,246,804
   18. Interest Due and Outstanding  746,101.04  593,801.82
3. INCOME TAX

(a) Income tax assessments are completed up to the Assessment Year 2008-09.
(b) M/s are pending with the Hon'ble High Court of Kerala for the following Assessment Years.

(i) Income Tax:

A.Y. 1995-96 (filed writ petition against the order of the Assistant Commissioner of Income Tax). High Court dismissed petition directing Chief Commissioner of Income Tax, Kochi to consider the matter afresh with reference to interest under Sec. 234A & 234C of the Income Tax Act 1961. But the Chief Commissioner of Income Tax, Kochi again disallowed the same. A writ petition was filed against the same & the same is still pending.

(ii) Interest on Income Tax: The Income Tax Department has filed appeal in Hon'ble High Court of Kerala against the orders of Income Tax Appellate Tribunal for the following Assessment Years:


As per Order No.111/2007 of Hon'ble High Court of Kerala, the High Court dismissed Company's contention that interest tax is not applicable on Finance charges under Hire Purchase Scheme. The Company has filed a Special Leave Petition with Hon'ble Supreme Court against this order & the same is still pending.

(c) Other Matters of Income Interest Tax

(i) Interest Rate: 2003-04 As per Assessee order dated 16.01.2006, the ACT (TIR) had demanded Rs.19,47,149. The appeal filed by the Company against this order was allowed by CIT (A) Kochi vide order ITA 70/R-ITC/K1/CT/2005-06 dated 29.03.06. ITD had filed an appeal against the aforesaid order of the CIT (A) before the ITAT. ITAT issued orders partially allowing in favour of the Company on 30.09.2010. The rectification order based on the ITAT orders had been issued by ACT, Thrissur on 30.09.2010.

(ii) Interest Rate: 93-94, 94-95, 95-96, 96-97, 97-98 & 99-2000: The Interest Officer had demanded Rs.14,42,977, Rs.3,46,005, Rs.3,68,292 & 2,74,545 respectively for A.Y. 93-94, 94-95, 95-96 & 99-99 respectively for A.Y. 96-97 & 97-98 relating to the tune of Rs.1,69,129 & Rs.7,87,799 respectively which had been sanctioned. During the year, the Company has neither paid nor received any amount towards interest tax.

(iii) Income Tax A.Y. 2004-05: As per Assessee order dated 18.12.06, the ACT (TIR) had demanded Rs.5,46,793. After adjusting various payments made subsequently, the net amount due is Rs.1,69,98,529.

The appeal filed by the Company against this order was allowed by CIT (A) Kochi vide order ITA 46/R-ITC/K1/CT/2006-07 dated 14.07.08. ACT (TIR) had given effect to the aforesaid order of CIT (A) on 31.12.10.

(iv) Income Tax A.Y. 2007-08: As per Assessee order dated 28.12.09, the assessment for 2007-08 was completed without considering the amount of advance tax remitted (Rs.19,51,10,000) and demand was raised for Rs.10,35,29,981. The Company had filed appeal against this order with CIT (Appeals) Kochi and is still pending in the meanwhile, ACT/Thrisur rectified the amount pertaining to non-consideration of Advance Tax and TDS & issued a rectification order u/s 145 along with refund order for Rs.7,04,21,058 (excluding interest u/s 244A) on 20.03.10.
### SCHEDULE 5: CURRENT ASSETS, LOANS & ADVANCES

#### A. CURRENT ASSETS:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stock of Stationery (at cost and valued certified by Management)</td>
<td>8,838,526</td>
<td>9,921,472</td>
</tr>
<tr>
<td>2. Cash and Bank Balance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Cash, Cheques and Stamps on hand</td>
<td>46,755,035</td>
<td>66,643,193</td>
</tr>
<tr>
<td>b. Bank &amp; Treasury balances as per Schedule-5(a)</td>
<td>14,654,791,624</td>
<td>10,126,701,904</td>
</tr>
<tr>
<td>3. PCIe inter office remittance</td>
<td>67,401,661</td>
<td>247,243,338</td>
</tr>
<tr>
<td>4. Inter branch current account</td>
<td>3,890,502</td>
<td></td>
</tr>
<tr>
<td>5. Pad Merchants Ltd-WUPMT</td>
<td>876,185</td>
<td></td>
</tr>
<tr>
<td>6. Other Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Interest accrued on deposits &amp; loans</td>
<td>369,248,210</td>
<td>179,557,605</td>
</tr>
<tr>
<td>b. Social Security Scheme:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Employees</td>
<td>1,777,999</td>
<td>1,777,921</td>
</tr>
<tr>
<td>b) Balance with Treasury</td>
<td>19,000,000</td>
<td>19,612,030</td>
</tr>
<tr>
<td>Sub-total (A)</td>
<td>15,484,311,113</td>
<td>10,456,467,472</td>
</tr>
</tbody>
</table>

#### B. LOANS AND ADVANCES:

1. Advances recoverable in cash or in kind or for value to be received | 22,321,571 | 29,474,049 |
2. Gold Loan | 5,822,996,197 | 5,107,811,616 |
3. Hire Purchase Advances | 860,000 | 950,000 |
4. Amount recoverable from printed subscribers | 38,634,616,561 | 26,791,405,426 |
5. Revenue Recovery Debtors | 577,942,831 | 470,490,047 |
6. Clients Loan/Favourable Client Loan | 4,942,973,560 | 225,790,093 |
7. Less: Provision for Bad & Doubtful Debts | 407,700,000 | 4,515,371,560 |
8. Less: Floating Provision for Standard assets | 1,600,000 | 3,299,600,643 |
9. F.D. Loan/N.D.I.D. | 1,000,000 | 275,358,195 |
10. Less: Provision for Bad & Doubtful Debts | 3,600,000 | 275,358,195 |
11. Trade Loan & Favourable Trade loan | 1,460,993 | 221,154,773 |
12. Less: Provision for Bad & Doubtful Debts | 100,000 | 1,360,893 |
13. H.I.S (N.F.C.) | 323,750,000 | 3,752,001 |
14. Less: Provision for Bad & Doubtful Debts | 20,450,000 | 203,370,300 |
16. Less: Provision for Bad & Doubtful Debts | 1,40,450,000 | 13,54,500,000 |
18. Consumer Credit Ltd | 312,739,749 | 270,116,355 |
19. Less: Provision for Bad & Doubtful Debts | 72,900,000 | 299,849,769 |
20. Tax Planning Loan Scheme | 3,514,353 | 2,079,988 |
21. Saguara Akhata NGO | 181,386,417 | 82,047,748 |
22. House Loan to Employees | 271,689,004 | 346,473,181 |
23. Vehicle Loan to Employees | 7,490,409 | 1,188,074 |
24. Maruthi Loan Scheme | 992,630 | 971,524 |
25. Kavilahs Loan Scheme | 137,847 | 164,644 |
26. Employees Computer Loan | 4,375,065 | 1,864,040 |
27. Interest due and outstanding | 74,681,049 | 59,390,182 |
28. Sub-total (B) | 33,012,653,355 | 35,599,668,833 |
29. Total Bank Balances | 69,191,156,446 | 50,231,058,505 |

#### SCHEDULE 6: BANK BALANCES

<table>
<thead>
<tr>
<th>Particulars</th>
<th>In Current Account ?</th>
<th>In Deposit Account ?</th>
<th>In Savings Account ?</th>
<th>Total as at 31-03-2010 ?</th>
<th>Total as at 31-03-2009 ?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. With Nationalised/Scheduled Banks</td>
<td>308,375,953</td>
<td>505,831,945</td>
<td>814,076,698</td>
<td>563,343,350</td>
<td></td>
</tr>
<tr>
<td>B. With Co-operative Banks</td>
<td>70,589,465</td>
<td>70,589,465</td>
<td>69,075,575</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. With Treasuries C.S.I.D</td>
<td>6,246,183,000</td>
<td>6,246,183,000</td>
<td>6,666,766,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Others</td>
<td>7,407,349,000</td>
<td>7,365,262,624</td>
<td>8,402,716,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>319,165,418</td>
<td>4,237,363,945</td>
<td>6,864,751,624</td>
<td>8,402,716,400</td>
<td></td>
</tr>
<tr>
<td>Total for Previous Year</td>
<td>16,907,746,000</td>
<td>10,126,701,904</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE 14
Notes attached to and forming part of Accounts

A) ACCOUNTING METHODOLOGY

a) The accounts have been prepared on historical cost basis of accounting. The Company adopts the accrual system of accounting except in cases listed in (b) of (B) below:

B) REVENUE RECOGNITION

a) Finance Charges in respect of Hire Purchase Scheme, Mangalaya loan scheme and Housing Finance Scheme are apportioned over the period of loan by even spread method.

b) Accrual method of accounting for interest income on advances is followed in all loans except on priced defaults on Chitlises. However, on advances where interest or principal is overdue for more than six months and falls under the category of NPA as per RBI norms, cash systems of accounting is followed.

c) Interest on treasury deposits matured and due has been calculated at 5% being the rate applicable for Treasury Saving Bank Account.

d) As per Government Order No. (H)N/487/04/Fin dtd. 16.10.2004, Guarantee Commission due in a year has to be paid in 2 equal installments- on 1st April and 1st October of succeeding year. The Order was effective from the accounting year 2003-04. The Company has been consistently following the practice of accounting the guarantee commission in the year for which it is due till financial year 2007-08. However, from 2008-09 onwards, the Company has been providing guarantee commission due on the outstanding balance of deposits as at the end of the relevant financial year.

C) FIXED ASSETS

Fixed assets are stated at cost less depreciation

D) DEPRECIATION

(i) Depreciation on fixed assets has been provided on written down value method at rates specified in Schedule XIV of the Companies Act, 1956. Assets costing ₹5,000 and below are written off in the year of purchase itself.

(ii) Software development/modification expenses are capitalized and depreciated at rates as applicable to data processing equipments.

(iii) Presently, the Company is having a BAS (Branch Automation Software) and is in the process of developing a new core accounting software (CASBA), likely to be ready for implementation during 2011-12.

E) STAFF BENEFITS

(i) The Company's liability towards gratuity to the employees is covered by Group Gratuity Cash Accumulation Scheme of the Life Insurance Corporation of India. The actuarial assumptions taken by LIC are as follows:

<table>
<thead>
<tr>
<th>Method of valuation</th>
<th>Discount rate</th>
<th>Mortality rate</th>
<th>Withdrawal rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Unit Credit method</td>
<td>8% p.a.</td>
<td>LC 1994-95 Ultimate</td>
<td>3% depending on age</td>
</tr>
<tr>
<td>Projected Unit Credit method</td>
<td>8% p.a.</td>
<td>LC 1994-95 Ultimate</td>
<td>3% depending on age</td>
</tr>
</tbody>
</table>

(ii) Liability on account of encashment of leave to employees is provided based on actuarial valuation as on 31.03.2010. The actuarial assumptions taken are as follows:

<table>
<thead>
<tr>
<th>Method of valuation</th>
<th>Discount rate</th>
<th>Mortality rate</th>
<th>Withdrawal rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Unit Credit method</td>
<td>8% p.a.</td>
<td>LC 1994-95 Ultimate</td>
<td>3% depending on age</td>
</tr>
<tr>
<td>Attained Age method</td>
<td>8% p.a.</td>
<td>LC 1994-95 Ultimate</td>
<td>3% depending on age</td>
</tr>
<tr>
<td>Particulars</td>
<td>As at 31-03-2010</td>
<td>As at 31-03-2009</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td></td>
</tr>
<tr>
<td>Interest Receipts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Gold Loan</td>
<td>485,463,182</td>
<td>358,789,443</td>
<td></td>
</tr>
<tr>
<td>On Fixed Deposit Loan / PFD</td>
<td>26,331,423</td>
<td>22,333,020</td>
<td></td>
</tr>
<tr>
<td>On Chitty Loan / Passbook Loan</td>
<td>63,711,966</td>
<td>40,537,763</td>
<td></td>
</tr>
<tr>
<td>On Trade Loan / F Levy Trade Loan</td>
<td>1,285,264</td>
<td>833,684</td>
<td></td>
</tr>
<tr>
<td>On New Chitty Loan</td>
<td>414,366,486</td>
<td>265,041,722</td>
<td></td>
</tr>
<tr>
<td>On N.H.F.S. / H.F.S.</td>
<td>37,697,906</td>
<td>37,523,257</td>
<td></td>
</tr>
<tr>
<td>Reliable Customer Loan</td>
<td>356,873,642</td>
<td>295,291,028</td>
<td></td>
</tr>
<tr>
<td>Consumer/Vehicle Loan</td>
<td>37,557,255</td>
<td>33,053,583</td>
<td></td>
</tr>
<tr>
<td>On Tax Planning Loan Scheme</td>
<td>313,413</td>
<td>389,576</td>
<td></td>
</tr>
<tr>
<td>On Siswa Alksys OD</td>
<td>12,032,982</td>
<td>8,647,608</td>
<td></td>
</tr>
<tr>
<td>On Deposit with Treasury / Bank</td>
<td>1,772,613,101</td>
<td>726,826,625</td>
<td></td>
</tr>
<tr>
<td>Default Interest</td>
<td>333,566,240</td>
<td>278,813,307</td>
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</tr>
<tr>
<td>Others</td>
<td>62,291,172</td>
<td>57,851,212</td>
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</tr>
<tr>
<td>Total</td>
<td>3,203,867,763</td>
<td>2,388,767,828</td>
<td></td>
</tr>
<tr>
<td>SCHEDULE-8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend income on Securitised Tickets</td>
<td>126,721,776</td>
<td>88,030,216</td>
<td></td>
</tr>
<tr>
<td>Profit on subscription tickets</td>
<td>196,026,978</td>
<td>165,897,831</td>
<td></td>
</tr>
<tr>
<td>Writing fee</td>
<td>37,127,044</td>
<td>28,845,497</td>
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</tr>
<tr>
<td>Secrecy fee</td>
<td>3,020</td>
<td>6,675</td>
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</tr>
<tr>
<td>Discount from suppliers</td>
<td>1,646,009</td>
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<tr>
<td>Profit on Sale of Assets</td>
<td>59,142</td>
<td>23,223</td>
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<tr>
<td>Agricultural Income</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rent</td>
<td>12,856</td>
<td>123,600</td>
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<tr>
<td>Miscellaneous Income</td>
<td>26,490,171</td>
<td>21,819,947</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>384,441,006</td>
<td>306,390,998</td>
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<td>SCHEDULE-9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Finance Charges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Fixed Deposits</td>
<td>2,139,086,316</td>
<td>1,537,674,842</td>
<td></td>
</tr>
<tr>
<td>Interest on Siswa Deposits</td>
<td>120,528,889</td>
<td>110,988,021</td>
<td></td>
</tr>
<tr>
<td>Interest on Others</td>
<td>5,125,212</td>
<td>8,247,677</td>
<td></td>
</tr>
<tr>
<td>Guarantee Commission</td>
<td>177,660,266</td>
<td>102,631,505</td>
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<tr>
<td>Total</td>
<td>2,392,728,883</td>
<td>1,799,342,045</td>
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<td>SCHEDULE-10</td>
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</tr>
<tr>
<td>Staff Expenses</td>
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<td></td>
</tr>
<tr>
<td>Salaries and Allowances</td>
<td>1,640,375,654</td>
<td>1,097,758,981</td>
<td></td>
</tr>
<tr>
<td>Contribution to Provident Fund</td>
<td>171,194,894</td>
<td>117,887,477</td>
<td></td>
</tr>
<tr>
<td>Contribution to Gratuity Fund</td>
<td>38,089,666</td>
<td>75,154,862</td>
<td></td>
</tr>
<tr>
<td>Earned Leave Salary</td>
<td>75,426,939</td>
<td>13,352,851</td>
<td></td>
</tr>
<tr>
<td>Bonus &amp; Performance Incentive</td>
<td>101,183,638</td>
<td>83,741,327</td>
<td></td>
</tr>
<tr>
<td>Staff welfare expenses</td>
<td>22,486,318</td>
<td>24,158,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,669,757,109</td>
<td>1,412,253,490</td>
<td></td>
</tr>
</tbody>
</table>

**SCHEDULE-11**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative &amp; other expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle running expenses</td>
<td>2,492,163</td>
<td>2,576,160</td>
</tr>
<tr>
<td>Rents</td>
<td>47,920,266</td>
<td>34,026,856</td>
</tr>
<tr>
<td>Rates &amp; Taxes</td>
<td>1,711,064</td>
<td>998,381</td>
</tr>
<tr>
<td>Electricity &amp; Water charges</td>
<td>15,566,002</td>
<td>13,893,364</td>
</tr>
<tr>
<td>Postage, Telegraph &amp; Telephone</td>
<td>39,738,457</td>
<td>32,912,502</td>
</tr>
<tr>
<td>Printing &amp; Stationery</td>
<td>34,735,297</td>
<td>32,095,553</td>
</tr>
<tr>
<td>Legal &amp; Professional charges</td>
<td>4,122,544</td>
<td>2,531,461</td>
</tr>
<tr>
<td>Registration &amp; Filing fee</td>
<td>179,821,098</td>
<td>129,730,337</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,525,200</td>
<td>1,229,811</td>
</tr>
<tr>
<td>Sitting Fees to Directors</td>
<td>49,600</td>
<td>34,800</td>
</tr>
<tr>
<td>Service Charges to Govt.</td>
<td>293,115,465</td>
<td>203,737,728</td>
</tr>
<tr>
<td>Service Tax</td>
<td>3,925,792</td>
<td>2,625,321</td>
</tr>
<tr>
<td>Loss on Sale of Assets</td>
<td>19,800</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>14,997,428</td>
<td>12,865,613</td>
</tr>
<tr>
<td>Software Expenses</td>
<td>87,000</td>
<td></td>
</tr>
<tr>
<td>Travelling Expenses</td>
<td>9,294,417</td>
<td>10,472,942</td>
</tr>
<tr>
<td>Repairs and maintenance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>1,431,383</td>
<td></td>
</tr>
<tr>
<td>Data processing Equipments</td>
<td>4,909,293</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>3,502,081</td>
<td></td>
</tr>
<tr>
<td>Remuneration to Auditors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Audit</td>
<td>2,546,307</td>
<td>4,736,750</td>
</tr>
<tr>
<td>For Tax Audit</td>
<td>522,500</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,448,807</td>
<td>2,079,260</td>
</tr>
<tr>
<td>611,883,017</td>
<td>489,837,829</td>
<td></td>
</tr>
</tbody>
</table>

**SCHEDULE-12**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotional Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement</td>
<td>46,208,714</td>
<td>42,080,838</td>
</tr>
<tr>
<td>Development Expenses</td>
<td>214,705,107</td>
<td>281,147,016</td>
</tr>
<tr>
<td>Total</td>
<td>361,217,821</td>
<td>324,227,924</td>
</tr>
</tbody>
</table>

**SCHEDULE-11 Prior Period Adjustments (Net)**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior period income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreman commission</td>
<td>714,675</td>
<td>352,675</td>
</tr>
<tr>
<td>Other interest receipts</td>
<td>381,839</td>
<td>141,405</td>
</tr>
<tr>
<td>Salaries &amp; Allowances</td>
<td>157,908</td>
<td>337,894</td>
</tr>
<tr>
<td>Profit on chitty substituted by Co.</td>
<td>165,721</td>
<td></td>
</tr>
<tr>
<td>Removed subscriber's contribution</td>
<td>162,699</td>
<td>104,242</td>
</tr>
<tr>
<td>Amount payable to subscribers in terminated chtities</td>
<td>1,375,149</td>
<td></td>
</tr>
<tr>
<td>General Suspense</td>
<td>42,925</td>
<td></td>
</tr>
<tr>
<td>Interest on new chitty loan</td>
<td>41,639</td>
<td>45,935</td>
</tr>
<tr>
<td>Interest on Gold Loan</td>
<td>4,718</td>
<td>9,969</td>
</tr>
<tr>
<td>Interest on Fixed deposit with Treasury</td>
<td>1,349,009</td>
<td>632,145</td>
</tr>
<tr>
<td>Advertisement Expenses</td>
<td>160,399</td>
<td>430,400</td>
</tr>
<tr>
<td>Service tax / Service charges Payable to Govt.</td>
<td>61,951</td>
<td>29,184</td>
</tr>
<tr>
<td>Others</td>
<td>399,506</td>
<td>204,199</td>
</tr>
<tr>
<td>Total</td>
<td>2,804,419</td>
<td>2,459,910</td>
</tr>
</tbody>
</table>

**Prior period Expenses**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Allowances</td>
<td>377,187</td>
<td>95,612</td>
</tr>
<tr>
<td>Office rent</td>
<td>909,188</td>
<td>665,069</td>
</tr>
<tr>
<td>Interest on FD from Public</td>
<td>24,314</td>
<td>70,876</td>
</tr>
<tr>
<td>Loss on chitty substituted by Co.</td>
<td>41,297</td>
<td>148,702</td>
</tr>
<tr>
<td>Interest on New chitty loan</td>
<td>88,372</td>
<td>117,818</td>
</tr>
<tr>
<td>Interest on FD with Treasury</td>
<td>17,405</td>
<td>310,413</td>
</tr>
<tr>
<td>Other interest Payments</td>
<td>340,790</td>
<td>489,710</td>
</tr>
<tr>
<td>Printing &amp; Stationery</td>
<td>52,269</td>
<td>792,230</td>
</tr>
<tr>
<td>Sales promotion/publicity</td>
<td>110,995</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1,035,173</td>
<td>806,712</td>
</tr>
<tr>
<td>Total</td>
<td>2,997,070</td>
<td>2,497,132</td>
</tr>
<tr>
<td>Adjustments-Credit(-)/Debit(+)</td>
<td>(190,561)</td>
<td>(1,037,222)</td>
</tr>
</tbody>
</table>
### SCHEDULE-7

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Gold Loan</td>
<td>485,463,185</td>
<td>585,789,443</td>
</tr>
<tr>
<td>On Fixed Deposits Loan/NDIL</td>
<td>26,331,423</td>
<td>22,333,020</td>
</tr>
<tr>
<td>On Chitco Loan / Passbook Loan</td>
<td>63,711,696</td>
<td>40,573,763</td>
</tr>
<tr>
<td>On Trade Loan / Flexy Trade Loan</td>
<td>1,285,246</td>
<td>833,884</td>
</tr>
<tr>
<td>On New Chitco Loan</td>
<td>414,366,486</td>
<td>265,041,722</td>
</tr>
<tr>
<td>On N.H.F.S. / H.F.S.</td>
<td>37,697,906</td>
<td>37,523,357</td>
</tr>
<tr>
<td>Reliable Customer Loan</td>
<td>356,837,642</td>
<td>295,291,028</td>
</tr>
<tr>
<td>Consumer/Vehicle Loan</td>
<td>37,557,255</td>
<td>33,053,583</td>
</tr>
<tr>
<td>On Tax Planning Loan Scheme</td>
<td>313,413</td>
<td>389,576</td>
</tr>
<tr>
<td>On Sagma Akshayas OD</td>
<td>12,032,982</td>
<td>8,647,608</td>
</tr>
<tr>
<td>On Deposit with Treasury / Bank</td>
<td>1,772,113,101</td>
<td>762,826,625</td>
</tr>
<tr>
<td>Default Interest</td>
<td>333,566,240</td>
<td>278,613,307</td>
</tr>
<tr>
<td>Others</td>
<td>62,291,172</td>
<td>57,851,212</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,203,867,763</strong></td>
<td><strong>2,388,767,828</strong></td>
</tr>
</tbody>
</table>

### SCHEDULE-8

**Other Income**
- Dividend income on Subsidiary Tickets: 126,721,776
- Profit on substituted tickets: 196,026,978
- Writing fee: 37,127,044
- Stock Exchange fee: 3,030
- Discount from suppliers: 1,466,009
- Profit on Sale of Assets: 59,142
- **Total Income from Other Operations**: 384,441,006

### SCHEDULE-9

**Interest and Finance Charges**
- Interest on Fixed Deposits: 2,139,086,216
- Interest on Sagma Deposits: 120,528,889
- Interest on Others: 5,255,212
- **Guarantee Commission**

**Total Interest and Finance Charges**: 2,264,879,283

### SCHEDULE-10

**Staff Expenses**
- Salaries and Allowances: 1,640,375,654
- Contribution to Provident Fund: 171,194,894
- Contribution to Gratuity Fund: 38,889,666
- Earned Leave Salary: 75,426,939
- Bonus & Performance Incentive: 101,183,638
- **Staff welfare expenses**: 22,486,318

**Total Staff Expenses**: 2,069,477,109

### SCHEDULE-11

**Administrative & Other expenses**
- Vehicle running expenses: 2,492,163
- Rates: 47,920,066
- Rates & Taxes: 1,171,064
- Electricity & Water charges: 15,566,002
- Postage, Telegraph & Telephone: 39,718,457
- Printing & Stationery: 34,735,297
- Legal & Professional charges: 4,126,954
- Registration & Filing fee: 179,821,098
- Insurance: 1,652,260
- Sinking Fund: 49,600
- Service Charges to Govt.: 293,115,465
- Service Tax: 3,925,752
- Loss on Sale of Assets: 14,997,438
- Miscellaneous expenses: 12,865,613
- Software Expenses: 87,600
- **Travelling Expenses**: 9,294,417
- **Repairs and maintenance**: 10,472,942
- **Total Administrative Expense**: 64,833,017

### SCHEDULE-12

**Promotional Expenses**
- Advertisement: 46,308,714
- Development Expenses: 214,909,107
- **Total Promotional Expenses**: 261,217,821

### SCHEDULE-13

**Prior Period Adjustments (Net)**
- Prior period Income: 714,675
- Other interest receipts: 391,839
- **Salaries & Allowances**: 357,908
- Profit on chitco subvented by Co.: 165,721
- **Total Prior Period Income**: 482,267

### Adjustments-Credit/(+)
- **Total Adjustments**: 2,459,910

---

**KSEF**

 laundry4: **THE KERALA STATE FINANCIAL ENTERPRISES LIMITED, THRISSUR-680 020**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**
**THE KERALA STATE FINANCIAL ENTERPRISES LIMITED, THRISSUR-680 020**

### SCHEDULE 14

**Notes attached to and forming part of Accounts**

#### A) ACCOUNTING METHODOLOGY

a) The accounts have been prepared on historical cost basis of accounting. The Company adopts the accrual system of accounting except in cases listed in (b) of (8) below:

#### B) REVENUE RECOGNITION

a) Finance Charges in respect of Hire Purchase Scheme, Mangalya loan scheme and Housing Finance Scheme are apportioned over the period of loan by even spread method.

b) Accrual method of accounting for interest income on advances is followed in all loans except on priced defaults on Chitkars. However, on advances where interest or principal is overdue for more than six months and falls under the category of NPA as per RBI norms, cash systems of accounting is followed.

c) Interest on treasury deposits matured and due has been calculated @ 5% being the rate applicable for Treasury Saving Bank Account.

d) As per Government Order No. (H) No.487/89 in dtd. 16.10.2004, Guarantee Commission due is to be paid in 2 equal installments - on 1st April and 1st October of succeeding year. The Order was effective from the accounting year 2003-04. The Company had been consistently following the practice of accounting the guarantee commission in the year for which it is due till financial year 2007-08. However, from 2008-09 onwards, the Company has been providing guarantee commission due on the outstanding balance of deposits as at the end of the relevant financial year.

#### C) FIXED ASSETS

Fixed assets are stated at cost less depreciation

#### D) DEPRECIATION

(i) Depreciation on fixed assets has been provided on written down value method at rates specified in Schedule XIV of the Companies Act, 1956. Assets costing $5,000 and below are written off in the year of purchase itself.

(ii) Software development modification expenses are capitalized and depreciated at rates as applicable to data processing equipments.

(iii) Presently, the Company is having a BAS (Branch Automation Software) and is in the process of developing a new core accounting software (CASBA), likely to be ready for implementation during 2011-12.

#### E) STAFF BENEFITS

(i) The Company's liability towards gratuity to the employee is covered by Group Gratuity Cash Accumulation Scheme of the Life Insurance Corporation of India. The actuarial assumptions taken by LIC are as follows:

<table>
<thead>
<tr>
<th>Method of valuation</th>
<th>Discount rate</th>
<th>Mortality rate</th>
<th>Withdrawal rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Unit Credit method</td>
<td>8% p.a.</td>
<td>UC 1994-95 Ultimate</td>
<td>1% depending on age</td>
</tr>
<tr>
<td>Projected Unit Credit method</td>
<td>8% p.a.</td>
<td>UC 1994-95 Ultimate</td>
<td>1% depending on age</td>
</tr>
</tbody>
</table>

(ii) Liability on account of encashment of leave to employees is provided based on actuarial valuation as on 31.03.2010. The actuarial assumptions taken are as follows:

<table>
<thead>
<tr>
<th>Method of valuation</th>
<th>Discount rate</th>
<th>Mortality rate</th>
<th>Withdrawal rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Unit Credit method</td>
<td>8% p.a.</td>
<td>UC 1994-95 Ultimate</td>
<td>1% depending on age</td>
</tr>
<tr>
<td>Projected Unit Credit method</td>
<td>8% p.a.</td>
<td>UC 1994-95 Ultimate</td>
<td>1% depending on age</td>
</tr>
</tbody>
</table>

---

### SCHEDULE 6: CURRENT LIABILITIES & PROVISIONS

#### A. CURRENT LIABILITIES:

1. Sundry Creditors:
   a. Chingy Kuri
   b. Hire Purchase
   c. Others (Suppliers of HP Items)*
   d. Housing Finance

#### B. PROVISIONS:

- For Taxation: 264,786,297
  
- Last Year's Income Tax Paid: 257,201,162
  
- Proposed Dividend: 7,585,135
  
- For 2008-09: 20,000,000
  
- For 2009-10: 40,000,000
  
- Dividend Tax: 8,455,000
  
- Leave Encashment: 267,298,466
  
- Interest on Payable: 9,699,463

#### Sub-total (B):

237,348,066

#### Grand Total (A + B):

249,925,264

---

* Figures pertaining to small-scale industrial units, if any, are not identifiable separately.
### Schedule 5: Current Assets, Loans & Advances

#### A. Current Assets

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31-03-2010 (₹)</th>
<th>As at 31-03-2009 (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stock of Stationery (at cost and valued and certified by Management)</td>
<td>8,838,526</td>
<td>9,921,472</td>
</tr>
<tr>
<td>2. Cash and Bank Balances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Cash, Cheques and Stamps on hand</td>
<td>46,735,035</td>
<td>66,643,193</td>
</tr>
<tr>
<td>b. Bank &amp; Treasury balances as per Schedule-5(a)</td>
<td>14,654,791,624</td>
<td>10,126,701,904</td>
</tr>
<tr>
<td>c. Inter-office remittances (in transit)</td>
<td>40,718,466</td>
<td>274,243,338</td>
</tr>
<tr>
<td>d. Inter-branch current accounts</td>
<td>1,892,958</td>
<td>3,988,378</td>
</tr>
<tr>
<td>e. Paul Merchants Ltd-VWLMT</td>
<td>876,185</td>
<td></td>
</tr>
<tr>
<td>3. Other Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Interest accrued on deposits &amp; loans</td>
<td>369,284,210</td>
<td>179,557,606</td>
</tr>
<tr>
<td>b. Social Security Scheme:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Empties</td>
<td>1,257,989</td>
<td>1,277,921</td>
</tr>
<tr>
<td>b. Balance with Treasury</td>
<td>1,968,201</td>
<td>19,611,228</td>
</tr>
<tr>
<td>Sub-total (A)</td>
<td>15,248,521,113</td>
<td>16,461,456,472</td>
</tr>
</tbody>
</table>

#### B. Loans and Advances:

1. Advances recoverable in cash or in kind or for value to be received | 22,321,571 | 29,474,049 |
2. Gold Loan | 5,822,996,197 | 5,107,811,616 |
3. Hire Purchase Advances | 3,483,517 | 1,245,613 |
4. Amount recoverable from price subscribers | 38,634,616,561 | 28,791,405,426 |
5. Revenue Recovery Debtors | 774,942,837 | 225,790,073 |
6. Interest on Hire Purchase | 4,945,27,589 | 2,399,650,663 |
7. Less: Floating Provision for standard asset | 16,980,099 | 3,752,001 |
8. F.D. Loan/NDL | 275,358,195 | 221,154,773 |
9. Less: Provision for Bad & Doubtful Debts | 100,000 | 3,752,001 |
10. Trade & Hire Purchase Loan | 33,770,550 | 3,752,001 |
12. Creditors | 3,176,948,371 | 50,231,505,000 |
13. Less: Floating Provision for standard asset | 14,450,600 | 3,752,001 |
14. Consumer Vehicle Loan | 312,794,749 | 229,849,769 |
15. Less: Provision for Bad & Doubtful Debts | 129,000 | 271,106,535 |
16. Tax Planning Loan Scheme | 3,514,335 | 2,976,688 |
17. Sagarika Bhakshy OSI | 13,369,478 | 82,252,749 |
18. House Loan to Employees | 371,689,004 | 356,672,181 |
19. Vehicle Loan to Employees | 17,490,409 | 1,186,074 |
20. HNB Loan Scheme | 992,639 | 991,234 |
21. Kanyakumari Loan Scheme | 137,847 | 166,464 |
22. Employees Computer Loan | 4,379,065 | 1,864,840 |
23. Interest due and outstanding | 74,864,040 | 59,380,182 |

#### Sub-total (B) | 53,922,635,555 | 39,599,661,833 |

#### Grand Total (A + B) | 69,191,156,446 | 50,323,058,505 |

### Schedule 5A: Bank Balances

<table>
<thead>
<tr>
<th>Particulars</th>
<th>In Current Account (₹)</th>
<th>In Deposit Account (₹)</th>
<th>In Savings Account (₹)</th>
<th>Total as at 31-03-2010</th>
<th>Total as at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. With Nationalised/ Scheduled Banks</td>
<td>308,575,953</td>
<td>505,831,945</td>
<td>814,076,698</td>
<td>563,343,350</td>
<td></td>
</tr>
<tr>
<td>B. With Co-operative Banks</td>
<td>70,589,465</td>
<td>8,599,405</td>
<td>69,675,575</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. With Treasuries - C.S.D.</td>
<td>6,246,183,000</td>
<td>6,246,183,000</td>
<td>6,246,183,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Others</td>
<td>7,407,349,000</td>
<td>7,552,661,261</td>
<td>4,825,716,480</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>319,165,418</td>
<td>643,236,945</td>
<td>38,362,261</td>
<td>4,654,781,946</td>
<td></td>
</tr>
</tbody>
</table>

Total for Previous Year | 183,907,746 | 9,801,975,178 | 140,818,900 | 10,126,701,904 |
### 3. Income Tax

- **Income Tax**
  - a. A.Y. 1995-96 (filed writ petition against the order of the Assistant Commissioner of Income Tax). High Court dismissed petition directing Chief Commissioner of Income Tax, Kochi to consider the matter afresh with reference to interest under Sec.234A, 234B, 234C of the Income Tax Act 1961. But the Chief Commissioner of Income Tax, Kochi again disallowed the same. A writ petition was filed against the same & the same is still pending.

### 4. Other Matters of Income Tax

- **Interest Tax**
  - As per Order No.111/2007 of Hon'ble High Court of Kerala, The High Court disallowed Company's contention that interest tax is not applicable on Insurance charges under the HRISURF Scheme. The Company has filed a Special Leave Petition with Hon'ble Supreme Court against this order & the same is still pending.

- **Loans**
  - a. Secured Overdrafting from Banks (Against fixed deposits made by the Company)
    - As at 31.03.2009
    - Reserves & Surplus
      - General Reserve
      - Add: Transfer from Profit & Loss Account
      - b. Profit & Loss Account - Surplus
      - Total
  
  - b. Unsecured
    - I. Guaranteed by Govt. of Kerala:
      - a. Fixed Deposits from public
      - b. Non-operative Surplus
      - c. Maturity Short-term deposits not withdrawn
      - d. Interest accrued on
        - Fixed Deposits from public
        - Total
      - e. Chit Fund Deposits in Trust
    
    - II. Interest Tax
      - As per Order No.111/2007 of Hon'ble High Court of Kerala, The High Court disallowed the Company's contention that interest tax is not applicable on Insurance charges under the HRISURF Scheme. The Company has filed a Special Leave Petition with Hon'ble Supreme Court against this order & the same is still pending.

### 5. Schedule 4 - Assured Fund Assets & Depreciation thereon as on 31.03.2010

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31.03.2009</th>
<th>As at 31.03.2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Land</td>
<td>13246824</td>
<td>13246824</td>
</tr>
<tr>
<td>2 Building</td>
<td>14327889</td>
<td>14327889</td>
</tr>
<tr>
<td>3 Furniture &amp; Fixtures</td>
<td>15086182</td>
<td>17968433</td>
</tr>
<tr>
<td>4 Office Equipment</td>
<td>15995989</td>
<td>14372296</td>
</tr>
<tr>
<td>5 Electrical Fittings</td>
<td>11146056</td>
<td>6500097</td>
</tr>
<tr>
<td>6 Motor Vehicles</td>
<td>6557600</td>
<td>4037600</td>
</tr>
<tr>
<td>7 Bicycles</td>
<td>158097</td>
<td>6500</td>
</tr>
<tr>
<td>8 Data Processing Equipment</td>
<td>87509464</td>
<td>44651281</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>271214143</td>
<td>116103604</td>
</tr>
<tr>
<td><strong>Premises at Year Total</strong></td>
<td>28420869</td>
<td>24147697</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at 31.03.2009</th>
<th>As at 31.03.2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Land</td>
<td>13246824</td>
<td>13246824</td>
</tr>
<tr>
<td>2 Building</td>
<td>14327889</td>
<td>14327889</td>
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<td>15086182</td>
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</tr>
<tr>
<td>5 Electrical Fittings</td>
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<td>6500</td>
</tr>
<tr>
<td>8 Data Processing Equipment</td>
<td>87509464</td>
<td>44651281</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>271214143</td>
<td>116103604</td>
</tr>
<tr>
<td><strong>Premises at Year Total</strong></td>
<td>28420869</td>
<td>24147697</td>
</tr>
</tbody>
</table>
THE KERALA STATE FINANCIAL ENTERPRISES LIMITED, THRISSUR-680 020
PROFIT & LOSS ACCOUNT AS AT 31 MARCH, 2010

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Schedule</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreman Commission</td>
<td></td>
<td>2,344,923,718</td>
<td>1,629,947,906</td>
</tr>
<tr>
<td>Finance Charges</td>
<td></td>
<td>4,258,080</td>
<td>2,777,666</td>
</tr>
<tr>
<td>Interest</td>
<td>7</td>
<td>2,203,867,763</td>
<td>2,388,767,829</td>
</tr>
<tr>
<td>Other income</td>
<td>8</td>
<td>286,441,096</td>
<td>206,290,998</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td>5,399,499,567</td>
<td>4,327,834,420</td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest &amp; Finance Charges</td>
<td>9</td>
<td>2,382,720,883</td>
<td>1,759,582,045</td>
</tr>
<tr>
<td>Staff Expenses</td>
<td>10</td>
<td>2,068,757,189</td>
<td>1,412,223,498</td>
</tr>
<tr>
<td>Administrative &amp; Other Expenses</td>
<td>11</td>
<td>661,883,017</td>
<td>489,837,229</td>
</tr>
<tr>
<td>Promotional Expenses</td>
<td>12</td>
<td>361,217,821</td>
<td>326,777,924</td>
</tr>
<tr>
<td>Bad Debts written off</td>
<td></td>
<td>141,606</td>
<td>166,017</td>
</tr>
<tr>
<td>Provision for Bad &amp; Doubtful debts</td>
<td>250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flotating provision on Standard Assets</td>
<td>35,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>35,354,962</td>
<td>26,646,316</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
<td>5,571,555,398</td>
<td>4,015,219,529</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>367,515,814</td>
<td>313,614,691</td>
</tr>
<tr>
<td>Prior period adjustments (Net)</td>
<td>13</td>
<td>(190,651)</td>
<td>(1,037,223)</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td></td>
<td>367,744,518</td>
<td>314,577,469</td>
</tr>
<tr>
<td>Provision for Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For the Current Year</td>
<td></td>
<td>124,024,000</td>
<td>113,100,000</td>
</tr>
<tr>
<td>For Previous Years</td>
<td></td>
<td>137,411,088</td>
<td>61,330,334</td>
</tr>
<tr>
<td>For Stage Benefit Tax</td>
<td></td>
<td>12,365,000</td>
<td></td>
</tr>
<tr>
<td>Profit After Tax</td>
<td></td>
<td>381,132,406</td>
<td>124,782,335</td>
</tr>
<tr>
<td>Balance Brought Forward from Last Year</td>
<td>484</td>
<td>149</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>381,132,406</td>
<td>124,782,484</td>
</tr>
</tbody>
</table>

**APPROPRIATIONS**

| General Reserve          | 334,334,000 | 101,383,000 |
| Proposed Dividend        | 40,000,000  | 20,000,000  |
| Corporate Dividend Tax   | 6,798,000   | 3,399,000   |
| Balance Carried to Balance Sheet | 90         | 464         |
| **Total**                | 381,132,400 | 124,782,404 |

No. of Equity Shares (Face Value of Rs.100 each).
Earnings per share (Basic & Diluted)
Significant Accounting policies
and Notes to the accounts

Schedules 7 to 13 & 14 annexed hereto form part of the Profit & Loss Account
This is the Profit & Loss Account referred to in our report dated 31.03.2011

For G.Venugopala Kamath & Co
DIRECTORS
Chartered Accountants
Adv. Mani Vithayathil Chairman Sd/-
V. Rajappan Director Sd/-
Sathesh Shamsul P.CA (Mern No. 215888)
(Partner) P.C. Pillai Managing Director Sd/-
S.Sarath Chandran General Manager (Finance) Sd/-
Thriessur 08-03-2011 Manoj Kumar V.R. Company Secretary Sd/-

C) Accounting for Taxes on Income (AS-22)
In compliance with the AS-22 on Accounting for taxes on income, the Company has a net deferred tax assets of Rs.141,92,21,074/- as on 31.03.2010 against the Net Deferred Tax Assets of Rs.16,65,55,635/- as on 31.03.2009 as detailed below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009-10 (\₹)</th>
<th>2008-09 (\₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation on Fixed Assets</td>
<td>12048327</td>
<td>2826760</td>
</tr>
<tr>
<td>Items disallowable u/s 43B</td>
<td>75949935</td>
<td>50244339</td>
</tr>
<tr>
<td>Provision for Leave Salary</td>
<td>33182512</td>
<td>310798511</td>
</tr>
<tr>
<td>Provision for Bad &amp; Doubtful Debts</td>
<td>419218745</td>
<td>366555635</td>
</tr>
</tbody>
</table>

| Net Deferred Tax Assets 4 | 41100        | 2796025      |

Deferred tax assets have not been recognized since there is no virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such Deferred Tax Asset can be realized.
Deferred tax is calculated using tax rates and laws that have been enacted or substantially enacted as on the balance sheet date.

D) Service Tax- 1) The appeal preferred by the Company before CESTAT, Bangalore against levy of service tax on commission received from WLMK transactions was decided in favour of the Company. Based on the decision, the Company has submitted its refund claim of service tax already paid under this category & has also stopped making further payment towards service tax on commission income from WLMK business.
2) Manasud Branch, Thiruvananthapuram has been obtained from the Hon. High Court of Kerala against the verdict of Upa Lok Ayukta demand for refund of service tax to a specific subscriber.
3) The Company had filed a writ petition before the Hon'ble High Court of Kerala with regard to levy of Service Tax on foreman's commission & the same is still pending.

4. Prior period adjustments
As required vide AS-5 both prior period income and expenditure have been disclosed in Schedule-13 and the net effect has been taken in the Profit and Loss Account.

5. Particulars of Loans and Advances
Advances recoverable in cash or kind or for values to be received:

a) Considered good for which Company is fully secured
1. Hire Purchase Advances 2803517 1245412
2. Amount receivable from prior subscribers 3858184641 2679405426
3. Revenue Recovery Debtors 475940047 225790873
4. Petty Cash/Office bank 3415171560 3299560663
5. Short Term Loan 5833999197 5107911616
6. FD Loan/ Fixed Deposit Loan 273361995 221547732
7. House Loan to Employees 374850408 366447181
8. Vehicle Loan to Employees 1249009 11880074
9. Trade Loan 1560899 3752001
10. Housing Finance Scheme/NHFS 303370550 291857319
11. Reliable Customer Loan 302054873 2819795254
12. Consumer Vehicle Loan 299849769 271106353
13. Fixed Interest Loan 3518335 2939608
14. Sugam Ashaya OD 118208617 89437478
15. Mangala Loan 96360 991334
16. Kanakadha Loan 137474 166644
17. Employees Computer Loan 4379065 1584640
18. Interest Due and Outstanding 74681040 59380182
### Source of Funds

1. Shareholders Funds:
   - Capital: 1
   - Reserves and Surplus: 2
   - Loan Funds:
     - Secured: 3
     - Unsecured: 3

2. Net Current Assets
   - Total: 31,407,756,584

### Application of Funds

1. Fixed Assets:
   - Total: 163,92,310

2. Current Assets:
   - Total: 31,407,756,584

### Balance Sheet

**As at 31st March, 2010**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Schedule</th>
<th>As at 31-03-2010</th>
<th>As at 31-03-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves and Surplus</td>
<td>1</td>
<td>200,00,000</td>
<td>200,00,000</td>
</tr>
<tr>
<td>Loan Funds</td>
<td>2</td>
<td>1,478,665,682</td>
<td>1,444,332,026</td>
</tr>
<tr>
<td>Loan Funds</td>
<td>3</td>
<td>171,71,796</td>
<td>81,452,163</td>
</tr>
<tr>
<td>Net Current Assets</td>
<td>4</td>
<td>29,70,377,156</td>
<td>22,513,584,128</td>
</tr>
</tbody>
</table>

### Significance Accounting Policies and Notes to the Accounts

- Schedules 1 to 14 annexed hereto form part of the Balance Sheet.

This is the Balance Sheet referred to in our report dated 31-03-2011.

---

**For G. Venugopal Rammohan & Co**

**DIRECTORS**

- Chartered Accountants
  - Valav Preethi
  - V. Rajan
  - C. P. Pillai
  - S. S. Chandran
  - Manoj Kumar M. R.

**Thrisur**

68-03-2011
b) According to the information and explanations given to us, except in the following cases of income tax and interest tax, there are no dues of sales tax, service tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.

<table>
<thead>
<tr>
<th>Name of Statute</th>
<th>Name of Due</th>
<th>Amount (₹)</th>
<th>Period to which the amount relates</th>
<th>Forum where dispute is pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax Act, 1961</td>
<td>Income Tax</td>
<td>6,93,87,459.00</td>
<td>AY 2003-04</td>
<td>ACIT/Thiruthy</td>
</tr>
<tr>
<td></td>
<td>Interest Tax</td>
<td>9,98,54.00</td>
<td>AY 2004-05</td>
<td>ACIT/Thiruthy</td>
</tr>
<tr>
<td>Interest Tax Act, 1974</td>
<td>Income Tax</td>
<td>6,76,740.00</td>
<td>AY 2008-09</td>
<td>ACIT/Thiruthy</td>
</tr>
<tr>
<td></td>
<td>Interest Tax</td>
<td>21,44,397.00</td>
<td>AY 1993-94</td>
<td>ACIT/Thiruthy</td>
</tr>
<tr>
<td></td>
<td>Interest Tax</td>
<td>46,60,050.00</td>
<td>AY 1994-95</td>
<td>ACIT/Thiruthy</td>
</tr>
<tr>
<td></td>
<td>Interest Tax</td>
<td>32,28,282.00</td>
<td>AY 1995-96</td>
<td>Supreme Court of India</td>
</tr>
<tr>
<td></td>
<td>Interest Tax</td>
<td>10,46,081.00</td>
<td>AY 1998-99</td>
<td>Supreme Court of India</td>
</tr>
</tbody>
</table>

10. The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the financial year under report and the immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, no Loans and Advances have been granted by the Company on the basis of security by way of pledge of shares and debentures.

12. In our opinion and according to the information and explanations given to us, no Loans and Advances have been granted by the Company on the basis of security by way of pledge of shares and debentures.

13. According to the information and explanations given to us, except as reported in para (2) clauses (h), (i), (j) and (k), the Company has complied with the provisions of the Kerala Chit Fund Act, 1975 in so far as those provisions are applicable to the accounts under report. The company is not entitled to exempt benefit from law.

14. In our opinion, the company is not dealing in or trading in securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, no Loans and Advances have been granted by the Company on the basis of security by way of pledge of shares and debentures.

16. The Company has not taken any term loans during the year.

17. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The Company has not made any preferential allotment of shares during the year. However, the company has issued on 20th April 2009, the shares certificate worth ₹ 10 crores to the Government of Kerala as per Government Order (P-5) No 62309/TD Dated 31st March 2009.

19. The Company has not issued any debentures.

20. The Company has not made any public issue during the year covered by our audit report.

21. Based on the information and explanations given to us, the following frauds have been reported during the year:

(a) In Changanassery Branch, ₹ 628954.00 is said to have been misappropriated in Sugams Accounts.

For G. Venugopal Kannath & Co,
Chartered Accountants
(Firm Registration No: 006745)

Kochi
31/03/2011
Sethumadhavan P. FCA
Partner
(Membership No: 315058)

12. CONTINGENT CONTRACTS:

(i) The Company had entered into a consultancy agreement with M/s Kerala State Construction Corporation Ltd on 29.03.2010 for construction of office complex (G-4) at its site at Kakkanad, Kochi for an estimated cost of ₹265,25,08 against which an amount of ₹12,50,000 has been advanced to them during the year.

(ii) The Company had placed an order with M/s Nest Systems & Technologies (P) Ltd for design, development & implementation of "Care Application Software for Business Accounting" amounting to ₹2,47,75,026 on 21/07/09 and an additional order for further enhancements amounting to ₹19,46,680 on 29/03/10. An amount of ₹31,13,088 has been paid to them during the year.

(iii) The Company had entered into a contract with M/s PCS Technology Ltd for providing Facility Management Services for maintenance of computer systems & accessories, UPS system, generators, air conditioners etc. for a sum of ₹48,50,000 for a period of 12 months from 01/12/2009. Provision to the tune of ₹6,16,666 has been made towards services provided till Balance sheet date. As on Balance Sheet date, the contract is contingent for performance till 30.11.2010.

(iv) The Company had entered into a contract with M/s Gemini Communications Ltd for structured LAN cabling, power cabling, supply & installation of air conditioners for a sum of ₹6,69,00,000. An amount of ₹79,00,000 has been paid & ₹90,00,000 has been provided towards services provided during the year.

13. (a) Sundry Creditors (Chit Fund) shown under "Current Liabilities" in Schedule 6.

(b) Amount recoverable from prised subscribers shown under "Loans and Advances" in Schedule 5.

(c) Sundry Creditors Chit Fund shown in Schedule 6 as item No.1 includes price money payable amounting to ₹364,09,455/- (previous year ₹377,66,455/-). This includes the amount payable in respect of tickets substituted by the Company. The said amount is nil of the price money paid in advance.

14. Schedule of chit subscribers are prepared and called on quarterly basis and postings to general accounts are made from these schedules.

15. Auction/Wastepaper in terminated chithis is shown as liability.

16. Government has allotted 15 cents of land to construct Kollam branch building. The cost of the land has not been paid to the Government on the same as has not been fixed so far.

17. a) Advances includes amount due from officers of the Company

b) Advances includes amount due from Officers of the Company during the year

c) Amount due from Directors.

18. The Company has a system to identify the customers at the time of opening of accounts in respect of loans or deposits. Steps are also taken to identify the customers in line with the guidelines issued by the RBI under Anti Money Laundering (AML) measures.

19. Balances of debtors and creditors are confirmed on random basis, at all the branches.

20. Salaries, allowances and bonus include:

a) Honorary allowance to the Chairman

b) Remuneration to the Managing Director

c) Medical expenses etc. reimbursed to the Chairman

d) Other payments to the Managing Director

e) Employer's contribution to Gratuity Fund/Provident Fund for (Managing Director)
The Kerala State Financial Enterprises Limited
Corporate Office, "Bharadwa", Museum Road, Thrissur - 690 020

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31.03.2010

<table>
<thead>
<tr>
<th>Current Year</th>
<th>Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2009-10)</td>
<td>(2008-09)</td>
</tr>
<tr>
<td>₹</td>
<td>₹</td>
</tr>
</tbody>
</table>

A. Cash flow from operating activities
   4,393,694,189  1,492,978,462

B. Cash flow from investing activities
   (1,152,19,307)  (231,59,472)

C. Cash flow from financing activities
   (46,78,000)   76,601,000

Net cash in and cash equivalents (A+B+C) 4,433,676,085 1,495,620,009

D. Cash and cash equivalents at the beginning of the year 10,440,520,435 8,946,568,406

E. Cash and cash equivalents at the end of the year (A+B+C+D) 14,864,285,320 16,440,588,435

For G. Venugopal Kannath & Co
DIRECTORS
Chartered Accountants
Adv. Moni Vithayathil Chairman Sd/ Y. Rajappan Director Sd/
Sathaish Shenoy IPCA (Mem No. 215588) Managing Director Sd/
(Senior Partner) Sarath Chandran General Manager (Finance) Sd/
Thiruvar Manoj Kumar V.R. Company Secretary Sd/

08-03-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Net profit before tax</th>
<th>Adjustment for depreciation</th>
<th>Profit or loss for the year</th>
<th>Provision for bad debts</th>
<th>Provision for interest in UC</th>
<th>Provision for bad and doubtful debts</th>
<th>Provision for bad debts written off</th>
<th>Profit on sale of fixed assets</th>
<th>Profit on sale of fixed assets</th>
<th>Loss on sale of fixed assets</th>
<th>Operating Profit before Working Capital Changes</th>
<th>Income/Decrease in current liabilities</th>
<th>Profit from Operations</th>
<th>Income/Decrease in current liabilities</th>
<th>balance</th>
<th>Income/Decrease in Loans &amp; advances</th>
<th>Cash flow from Operations</th>
<th>Income tax paid</th>
<th>Net cash provided by operating activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>367,744,518</td>
<td>311,757,669</td>
<td>56,986,850</td>
<td>26,604,216</td>
<td>13,625,851</td>
<td>22,277,818</td>
<td>20,101,003</td>
<td>36,168</td>
<td>0</td>
<td>0</td>
<td>476,925,659</td>
<td>400,084,178</td>
<td>66,841,483</td>
<td>6,450,329,388</td>
<td>6,160,466</td>
<td>199,464,759</td>
<td>4,783,494,188</td>
<td>1,442,978,428</td>
<td>4,383,694,189</td>
</tr>
</tbody>
</table>

(Revenue Recovery Debtors)
(Fixed and Travel Advances to staff)
(Old unadjusted balances in various accounts)
(Greenhills Account in branches)
(RA suspense)
Interest received account in the books maintained in previous recovery section has been debited with amounts ₹ 62,54,985. This amount includes interest on advances paid by One Time Settlement scheme and on accounts secured before late instalments conducetd by the district legal service Authority. In our opinion, these amounts have been received interest and recognized as income during prior years should be transferred to profit and loss account instead of interest received accounts.

The company has quantified the levy of Guarantee Commission, on the balance outstanding on Term Deposits and Sagarika Deposits. In our opinion the same has to be quantified on the basis of balance outstanding as at the end of preceding year on Term Deposits, Sagarika Deposits, Maturities Deposits and Interest payable. Hence, in our opinion, there is a short provision of ₹ 7,99,35,176 towards Guarantee Commission due to Government of Kerala for notification on non-application (GOS) No. 487/04/Fin dated 16/11/2004 for the current year.

We have further noted that, while considering the items mentioned at 2 (d), (e), (f), (g), (h), (i), (j), (k), (l) the effects of which could not be determined, had the observations made in paragraph 2 (d) (i) (j) above being considered during the year, the Profit before tax for the year would have been ₹ 3,399,282 as against reported figure of ₹ 3,667,451. The effect of the above, i.e., the Profit before tax for the year would have been ₹ 3,399,282 as against the reported figure of ₹ 3,667,451. The effect of the above, i.e., the Profit before tax for the year would have been ₹ 3,399,282 as against the reported figure of ₹ 3,667,451. The effect of the above, i.e., the Profit before tax for the year would have been ₹ 3,399,282 as against the reported figure of ₹ 3,667,451. The effect of the above, i.e., the Profit before tax for the year would have been ₹ 3,399,282 as against the reported figure of ₹ 3,667,451. The effect of the above, i.e., the Profit before tax for the year would have been ₹ 3,399,282 as against the reported figure of ₹ 3,667,451. The effect of the above, i.e., the Profit before tax for the year would have been ₹ 3,399,282 as against the reported figure of ₹ 3,667,451.
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (C & A), KERALA, THIRUVANANTHAPURAM

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF KERALA STATE FINANCIAL ENTERPRISES LIMITED, TRICHUR, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Kerala State Financial Enterprises Limited, Trichur for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956. Based on an 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 31 March 2011.

Lenient behavior of the Comptroller and Auditor General of India has conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Kerala State Financial Enterprises Limited for the year ended 31 March 2010. The 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

Thiruvananthapuram
Date: 13/06/2011

G.N. SUNDER RAJA
PRINCIPAL ACCOUNTANT GENERAL (C & A), KERALA

GOVERNMENT OF KERALA
NO: 32606/FUCC/11/FIN
FINANCE (PL-C) DEPARTMENT

COMMENTS OF PRINCIPAL SECRETARY (FINANCE) ON THE AUDITED ANNUAL ACCOUNTS OF KERALA STATE FINANCIAL ENTERPRISES LTD, FOR THE YEAR ENDED 31/03/2010

1. The Company has marginally increased its profit of Rs.6.79 crore in the year under review against Rs.1.26 crore during the previous year.

2. Bad and doubtful debts should be properly classified and mentioned in the books of accounts.

3. The Company should follow the accounting standards stipulated by the Institute of Chartered Accountants of India.

4. No provision is seen made for ESI contribution amounting to Rs.1.5 lakh. Consequently, profit is overstated to that extent.

5. Guarantee commission due to Government should be quantified as per the instructions contained in G.O. (Ph) No. 4870/MF dated 16/10/2004 and full provision shall be made for the same in the accounts. The guarantee commission assessed as above should be remitted timely. Inaccurate provision for guarantee commission has resulted into the overstatement of profit to that extent.

6. The Board should take necessary steps to rectify the defects pointed out by the Auditors in their report for the year under reference.

7. Urgent steps should be taken to settle the misappropriated amount of Rs.6.28,954/- and appropriate action should be taken against those who were responsible for it. Adequate measures should be taken to prevent fraudulent acts by the customers as well as the employees.

8. The land held for the 75% shares in Thiruvur should be traced immediately and kept under safe custody.

9. The extent of coverage of the area of operations, frequency of reporting and follow up of internal audit observations needs to be strengthened.

Date: 07/05/2011
Dr. A.K. DUBEY
PRINCIPAL SECRETARY (FINANCE)
19.2(a) The short provision was inadvertently created.

20. (2) During the year, interest on income tax refund has been accounted in "Tax due for earlier years account".

21. (a) The State Government has been exempting the Company from the provisions of the 5S1 Act through issuance of G.O. from time to time. Matter has already been taken up with the Government to obtain exemption for 2009-10, which is expected in the due course.

22. (2) The amount mentioned by audit has been subsequently transferred to Investor Education and Protection Fund during 2010-11.

23. (a) The comments regarding classification of Loans and Advances and Sundry Debtors will be looked into favourably.

24. (a) The under provision of Income Tax is due to non-considderation of certain amounts as disallowable expenditure by the audit.

25. (1)(b) Matter has been taken up with revenue authorities for getting duplicate copy of the document.

26. (7) The internal audit system has been since strengthened and it is expected that full computerization would enable conduct of concurrent audit also.

27. (9)(a) Necessitous directions have already been given to branches to ensure that statutory payments are made within the due date.

28. (9)(b) In the first case the demand was converted into refund and the Company has already received refund of Rs. 1,535,180 during the year. Item Nos. 264 are pending before ACIT, Thiruvar whereas item no.3 is before CIT(A) and item nos.550-7 are pending before the Hon’ble Supreme Court of India.

Matter in respect of the reported fraud amounting to Rs.28,954/- at Changanassery Branch, the Company has already recovered Rs.28,000/-; Police complaint has also been filed in this regard.

For and on behalf of the Board of Directors.

Sd/-

Matter has been taken up with revenue authorities for getting duplicate copy of the document.

Thiruvananthapuram 04.05.2011

Adv.Mani Vithayasith

CHAIRMAN

Balance Sheet Abstract and Company’s General Business Profile

As per part IV to Schedule VI to the Companies Act, 1956

I

Registration Details

Date 0 0 0 2 2 4 9

Balance Sheet date 7 1 0 3 1 0

II

Capital Raised during the year (Amount in `,Thousands)

Public issue

|| N I L

Bonus issue

|| N I L

Private placement

|| 1 0 0 0 0

III

Position of mobilization and deployment of funds (Amount in `,Thousands)

Total liabilities

0 0 3 1 4 0 7 7 5 6

Sources of funds - Paid up Capital

0 0 0 0 0 2 0 0 0 0

Secured loans

0 0 0 0 1 7 1 7 1 2

Application of funds - Net Fixed Assets

0 0 0 0 1 6 3 9 3 2

Net Current Assets

0 0 3 1 2 4 3 8 2 4

Accumulated losses

N I L

IV

Performance of Company (Amount in `,Thousands)

Turnover

0 0 0 5 9 3 9 4 9 1

Profit / Loss before tax

0 0 3 6 7 4 5

Earnings per share

0 0 0 0 0 0 0 0 0 1

Dividend rate

0 0 2 0

Item Code No. (ITC Code)

Product description

M I S C E L L A N E O U S  N O N

B A N K I N G  C O M P A N Y

For G. Venugopal Namasivayam & Co

Claraed Accountant

Adv. Mani Vithayasith

Chairman

Sd/

Sudha V. Inamdar

Director

Sd/

Sachin Pillai

Managing Director

Sd/

S. Sarath Chandran

General Manager (Finance)

Sd/

Thiruvananthapuram 06.01.2011

Manoj Kumar V.R.

Company Secretary

Sd/
REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

Company's philosophy on Corporate governance

Corporate Governance of the Company is based on the principles of equity, fairness, transparency, spirit of law and honest communication. Company believes that sound Corporate Governance is vital to retain public confidence, stakeholders’ trust and ensure efficient working and proper conduct of the business of the Company. Development of Corporate Governance guidelines is a continuous process which evolves over a period of time and undergoes changes to suit the changing times and needs of the business, society and the nation.

Board of Directors

The composition of the Board has been in compliance with the Companies Act and Memorandum and Articles of Association of the Company. As on 31.03.2010 the Board of Directors of the Company comprised 13 Directors including Chairman and Managing Director. Except Managing Director the rest of the Directors are non-executive Directors. the Board of Directors has been functioning in a professional and transparent manner.


SI. No. | Name of the Director | No. of meetings attended during the year
1 | Adv. Mani Vithayasith, Chairman | 13
2 | Smt. B. Sreedevi, Vice Chairman | 12
3 | Shri A.R. Ramakrishna, Director | 12
4 | Shri V. Rappan | 12
5 | Shri K. Pai | 08
6 | Shri P. Shankaran | 08
7 | Shri B. V. Narayana | 08
8 | Shri V. K. Maharan | 08
9 | Shri M. Y. A. Ramakrishna | 08
10 | Shri G. B. T. R. Rao | 08
11 | Adv. George Thomas | 10
12 | Shri S. S. Babu | 10
13 | Shri K. C. A. Nair | 12
14 | Shri V. K. Mohan | 13
15 | Shri P. C. Pillai | 04
16 | Shri Chandramohan Pillai | 02

No. of meetings held (after initial appointment) | No. of meetings held after appointment
1 | Smt. B. Sreedevi, Chairman | 3
2 | Shri A.R. Ramakrishna, Member | 3
3 | Shri V. Rappan | 3

Disclosures

During the year, the Company did not enter into any material related party transactions with its directors or senior management or their relatives that would potentially conflict with and adversely affect the interests of the Company.

For and on behalf of the Board of Directors

Thiruvananthapuram 04.05.2010

Adv. Mani Vithayasith

Chairman

KSEF
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic scenario and developments

India's GDP (Gross Domestic Product) growth stands revisited with a projected +5% for the 7% assumption earlier for the fiscal, mainly on the stronger by showing sectors such as manufacturing (8.5%) and services (9.2%). Although the recovery from the slow down in the wake of the global financial crisis is also expected to provide an adverse statistical impact by pulling down the anticipated growth for the fiscal 2010-11 to 8.5% from the upper side of 9% per cent.

Gross Domestic Savings (GDS) in 2009-10 is estimated at Rs. 22.07 lakh crores as against Rs. 17.98 lakh crores in 2008-09, constituting 33.7% of GDP at market prices as against 32.3% in the previous year. In respect of household sector, the rate of saving stands decreased from 23.8 to 23.5%, though in absolute terms, the savings of house hold sector has increased from Rs.131.3 lakh crores in 2008-09 to Rs.136.56 lakh crores in 2009-10.

The Indian economy showed a clear momentum in recovery despite the impact of a deficient monsoon on agricultural production. As a result of rebound in industrial output and confidence and resilience of the services sector, the concerns about domestic output growth are now subdued, as the recovery is getting more broadly-based. After a continuous decline for nearly a year, prices of manufactured products have experienced an upsurge in October/November 2009. However, rising inflation continues to be a matter of concern for the industry and the Wholesale Price Index (WPI) has registered an annual rise of 6.2% in October 2009 and 7.9% by March, 2010. Conditions in the global economy also improved during the third and fourth quarters of 2009.

Financial performance

The Company has posted a profit after tax of Rs 1.11 as against Rs 1.524 crores during the previous year. Gross income also registered an increase of 37% at Rs.59351 lakhs as against Rs.43278 lakhs of previous year. Board of Directors have recommended a dividend of 20% on the paid up capital of the Company.

Opportunities

After the global financial crisis and consequent erosion of faith in modern sophisticated financial instruments, traditional instruments like physical commodities have continued to attract public investments. Further, the core area of the Company i.e. chitn business continued to offer good growth for the Company of the country, mainly due to increased visibility and public awareness of branded products. The higher interest rate regime is a favorable environment for chit business. With a view to make use of these opportunities, Company has been expanding its branch network by opening new branches at important location hitherto unrepresented. Company is growing through a never before growth path, manifold in the turnover and also branch expansion & visibility. The increasing gold prices offer good opportunity for the growth of gold loan portfolio of the company. It is estimated that there are about 20,000 tonnes of privately held gold in the country and the Company is attempting to leverage its position as the major player in this segment of the country. Company’s personal loan product has turned out to be the most attractive in this market segment due to the reasonable rate of interest. The growth in Chity business, particularly high denomination chitys offers good opportunity for NCL growth. Company is strengthening its reach to the area to uplift the expectations of new and increased customers.

Towards this end Company is leveraging technology to offer better customer service.

Threats

The Company is facing stiff competition from commercial banks and other NBFCs in retail loan segment and it is a threat for its advance portfolio particularly to Gold loan. To withstand competition in various fronts and to remain competitive, the Company is required to update its technology on a regular and continuous basis.

Although the Company has performed considerably well during the year under report, the global financial crisis has affected the household income of many families in Kerala and its adverse impact is not yet over on investment products of the Company, including Chitys. However, the recovery in prices of cash crops particularly rubber, enabled the economy to be in a stable condition. Rising inflation and consequent slow down that may be witnessed in general economic activities is also an area of concern in the growth path of the Company.

Internal Control System and their adequacy

The internal control systems of the Company are commensurate with the scope and nature of its operation. The adequacy of the control system is examined by the Management at regular intervals and also by the Auditors. The Independent Auditors carry out audits at regular intervals to identify weaknesses if any, of the system and suggest improvements for better functioning. The issues raised by the internal auditors on the operation of the Company are regularly discussed at the Audit Committee.

The Internal Audit Department of the Company is headed by the Deputy General Manager (Internal Audit & Vigilance).

Human Resources and the infrastructure development

The Company's growth and progress is dependent on the development and maintenance of an Organization structure and human resources to keep pace with the changing business environment. The Company is continuously engaged in various initiatives to strengthen human resources during the year including training and development programmes on a regular basis to develop the competence of the Company with respect to human resources as the most valuable asset.

The Company is now functioning in a fully computerised environment and efforts are continuing to further strengthen the IT capabilities of the Company.

For and on behalf of the Board of Directors.

Sd/-

Thiruvananthapuram 04.05.2011

Adi V.M. Vithayathil

CHAIRMAN
(v) The Company has not violated the provision u/s 77 (A) of the Companies Act during the reported year.

ACKNOWLEDGEMENT

The Board of Directors also place on record their sincere appreciation for the excellent support and cooperation extended to the Company by the Government of Kerala, all staff members, customers, banks, the Reserve Bank of India and various Departments of Central Government in improving its overall performance during the year 2009-10.

For and on behalf of the Board of Directors,

Sd/-

Thiruvananthapuram 04.05.2011

Adv. Mani Vithayathil

CHAIRMAN
According to the provisions of the Act, information should be furnished within 30 days from the date of receipt of request in normal cases. If not satisfied with the reply of Public Information Officer (PIO), first appeal shall be filed with appellate officer (AIO) and 2nd appeal with Information Commission.

**HUMAN RESOURCES DEVELOPMENT**

The Company’s dynamic performance depends greatly on developing and maintaining an organizational structure and human resources capable of keeping pace with the changing environment and business. During the year, the Company has invested resources to strengthen human resources and to improve several HR practices within the organization.

The total staff strength of the Company as on March 31, 2010 was 495,896 comprising 3,402 officers, 1,671 Assistant Managers and 3,363 Part-time employees. The position of the Chief Financial Officer is vacant.

As per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rule 1980 we have to report that, the operations of the Company are not energy sensitive, all attempts are being made to reduce energy consumption to the maximum extent possible. Being a Miscellaneous Non-Banking Company, the required technology absorption is made considering the nature of activities. We further report that there were no foreign exchange earnings and outgoings during the year.

###Auditors

The following firms of Chartered Accountants have been the Auditors of the Company for the year 2009-10:

1. M/s. Venugopala Kinnam & Co. (Statutory auditors for Head Chartered Accountants, Kochi)
2. M/s. Anurag & Sundaram (Chartered Accountants, Shivalingam, Li, Natarajan & Company, IOT, Alapuzha)
3. M/s. Eliza George & Co. (Branch Auditors, Tamil Nadu Region)
4. M/s. Chandy & Zachariah (Chartered Accountants, Thrissur)
7. M/s. George & Raji, Chartered Accountants, B.B. Complex, South Bazaar, Kannur

###NO. OF EMPLOYEES

<table>
<thead>
<tr>
<th>Department</th>
<th>2009-4</th>
<th>2010-4</th>
<th>2011-4</th>
<th>2012-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
<tr>
<td>Sales</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
<tr>
<td>Marketing</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
<tr>
<td>Administration</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
<tr>
<td>Finance</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
<tr>
<td>HR</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
<tr>
<td>IT</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
<tr>
<td>Operations</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
<td>4112</td>
</tr>
</tbody>
</table>

| Total | 4112 | 4112 | 4112 | 4112 |

As per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rule 1980 we have to report that, though the operations of the Company are not energy sensitive, all attempts are being made to reduce energy consumption to the maximum extent possible. Being a Miscellaneous Non-Banking Company, the required technology absorption is made considering the nature of activities. We further report that there were no foreign exchange earnings and outgoings during the year.
DEPOSITS
The Deposit in Trust under Government Guarantee increased to 16,480,000 lakhs as at 31.03.2012 as compared to 12,821,000 lakhs as at 31.03.2011. The amount outstanding under Sagarana Deposit under Government Guarantee as at 31.03.2012 was Rs. 2,963 lakhs whereas the previous year balances was Rs. 2,390 lakhs. The short term deposit stood as Rs. 62 lakhs as on 31.03.2010 vis-a-vis Rs. 470 lakhs as on 31.03.2009. The breakup of deposit portfolio as on 31.03.2010 was as under:

<table>
<thead>
<tr>
<th>Total Deposits</th>
<th>Percent to Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Deposit</td>
<td>16,609,200</td>
</tr>
<tr>
<td>Sagarana Deposit</td>
<td>2,963</td>
</tr>
<tr>
<td>Total</td>
<td>20,623,400</td>
</tr>
</tbody>
</table>

Deposits in Trust
The Deposits in Trust Scheme meant for priviledged subscribers, enables them to deposit amount equivalent to their future liability in the trust. The balance amount outstanding under the scheme as at 31.03.2012 was Rs. 274,003 lakhs against Rs. 243,079 lakhs of previous year.

The total deposits of the Company also had increased considerably compared to last year. As on 31.03.2010, the total deposits stood at Rs. 2,993 crores against Rs. 2,116 crores as on 31.03.2009.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND
Pursuant to section 205C of The Companies Act, 1956, the Company had transferred unclaimed matured deposits of 7 years and above and interest thereon, amounting to Rs. 5,433,300 to Investor Education and Protection Fund of Government of India on 30.12.2009.

NON-PERFORMING ASSETS
The Bank has always accorded top priority for preventing fresh NPAs and for reducing existing default level. A multi pronged strategy comprising effective follow up, Lok Adalats and adoption of suitable settlement process for reducing both old and new NPAs was put in place. The total NPA stood at Rs. 2,65 crores against the total turnover of more than Rs. 660 Crores.

RISKS AND CONCERNS
The Company has made a future provision of Rs. 15.00 crores towards bad and doubtful debts during the year on the outstanding balance under various lending schemes and for shichita schemes. Management of a suitable prudent prudence, the Company has also provided in addition to the above sum of Rs. 15.00 crores as footing provision on Standard Assets @ 50% based on the outstanding balance under NLC & RL, lending schemes. The Company has put in place a mechanism to minimise operational risks by way of effective

control systems, a system of constant review and an ongoing internal audit programme. The risk management framework of the Company aims to identify the diverse risks faced by the Company and evolve appropriate mitigation strategies. The internal auditors of the Company undertake a comprehensive audit of functional areas and operations of the branches. The Company has also been following an integrated approach towards risk management in tune with its business requirements. The risk management policy covers the strategy, systems and processes for managing potential threats, including credit risk, market risk and operational risk on a continuous basis.

PROGRESS IN OTHER LINES OF BUSINESS
The Company is also into Weasian Union Money Transfer (WUMT) and insurance business for last several years. Improving the non-interest income was one of the focus areas for the Company. The Company had entered into tie up with Western Union Money Transfer service throughout Kerala. There was satisfactory performance on this front during the year with the Company earning a commission of Rs. 700 lakhs against a total disbursals of Rs. 701 lakhs.

INFORMATION TECHNOLOGY
The Company fully realises the critical role of IT, both as enabler and facilitator and is keeping in mind the above view, the computerisation process has been a full thrust. The outcome was the automation of all 375 branches of the Company at its end of financial year 2010-11 through an initiative titled "Mission Sampark". Within a short span of 3 weeks, the Company was able to automate the remaining 462 branches and thereby achieve the above total automation.

Even though, at present the branches are using distributed software named BAS (Branch Automation Software), the Company has already begun the process of developing a Core Application Software, which is proposed to be delivered by the end of 2011. New Software is expected to enable the Company in improving its operational efficiency considerably by providing an integrated package to its subscribers via a single point of contact. The roll out of CASBA replacing BAS is expected during the FY 2012-13 with an aim to complete the migration process by the end of the same financial year.

SERVICE QUALITY
Company attaches considerable importance to extending quality service to its customers. The System of customer service standards at branches is being monitored during the branch visits of the Senior Officials. Moreover, customer service performance is rated quarterly through a customer satisfaction index, which is periodically communicated to the Managers and Assistants. The schemes of the Company are always designed keeping in view the interest of the weaker sections of the society and its social objectives. The progress achieved in automation has also helped to improve the customer satisfaction levels. The Company has already established a customer complaint mechanism for dealing under the control of Deputy General Manager (Business & Operations). The completion of automation and implementation of proposed Core solution is expected to go a long way in enhancing customer satisfaction levels.
CHITTY
The total amount of chit that was conducted from all the branches put together rose to Rs 3123 lakhs as against Rs 138 lakhs at the end of the previous year, registering an increase of 42.50%, translating to Rs 171364 lakhs during the year under report. The subscriber base increased to 1372493 nos. in 2009-10 from 1099281 nos. in 2008-09.

Ponnasal Chitti 2009 and Prasril Bandhu Chitti 2009
"2" edition of chitty business campaigns of the Company viz. Ponnasal Chitti 2009 and Prasril Bandhu Chitti 2009, launched during the year were as successful as the first two editions. These campaigns made significant contributions to the chitty business of the Company and also helped the Company to maintain the turnover above Rs 9999 lakhs and 9441 lakhs during Ponnasal Chitti 2009 and Prasril Bandhu Chitti 2009 campaign respectively. These campaigns not only helped the Company to increase its visibility and attract new customers who were hitherto not the subscribers of the Company’s chittis but also to consolidate the position achieved through “Vision 2010”.

Ponnasal Chitti
New Chity registered during campaign Period
Year (in lakhs)
2007 3417
2008 3714
2009 9991

Prasril Bandhu Chitti
New Chity registered during campaign Period
Year (in lakhs)
2008 4776
2009 6245
2010 9441

LOANS & ADVANCES
The Company continued giving high importance to its loan portfolio in line with its social objects. The break up of overall loan portfolio as on 31.03.2010 was as under:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount (Rs in lakhs)</th>
<th>Percent to total loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Loan</td>
<td>5830</td>
<td>40%</td>
</tr>
<tr>
<td>Reliable Customer Loan (RCL)&amp; Fixed Deposit Loan (FDL)</td>
<td>32959</td>
<td>22%</td>
</tr>
<tr>
<td>APFL</td>
<td>45154</td>
<td>31%</td>
</tr>
<tr>
<td>Others</td>
<td>1159</td>
<td>07%</td>
</tr>
<tr>
<td>Total</td>
<td>147634</td>
<td>100%</td>
</tr>
</tbody>
</table>

Gold Loan
Total gold loan disbursed during the year was Rs 11668 lakhs and the total outstanding as on 31 March, 2010 stood at Rs 58330 lakhs as against Rs 10768 lakhs for the previous year.

Reliable Customer Loan (RCL)& Fixed Deposit Loan (FDL)
Disbursements amounting to Rs 1777 lakhs were made under the Reliable Customer Loan Scheme & PO Loan during the year and the total outstanding as on 31.03.2010 increased to Rs 1762 lakhs as against Rs 3010 lakhs as on 31.03.2009.

Chitty Loan/New Chity Loan
Chitty Loan/New Chity loan amounting to Rs 4914 lakhs was disbursed during the year and the total loan outstanding as on 31.03.2010 rose to Rs 49427 lakhs as against Rs 32997 lakhs for the previous year.

New Housing Finance Scheme
During 2009-10 a total of 793 chittis was disbursed under the scheme. The total loan outstanding including loans under the Old Housing Finance Scheme as on 31 March, 2010 marginally increased to Rs 22284 lakhs as against Rs 2199 lakhs for 2008-09.

Consumer/vehicle Loan
Total amount of advances disbursed during the year on Consumer/vehicle loan scheme was Rs 1911 lakhs against Rs 725 lakhs for the last year. The outstanding advances under both - Hire Purchase and Consumer Vehicle loan scheme as on 31 March, 2010 increased to Rs 3217.49 lakhs from Rs 2732.74 lakhs for the previous year.

Flexi/Trade Loan
The total loan disbursed during the year under the scheme amounted to Rs 13 lakhs and the total loan outstanding as on 31 March, 2010 reduced to Rs 661 lakhs as against the outstanding of Rs 521 lakhs for 2009-10.

It could be noticed from the above that the Company’s major schemes like Chitty, Gold Loan, Reliable Customer Loan/FD loan and New Chity Loan show increasing trend vis-a-vis previous year. The reason for high growth in new chity loan business was primarily due to increase in volume and denominations of chittis. In short, the net results reflects a better position in total advances during the current as advances during the previous year, for 2009-10 rose to Rs 176744 lakhs as against Rs 124940 lakhs for 2008-09.
NOTICE TO SHAREHOLDERS

Notice is hereby given that the 41st Annual General Meeting of the Company will be held at 10.30 am on Saturday, 3rd day of September 2011 at the Registered Office of the Company at Thrissur, to transact the following business:

1. To receive and adopt the Directors’ Report, the Audited Balance Sheet as on 31st March, 2010 and the Profit and Loss Account for the Year ended 31st March, 2010 together with Auditors’ Report and the comments of the Comptroller and Auditor General of India and the comments of the Principal Secretary (Finance) Government of Kerala thereon.

2. To declare dividend for the year 2009-10.

By order of the Board of Directors

V.K. MANJOY KUMAR
COMPANY SECRETARY

REGD OFFICE: "Nhanda”, PB No 510, Museum Road, Thrissur 680 020, Kerala.

Note: A member entitled to attend and vote at the above meeting is also entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A form of proxy is enclosed. A member who wishes to appoint a proxy must return the proxy form duly completed so as to reach the Registered Office of the Company not less than 48 hours before the meeting.
EXECUTIVES

General Manager (Business)
Sri. P. Rajendiran

General Manager (Finance)
Sri. S. Sarah Chandran

Deputy General Manager (IA & V)
Sri. M. Saijeeth

Deputy General Manager (P & HR)
Sri. S.K. Sanil

Deputy General Manager (Bus & Ops)
Sri. V.P. Subramanian

Asst. General Managers (Regions)
Sri. M. Rajachandran Nair
Regional Office
Kottayam
Sri. G.S. Manoj
Regional Office
Thiruvanthapuram
Dr. Lawrence Harold
Regional Office
Kollam
Sri. K. Variprasan
Regional Office
Kollam
Smt. Chitra Shankar
Regional Office
Ernakulam
Sri. K. Javadan
Regional Office
Thrissur
Sri. J. Komaradas
Regional Office
Kollam
Company Secretary
Sri. V.P. Manoj Kumar

Legal Advisers : M/s. Menon & Pal, Advocates, Kochi
Tax Consultants : M/s. Abraham & Jose, Chartered Accountants, Thrissur

1) 810 C/O CHATTAB ANMALIKAR, AKSHAYA SHOPPING COMPLEX, NEYATTHINKARA, THIRUVANANTHAPURAM DT
PIN - 695 012
Phone : 0471-2320002
Mobile : 9447978793
E-mail : sanjay@bank.com

2) 993 R.O. KOCHI
KOTAIAM FIRST FLOOR, K.V. INSTITUTE MEMORIAL BLDG, BAKER JUNCTION, KOCHI AM DT
PIN - 682 001
Phone : 0484-2504204/1412
Mobile : 9649138888
E-mail : kotki@kfe.com

3) 994 R.O. KOTTAYAM
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Mobile : 0484-2395795
E-mail : kotki@kfe.com

4) 995 R.O. Kollam
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