ANNUAL REPORT

2017 - 2018

KERALA STATE BEVERAGES

(Manufacturing & Marketing)

CORPORATION LIMITED

THIRUVANANTHAPURAM

KERALA STATE BEVERAGES (MANUFACTURING & MARKETING) CORPORTION LTD.

THIRUVANANTHAPURAM

BOARD OF DIRECTORS

1.	Shri. X. Anil IAS	from 24.02.2011 to 25.06.2016
2.	Shri. V.S. Suresh Kumar	from 16.03.2015 to 22.07.2016
3.	Shri. B. Srinivas IAS	from 28.06.2015 to 25.06.2016
4.	Shri. Rajan N. Khobragade IAS	from 28.06.2015 to Continuing
5.	Shri. H. Venkatesh IPS	from 28.12.2015 to Continuing
6.	Shri. Kamala Vardhana Rao IAS	from 25.06.2016 to 06.03.2017
7.	Shri. Rishi Raj Singh IPS	from 25.06.2016 to Continuing
8.	Smt. L. Geetha	from 22.07.2016 to 25.01.2017
9.	Smt. Malathy Sukumaran	from 25.01.2017 to Continuing
10.	Sri. Teeka Ram Meena IAS	from 06.03.2017 to Continuing

COMPANY SECRETARY : **Shri. John Joseph**

AUDITORS : **M/s. Sridhar & Co.**
Chartered Accountants
Sreenidhi, Padmatheertham
North Fort, Thiruvananthapuram

BANKERS

1. Canara Bank
2. Dhanalaxmi Bank
3. Punjab National Bank
4. Union Bank of India
5. State Bank of Travancore
6. The Federal Bank Ltd.

WAREHOUSES

1. Balaramapuram
2. Attingal
3. Nedumangad
4. Kottarakkara
5. Kollam
6. Tyhiruvalla
7. Pathanamthitta
8. Alappuzha
9. Kottayam
10. Ayarkunnam
11. Thodupuzha
12. Thrippunithura
13. Aluva
14. Perumbavoor
15. Chalakkudy
16. Thrissur
17. Palakkad
18. Menonpara
19. Perinthalmanna
20. Kozhikode
21. Kannur
22. Wayanad
23. Battathoor

KSBC FL-1 SHOPS -LOCATIONS

Sl.No:	PLACE	SHOP No:
	BALARAMAPURAM WH	
1	Parassala	1001
2	Kaliyikkavila	1002
3	Vellarada	1003
4	Neyyattinkara	1005
5	Mukkola	1006
6	Balaramapuram	1007
7	Thirupuram	1008
8	Kattakada	1009
9	Malayinkeezh	1010
10	Pettah	1015
11	Chappat	1021
12	H J Neyyattinkara	1045
	NEDUMANGAD WH	
13	Powerhouse Road	1011
14	Pazhavangadi	1013
15	Vattiyoorkavu	1017
16	Nettayam Mukkola	1018
17	Nedumangad	1030
18	Vithura	1032
19	Koliyakode	1035
20	Pandyanpara	1036
21	Aryanadu	1037
	ATTINGAL WH	
22	Pattom	1024
23	Ulloor	1025
24	Arasumoodu	1026
25	Mangalapuram	1027
26	Chenkottukonam	1028
27	Pothencode	1029
28	Kallara	1034
29	Chirayinkeezhu	1039
30	Varkala	1040
31	Nilakkamukku	1043
	KOLLAM WH	
32	Kavanadu	2001
33	Kundara	2002
34	Asramam Port	2003
35	Punthalathazham	2004
36	Chavara Thekkumbhagom	2007
37	Eravipuram	2009
38	Anchalummood	2010
39	Vallumukku	2013
40	Kalluvathukkal	2014
41	Chavara	2017
42	Oyoor	2023
43	Nedumancavu	2029
	KOTTARAKKARAWH	
44	Kizhakkekara	2022
45	Attoor	2024
46	Chadayamangalam	2025
47	Randalumukku	2027
48	Nettayam	2028
49	Punalur	2031
50	Pattazhi	2032
51	Thakaramon	2034
52	Vilakkupara	2036
53	Ayoor	2037
54	Yeroor	2038
	PATHANAMTHITTA WH	
55	Edakkara	2021
56	Pathanapuram	2030
57	Pathanamthitta	3001
58	Kannamkara	3003
59	Pannil	3005
60	Kidangoor	3006
61	Koodal	3007
62	Uthimoodu	3008
63	Chittar	3009
64	Nedumon	3010
65	Adoor	3014
66	Mudiyoorkonam	3015
67	Kodumon	3016
	THIRUVALLA WH	
68	Karunagapally	2016
69	Aalumpedika	2018
70	Mallappally	3011
71	Valanjavattom	3013
72	Edathua	4013
73	Thakazhy	4016
74	Kodukalanji	4019
75	Pallarimangalam	4020
76	Kattanam	4021
77	Edappon	4022
78	Menasheril	4025
	ALAPPUZHA WH	
79	Andhakaranazhi	4001
80	Thaikkattussery	4002
81	Court Junction	4003
82	Manorama JN	4004
83	Muhamma	4005
84	Mullakkal	4008
85	Valavanadu	4011
86	Chukkam	4012

Sl.No:	PLACE	SHOP No:
87	Nedumudi	4015
88	Pallipad	4023
89	Thrikkunnapuzha	4024
	KOTTAYAM WH	
90	Changanacherry	5002
91	Chingavanam Market Road	5011
92	Market Road(Old Shop)	5012
93	Nagampadom	5015
94	Gandhinagar	5020
95	Old Boatjetty	5021
96	Kuravilangadu	5023
97	Vaikom	5031
98	Karikkode	5032
99	Adithyapuaram	5033
100	Thalappara	5034
	AYARKUNNAM WH	
101	Karukachal	5001
102	Poonjar	5003
103	Manimala	5004
104	Kanjirappally	5008
105	Paingana	5009
106	Paika	5014
107	Pallikkathodu	5019
108	Uzhavoor	5025
109	Moonuthodu	5026
110	Ramapuram	5028
111	Erattupetta	5030
112	35th Mile	6028
113	Parunthumpara	6029
114	Kumali	6030
	THODUPUZHA WH	
115	Chungam	6002
116	Karimanoor	6004
117	Moonnunkavayal	6006
118	Murickassery	6007
119	Devikulam	6009
120	Munnar	6010
121	Kunjithanni	6012
122	Kovilkadavu	6015
123	Adivaram	6016
124	Thookkupalam	6017
125	Pooppara	6018
126	Rajakumari	6019
127	Chinnacannel	6020
128	Kattappana	6021
129	Anakkara	6022
130	Vagamon	6027

Sl.No:	PLACE	SHOP No:
	TRIPUNITHURA WH	
131	Kaloor	7006
132	Kadavanthara	7007
133	Pachalam	7008
134	Vyttila	7009
135	High Cour Jn.	7010
136	Mulanthuruthy	7012
137	Palarivattom	7017
138	Irumpanam	7018
139	Pandikkudy	7022
140	Karuvelippadi	7023
141	Fort Cochi	7024
142	Palluruthi	7025
143	Thoppumpady	7026
144	Piravam	7047
	ALUVA WH	
145	Gandhi Nagar	7005
146	Kadavanthra	7013
147	Padivattom / Pipeline Road	7015
148	Kalamassery	7016
149	Aluva	7031
150	Alangad	7032
151	Puthenkurisu	7038
152	Thrikkakkara	7040
153	N. Parur	7042
154	Vadakkekkara	7043
155	Elanji Town	7048
156	Ramamangalam	7049
	PERUMBAVOOR WH	
157	Manjapra	7035
158	Perumbavoor	7036
159	Kuruppumpadi	7037
160	Kolenchery	7039
161	Pattimattom	7041
162	Muvattupuzha	7051
163	Bypass Rd - Thankalam	7053
164	Chelad	7054
165	Pothanikadu	7055
	CHALAKKUDI WH	
166	Nedumbassery	7030
167	Puthenvelikkara	7044
168	Pokklai	8017
169	Kodali	8018
170	Irinjalakkuda	8019
171	Kalloor	8020
172	Nedubal	8021
173	Chalakkudi	8022
174	MELOOR	8023
175	Meloor	8032

Sl.No:	PLACE	SHOP No:
	THRISSUR WH	
176	Thrissur (Old)	8001
177	Nayarangadi	8002
178	Ayyanthole	8003
179	Mannuthy	8004
180	Sakthanthamburan	8005
181	Kuttanallur	8007
182	Balyj	8008
183	Manorama JN	8010
184	Vallachira	8011
185	Koorkanchery	8012
186	Peringavu (Premium Shop)	8013
187	Kaiparambu	8014
188	Thaikkad	8028
189	Edamuttam	8030
190	Mullassery	8031
	PALAKKAD WH	
191	Old Shop	9006
192	Fort maidan	9007
193	By Pass PKD	9008
194	Thanavu	9013
195	Kongad	9016
196	Pathirippala	9017
197	Kulappully	9019
198	Koppam Pattambi	9021
199	Cherpulassery	9022
200	Sreekrishnapuram	9023
201	Mannarkad	9029
202	Kanjiram	9030
	MENONPARA WH	
203	Kollengode	9001
204	Koduvayoor	9004
205	Parathiruvu	9015
206	Kallankode	9025
207	Vadakenchery	9026
208	Mudapallur	9027
209	Thenkurissi	9028
210	Menonpara	9031
	PERUNTHALMANNA WH	
211	Ponnani	10001
212	Edappal	10002
213	Tirur	10003
214	Perunthalmanna	10006
215	Malappuram	10008
216	Manjeri	10010
217	Nilambur	10012
	KOZHIKODE WH	
218	Kottakadavu	11001
219	Ramanattukara	11002
220	Kozhikode (Old)	11003
221	Karikkamkulam	11006
222	Pavamani	11008
223	Pavamani	11011
224	Mini Bypass	11012
225	Thiruvambadi	11013
226	Payyoli	11017
227	Perambra	11019
228	Vadakara	11020
	KALPETTA WH	
229	VYTHIRI	12001
230	Beenachi	12005
231	Pulpally	12007
232	Ambalavayal	12008
233	Mananthavadi	12009
234	PANAMARAM	12011
	KANNUR WH	
235	Kandikkal	13001
236	Koothuparambu	13003
237	Pazhayangadi	13006
238	Panapuzha	13007
239	Kannur	13009
240	Kelakam	13010
241	Kannur (old)	13011
242	Kannur	13012
243	Chakkarakkallu	13013
244	Payyannur	13016
245	Padikkunnu	13019
	BATTATHUR WH	
246	Kasargode (Old)	14002
247	Kasargode	14003
248	Mulleria	14005
249	Bandhudukka	14006
250	Kanhangad	14008
251	Moonamkutty	14009
252	Vellarikundu	14010

KERALA STATE BEVERAGES
(MANUFACTURING & MARKETING) CORPORTION LTD.
(A GOVERNMENT OF KERALA UNDERTAKING)

Bevco Tower, Vikas Bhavan P.O., Palayam, Thiruvananthapuram - 695033
Phone : 2724970, 2724913, Gram : 'Beverages', Fac : 2727604, E-mail: ksbced@gmail.com

No. KSBC/SEC/082/2020-21/116 10.3.2021

To
All Shareholders

NOTICE

NOTICE is hereby given that the Adjourned 34th Annual General Meeting of the Members of Kerala State Beverages (Manufacturing & Marketing) Corporation Limited will be held on Wednesday , the 31st day of March, 2021 at 3.00 p.m at the registered office of the Company at **BEVCO Tower, Vikas Bhavan (PO), Trivandrum,** to transact the following:

Ordinary Business:

1. **Adoption of audited financial statements for the year 2017-18.**

   To receive, consider and adopt the audited financial statement for the year ended 31.3.2018 together with the Director's Report, Auditors' Report and the Comments of the Comptroller and Auditor General of India under section 143 (6) (b) of the Companies Act 2013 for the year ended on that date.

2. **Declaration of Dividend for 2017-18.**

To declare a final dividend @ 200% of the paid up equity capital as on 31.3.2018 as recommended by the Board.

By Order of the Board
For Kerala State Beverages (M&M) Corporation Limited

CHAIRMAN & MANAGING DIRECTOR

Place: Trivandrum
Date: 10.3.2021

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.

KERALA STATE BEVERAGES
(MANUFACTURING & MARKETING) CORPORTION LTD.
(A GOVERNMENT OF KERALA UNDERTAKING)

Bevco Tower, Vikas Bhavan P.O., Palayam, Thiruvananthapuram - 695033
Phone : 2724970, 2724913, Gram : 'Beverages', Fac : 2727604, E-mail: ksbced@gmail.com

No. KSBC/SEC/082/2018-19/259 1.9.2018

To
All Shareholders

NOTICE

NOTICE is hereby given that the 34th Annual General Meeting of the Members of Kerala State Beverages (Manufacturing & Marketing) Corporation Limited will be held on Friday, the 28th day of September, 2018 at 3.15 p.m at the registered office of the Company at **BEVCO Tower, Vikas Bhavan (PO), Trivandrum,** to transact the following:

Ordinary Business:

1. **To receive, consider and adopt the Audited Financial Statement for the year ended 31.3.2018 together with the Director's Report, Auditors' Report etc.**
2. **To fix the remuneration of Statutory Auditors for the year 2018-19.**
3. **To declare a final dividend for the year 2017-18**

By Order of the Board
For Kerala State Beverages (M&M) Corporation Limited

G. SPARJAN KUMAR.IPS
MANAGING DIRECTOR

Place: Trivandrum
Date: 01.9.2018

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.

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(MANUFACTURING & MARKETING) CORPORTION LTD.
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PROXY FORM

"I/We ______________________________ of ____________________ in the District of ______________________ being a member/members of the above named Company hereby appoint ____________________ of ____________________________ in the District of ________________ _________________________as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the ________________ day of ______________ and at any adjournment thereof."

Signed this ___________________ day of ____________

DIRECTORS' REPORT

To

THE SHAREHOLDERS

The Board of Directors have pleasure in presenting the XXXIVAnnual Report of the business and operations of the Company together with the Financial Statement for the year ended 31st March, 2018.

1 HIGHLIGHT OF ACTIVITIES

The activities of the Company during the year under review continued without any major changes as desired by the Government.

The working result of the year was good and showed satisfactory overall growth in all the activities engaged upon. Gross sale of the Company during 2017-18 was Rs.12,937 crores as against Rs.12,142croresfor the previous year 2016-2017. Quantity wise IMFL sales was 207.21 lakhs cases (previous year 206.90lakhs cases) and Beer sales was 115.76 lakhs cases (previous year 151.06 lakhs cases). Liquor Purchases made was to the tune of Rs.1641 crores (previous year Rs.1681crores) and profit before taxation was Rs.174.43 crores (previous year Rs.126.36crores).

2 FINANCIAL RESULTS

Summary of Financial Results of the Corporation for the Year 2017-18 is given below.

			(Figures Rupees in Crores)
	Particulars	**2017-18**	**2016-17**
A	**INCOME**		
	Revenue from Operation(Gross Sales, Cash Discount, Trade Discount etc& other operating Revenue)	13051	12253
	Other Income (Interest Income etc)	107	109
	TOTAL INCOME	**13158**	**12362**
B	**EXPENSES / PAYMENTS**		
	Liquor Purchases	1584	1664
	Contribution to State Exchequer(Sales Tax ,Excise Duty,Import Fee ,Turnover Tax , Shop Rental/Kist, Gallonage fee etc)	11053	10286
	Administrative and Other expenses (Salary, Rent, Loading Charges, Transportation etc	342	281
	Depreciation	3	3
	Provisions& Exceptional Items (refund to Bars etc)	2	2
	TOTAL EXPENSES	**12984**	**12236**
C	**PROFIT BEFORE INCOME TAX (A-B)**	**174**	**126**

3 CONTRIBUTION TO STATE EXCHEQUER

The revenue by way of various duties and taxes generated and paid to the State Exchequer through the operations of the Company during the year under review is as follows:

Contribution to Exchequer	(Figures Rs. in crores)			% Increase
	2017-18	2016-17	Increase/ Decrease	
Sales Tax and Cesses	7693.73	7162.84	530.59	7%
Surcharge on Sales Tax, TOT etc.	1422.70	1329.50	93.20	7%
Excise Duty	1915.00	1772.21	142.79	8%
Gallonage Fee	1.40	1.51	-0.11	-7%
License Fee	0.23	0.23	-	-
Kist	10.80	8.10	2.70	33%
Import Fee	9.34	11.68	-2.34	-20%
TOTAL	**11053.20**	**10286.07**	**767.13**	7%

Increase : Rs.767.13 crores

% Increase : 7 %

4 DIVIDEND

During the year 2016-17, a dividend of 800% on the then Paid-up Capital of Rs.1,02,50,000/- amounting Rs.8 crore was paid for 2016-17. During 2017-18, bonus shares were issued to Government,as result of which, the PaidupCapital of the Corporation stands enhanced from Rs.1.03 crores to Rs.5 crores. For 2017-18, the Directors have pleasure in recommending a dividend of Rs.10 crores, which is a dividend of 200% on the PaidupCapital of Rs.5 crores. This will be paid after adoption of the Financial Statements in the Annual General Meeting.

5 AUDIT COMMITTEE

An Audit Committee was constituted as per the guidelines issued vide Government Circular No.13883/BPE.2/08/Plg., dated 15.11.2008. A meeting of the Committee was held to consider the Accounts for the year 2017-18.

6 EXTRACT OF ANNUAL RETURN

The Ministry of Corporate Affairs has done away with the requirement of reporting the extract of Annual Return in Form No. MGT9 as required under Section 134(3)(a) of the Companies Act and hence not included.

7 DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

8 CHANGE IN THE NATURE OF BUSINESS

There was no change in the nature of business, the Company continued with its wholesale and retail trading operations. During 2017-18, the Corporation conducted its Wholesale business from 23 FL-9 Warehouses and Retail business from 270 FL-1 Retail Shops.

9 MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

There was no change in the nature of business of the Company

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

No significant Orders were passed by Regulatory Authorities or Courts or Tribunals impacting the going concern status and Company's Operations in future.

11 DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Corporation has adequate level of Internal Financial Controls and it was evaluated by the Statutory Auditors and will be commented upon in their Report.

12 DETAILS OF SUBSIDIARY / JOINT VENTURES / ASSOCIATE COMPANIES

NIL

13 PERFORMANCE AND FINANCIAL POSITION OF EACH OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

NA

14 DEPOSITS DETAILS COVERED UNDER CHAPTER V OF THE ACT

NA

15 STATUTORY AUDITORS

M/s. Sridhar and Company, Chartered Accountants, were appointed as Statutory Auditors of the Company for the year ended 31.03.2018 by the Comptroller and Auditor General of India.

16 SHARE CAPITAL

A) Issue of equity shares with differential rights as per the Rule 4(4) of Companies (Share Capital and Debentures) Rules, 2014

Nil

B) Issue of sweat equity shares as provided in Rule 8 (13) of Companies (Share Capital and Debentures) Rules, 2014

Nil

C) Issue of employee stock options as provided in Rule 12 (9) of Companies (Share Capital and Debentures) Rules, 2014

Nil

D) Provision of money by Company for purchase of its own shares by employees or by trustees for the benefit of employees as provided in Rule 16 (4) of Companies (Share Capital and Debentures) Rules, 2014

Nil

17 CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

NA

18 CORPORATE SOCIAL RESPONSIBILITY

- The Board has constituted a CSR Committee which stands reconstituted from time to time consequent to changes in Directorship.
- During the 2017-18, an amount of Rs.1.34 Crores was spent towards CSR activities as prescribed under schedule VII, of the Companies 2013.
- No provision has been made in the 2017-18 Accounts towards CSR as there is no requirement under the Ind AS to create such reserve in the financial statements.

19 BOARD OF DIRECTORS

A) Change in Directors and Key Managerial Personnel

Appointment of Directors

Sri Mohanaraj M
Smt Sharmila Mary Joseph IAS

Cessation of Directors

Smt. Malathy Sukumaran
SriTeeka Ram Meena IAS

B) Declaration by an Independent Director(s) and re-appointment.

NA

C) Formal Annual Evaluation (applicable to listed Company and every other public company having a paid up share capital of twenty five crore rupees or more calculated at the end of the preceding financial year).

NA

20 NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

Three number of meetings were held during the year under report

21 AUDIT COMMITTEE

The Audit Committee comprises of members of Board of Directors except Managing Director.

22 DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES

` There is a separate Internal Audit/Vigilance Department in the Corporation and an Annual Report of the Department is placed before the Directors.

23 NOMINATION AND REMUNERATION COMMITTEE

NA

24 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

NIL

25 PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

NIL

26 MANAGERIAL REMUNERATION:

A) Details of the ratio of the remuneration of each director to the median employee's remuneration and other details as required pursuant to Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. (Applicable to listed Company) **NA**

B) Details of the every employee of the Company as required pursuant to 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.NAC)Any Director who is in receipt of any commission from the Company and who is a Managing Director or Whole-time Director of the Company shall receive any remuneration or commission from nay Holding Company or Subsidiary Company of such Company subject to its disclosure by the Company in the Board's Report **Nil / NA**

D) The following disclosures shall be monitored in the Board of Director's report under the heading "Corporate Governance", if any, attached to the financial statement:-

I)	all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the Directors;	Nil
ii)	details of fixed component and performance linked incentives along with the performance criteria;	Nil
iii)	service contracts, notice period, severance fees;	Nil
iv)	stock option details, if any and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable	Nil

27 SECRETARIAL AUDIT REPORT (Applicable to Listed Company and every public company having a paid-up share capital or fifty crore rupees or more or every public company having turnover of two hundred fifty crore rupees or more). NA

28 CORPORATE GOVERNANCE CERTIFICATE (Applicable to Listed Companies). NA

29 RISK MANAGEMENT POLICY NIL

30* DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the Directors Responsibility Statement referred to in Clause (c) of sub – Section 134 of the Companies Act, 2013, your Directors state that –

(a) In the preparation of the Annual Accounts the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the State of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

c) The Directors had taken proper and sufficient care for the maintenance of adequate accountings records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) The Directors had prepared the Annual Account on a going concern basis.

(e) The Directorshad laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

(f) The Directors had devised proper systems to ensure compliance with the provisions of the applicable loss and that such systems were adequate and operating effectively.

31 INDUSTRIAL AND LABOUR RELATIONS

Industrial and Labour Relation continued to be cordial throughout the year. As per Government Order GO (Rt.) No.606/2018 dated 18.08.2018, an Ex-gratia and Performance Incentive at the rate of 19.25% and 10.25% respectively, subject to a maximum of Rs.85,000/- was paid to the employees.

32 ACKNOWLEDGEMENT

Directors are extremely grateful to the Government of Kerala for the continued guidance and assistance of the Company.

Directors take this opportunity to place on record their appreciation for the support and co-operation extended by the various Departments of State Government, Central Government, Banks, etc.

Directors take this opportunity to acknowledge the sincere and continued co-operation extended by the Executives and Employees at all levels and the Trade Unions. Directors also thank the customers and suppliers for their continued co-operation.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

....2020

Thiruvananthapuram **CHAIRMAN**

SRIDHAR & CO,
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS REPORT

TO THE MEMBERS, THE KERALA STATE BEVERAGES (MANUFACTURING & MARKETING) CORPORATION LIMITED BEVCO TOWER, PALAYAM, THIRUVANANTHAPURAM.

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Kerala State Beverages (Manufacturing & Marketing) Corporation Limited ("the Company" or "the Corporation"), which comprise the Balance Sheet as at 31st March 2018, and the Statement of Profit and Loss (including other comprehensive income) and the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as standalone Ind AS financial statements.)

Management Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income and cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis of Qualified Opinion

The opinion expressed by us is qualified to the extent described hereunder:

(a) The unit-wise details of Tax Deducted at Source and Tax Collection at Source and its subsequent remittance were not furnished for our verification. Hence, we are unable to comment on the correctness or otherwise of the outstanding liability with respect to TDS of Rs. 1.62 lakhs and Tax Collection at Source of Rs.95.74 lakhs, included in Note 20 - “Other Current Liabilities.”

(b) "Bonus, Ex-gratia & Festival Allowance payable" as on 31st March, 2018 of Rs.2396.46 lakhs included in Note 17 - "Trade payable for services" includes Rs.19.24 lakhs in respect of earlier financial years for which Employee-wise details of disbursement are not readily available with the corporation. Due to the above reason, we are unable to comment on the fairness of "Bonus, Ex-gratia & Festival Allowance payable".

(c) "Terminal benefits of staff from PSU's payable" as on 31st March, 2018 of Rs.99.70 lakhs included in Note 17 - "Trade payable for services" includes Rs.2.61 lakhs payable in respect of earlier financial years for which employee-wise details for the disbursement is not readily available with the corporation. Due to the above reason, we are unable to comment on the fairness of "Terminal benefits of staff from PSU's payable".

(d) The amounts and balances of Advance from Customers, EMD and Security deposits, included in Note 18 "Other Financial Liabilities" are subject to confirmation of balance and reconciliation. Thus we are unable to comment on the correctness or otherwise of these amount standing to the credit of these accounts.

(e) The Company is following the practice of retaining the Excise Duty from suppliers and this have been accounted as Excise duty retained from the suppliers, included in Note 20- "Other Current Liabilities." The balance of Rs.1896.74 lakhs in this account includes Rs.23.15 lakhs, which is pending settlement since 1999 and as we are not furnished with any records, we are unable to comment on the fairness of the same.

(f) Funds Payable as on 31st March, 2018 of Rs.158.53 lakhs included in Note -20 "Other Current Liabilities" represents the amounts received at head office account but not identified with any receipt at warehouse and shops, whose year-wise break-up are disclosed in Note 43(G) of Ind AS Financial statements. Since this represents unidentified transactions, we are unable to comment on the correctness or otherwise of the balance of Funds Payable account.

(g) Excise Duty Advance of Rs.1081.02 lakhs includes Rs.20.25 lakhs remitted and remaining unadjusted since 1998-99. This has been included in "Balance with government authorities" under Note 13 "Other Current Assets". As we are not furnished with any records relating to this, we are unable to comment on the extent of reliability of the same.

(h) In respect of Onam Advance- Abkari workers and Onam Advance-Deputation staff amounting to Rs.0.094 lakhs and Rs.8.64 lakhs respectively included and disclosed under Note no.13 "Other Current

Assets", company could not furnish the detailed party wise break up. Hence, we are unable to comment on the correctness of Onam Advance to Abkari workers and Deputation staff of Rs.8.73 lakhs as stated above.

(i) Company do not follow the practice of estimating and accounting the loss incurred on account of fixed assets lost due to fire or theft at shops or warehouses. The insurance claim received towards the same is booked in profit and loss account in the year of receipt. The method of accounting adopted by the company is against the generally accepted accounting principles as far as accounting of fixed assets and losses are concerned and is not in accordance with "Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors" as far as accounting and disclosure of exceptional items are concerned. Hence, the fixed assets and depreciation as well as net profit for the year and accumulated profits are overstated. Since, details to find out the financial effect of the same is not readily available with the company, we are unable to comment on the financial effect of the accounting method followed by the company in the profits of the current year as well as earlier years.

(j) The company is following the practice of accounting loss of stock due to fire or theft at shops or warehouses in the year of occurrence by treating the same as consumption and the insurance claim received against the same are accounted in the year of receipt. Treating the loss of stock as consumption and accounting the insurance claim in the year of receipt is not in accordance with "Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors" issued by Institute of Chartered Accountants of India as far as accounting and disclosure of exceptional items are concerned. Since the details regarding the loss of stock as well as insurance claim lodged and received are not readily available with the company, we are unable to comment on the financial effect of the accounting method followed by the company in the profits of the current year as well as earlier years.

(k) Company has been routing the daily collection of six retail shops (out of 309) through Chalakkudy Urban Co-operative Bank during 2004-05 and 2005-06. Out of the daily collections from these shops from 04.02.2005 to 07.04.2005, amount to the extent of Rs.307 lakhs was retained by the banker and kept in Fixed Deposit account in the name of the company. This action was against the approved standing instructions with the banker for the transfer of collections to Thiruvananthapuram on a daily basis The Company had filed a complaint against the banker before the Hon'ble Chief Judicial Magistrate Court, Thiruvananthapuram, in pursuance to which a criminal case has been registered and investigations by the State Vigilance Department is in progress. The Company had also filed an Arbitration Case u/s 69 of the Kerala Co-operative Societies Act 1969. The Arbitrator passed an award on 31.10.2016 in favour of the Corporation to realise and recover the amount with interest from 17.03.2007 to 14.10.2017 from the assets of the bank. An Execution petition was submitted for the recovery of the amount. No provision for the interest component (estimated at Rs.271.53 Lakhs at the rate of 8% interest till 31.03.2018) has been made in the accounts. Though the extent of recovery of the principal amount is doubtful, no provision has been made in the accounts. According to the information furnished to us, the bank is under liquidation. Hence, we are unable to comment on the recoverability or otherwise of the amount of Rs.297.01 lakhs, included in “Others" and disclosed under Note 13 “Other Current Assets”.

(l) An amount of Rs.2646.87 lakhs was incurred during the current financial year towards rent for shops and warehouses. Unit-wise details of the expenses were not furnished for our verification. Hence, we are unable to comment on the correctness or otherwise of rent included in Note no 28 “Other expenses”.

(m) The Company could not produce unit-wise details of Goods and Services Tax and its subsequent remittance and reconciliation of the same with books of accounts. Due to the above reason, we are unable to comment on the correctness or otherwise of the same.

(n) The company has issued fully paid up bonus shares of Rs.397.50 lakhs (39,750 shares of Rs.1000/-each) in favour of the Governor of Kerala by passing a Special resolution at the Extra ordinary General Meeting convened on 28.02.2018. Section 63 of the Act requires issue of bonus shares to be authorised by Articles of Association of the Company. However, there is no clause in the Articles of the company permitting issue of bonus shares and the company has not amended its Articles to confer the Board with the said power.

(o) A Circular Resolution was passed by the Board on 13th December 2017, to avail the loan of Rs. 750 crores from Canara bank and Rs. 250 crores from Federal Bank for a period of 6 months @ 7.95 % interest. However, section 118(10) of the Act read with Secretarial Standards – 1 Specifically prohibits passing a Circular Resolution for transaction by means of 'Borrowing money otherwise than by issue of debentures'. Thus, the company has violated the provisions of the Companies Act, 2013.

The aggregate effect of all the above comments is unascertainable and hence the impact of the same on the results of the Corporation could not be reasonably ascertained and reported.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st March 2018,and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to the following notes in the notes forming part of financial statements. Our report is not qualified in respect of the below mentioned matters.

(a) Note 64 of Notes to Financial Statements, states that, additional Gallonage Fee payable by the corporation(in five equal instalments of Rs.13,339 lakhs and aggregating to Rs.66,693.34 lakhs) on account of waiver of surcharge on sales tax , is not legally payable by the corporation as the same has been waived by the Government.(vide letter No.41/2012dtd.23.03.2012, SRO 185/2012 and GO(P) No.40/2012/TD dtd.23.03.2013 SRO No.184/2012). An amount of Rs.3,335 lakhs (25% of Rs.13,339 lakhs) paid by the corporation on 30.06.2012, based on govt. request, had been adjusted while paying total gallonage fee of Rs.35,471 lakhs payable by the corporation for 2012-13 (@11.87 per bulk litre and clarification in this regard had been requested from Government Vide corporation's letter No. KSBC/FM/040/2015-16 dtd.24.04.2015. Since there is no provision for levy of additional gallonage fee in the rules, no further demand for the balance amount had been received and provision cannot be made in respect of quantity of liquor sales to be effected in future years, for gallonage fee rates which have not been prescribed by government. Hence, no provision has been made in the books of accounts in this regard.

(b) Balances under Trade payable for goods supplied (Suppliers) as stated in Note 17 of standalone Ind AS Financial statements are subject to confirmation and reconciliation.

Our opinion is not qualified in respect of the above matters.

Other Matter

The Company is mandated to spend at least Rs.277.26 lakhs on Corporate Social Responsibility (CSR) during 2017-18 in order to comply with provisions of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014 and Notification F No.1/15/2013 dated 27.02.2014. Though the company has spent Rs.134.35 lakhs towards the expenses of the nature specified in the Schedule VII of the Act. However, these were not undertaken in project or program mode as referred to in Rule 4(1) of Companies (Corporate Social Responsibility) Rule ,2014.Further, the CSR policy of the company does not include the list of projects or programs it plans to undertake, the modalities of its execution, implementation schedules and monitoring process as specified in Rule 6(1) of Companies (Corporate Social Responsibility) Rule ,2014. Thus, the Company has violated the provisions of Section 135 of the Companies Act, 2013.

Our opinion is not qualified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government in terms of Section 143(11) of the Act, we give in the Annexure 1 , a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(5) of the Act, we give in Annexure 2, a statement on the compliance to the Directions issued by the Comptroller and Auditor General of India.

3. **As required by Section 143 (3) of the Act, we report that:**

   I) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   ii) in our opinion proper books of account as required by law have been kept by the Company as far as appears from our examination of those books

   iii) The Balance Sheet, Statement of Profit and Loss, Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

iv) except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015.

v) Disclosure in terms of sub-section (2) of section 164 of the Companies Act, 2013 is not required as per Notification No.GSR-463(E) dated June 05, 2015 issued by the Ministry of Corporate Affairs.

vi) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 3";

vii) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements. (Refer Note:37 to the Standalone Ind AS Financial statements)

ii. The Company does not have any long term contracts including derivative contracts for which a provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts is to be made.

iii. No amount is required to be transferred to the Investor Education and Protection Fund by the Company.

For Sridhar & Co.
Chartered Accountants
FRN: 003978S

Thiruvananthapuram **R. Sripriya**
Date **Partner(M.No.209371)**

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

Annexure 1 referred to in our Independent Auditors' Report to the Members of Kerala State Beverages (Manufacturing & Marketing) corporation Limited on the accounts for the year ended 31st March 2018.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that

(i) (a) The company is maintaining a consolidated register of Fixed Assets at Head Office, including all quantitative details and situation of the fixed assets. However, the register is not updated for the deletions made to assets on account of theft or fire. Also, the identification marks are not properly filled up. On a test check basis, we are of the opinion that the register of Fixed Assets maintained at warehouses is also not updated properly.

(b) Fixed Assets have been physically verified by the management. However, since there is no regular programme for verification of Fixed Assets, we are unable to comment on frequency and adequacy of verification of fixed assets. Due to the above fact, we are unable to comment on any material discrepancies on physical verification and the accounting of the same in the books of accounts.

(c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of company.

(ii) (a) The stocks of IMFL, Beer, and Security Labels have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

(b) The company is maintaining proper records of inventory and material discrepancies noticed on physical verification were recovered from the employees per the Circular dated 15.05.1985 issued by the Corporation.

(iii) The company has not granted any loans, secured or unsecured to companies, firms, LLP's or other parties covered in the register maintained under section 189 of the Act. Accordingly the provisions of clauses 3(iii)(a) to (c) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has not given any loans, made any investments, provided any guarantees, and given any security to which the provisions of section 185 and 186 of the Companies Act, 2013 are applicable.

(v) The company has not accepted any deposits from the public to which the provisions of section 73 to 76 of the Companies Act, 2013, and the rules made there under would apply.

(vi) Maintenance of cost records has not been prescribed by the Central Government under Section 148(1) of the Act for any of the services rendered by the Company.

(vii) (a) In our opinion and according to the information and explanations given to us, the company has been generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, customs duty and other material statutory dues, if any, applicable to it with appropriate authorities and there were no arrears of such dues at the year end which have remained outstanding for a period of more than six months from the date they become payable other than Rs. 68.13 lakhs payable towards Provident Fund and Rs.0.34 lakhs payable towards Abkari Workers Welfare Fund.

(b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Service Tax, Customs duty, Excise Duty, Value Added Tax or Cess not deposited on account of any dispute except:-

Sl. No.	Assessment Year (Fin. Year)	Nature of Due	Disputed Amount (in Rs. lakhs)	Disputed Forum
1	2012-13 (2011-12)	Income tax Demand	157.55	CIT (Appeals)
2	2014-15 (2013-14)	Income tax Demand	43,006.00	High Court & CIT (Appeals)
3	2015-16 (2014-15)	Income tax Demand	36,121.29 & 37,172.27	High Court
4	2016-17 (2015-16)	Income tax Demand	54,671.89	CIT (Appeals)
5	2017-18 (2016-17)	Income tax Demand	61,992.68	CIT (Appeals)

6	2018-19 (2017-18)	Income tax Demand	51,109.85	CIT(Appeals)
7	01.07.2003 to 31.03.2006 & 01.04.2006 to 31.03.2007	Service Tax Demand	37,835.04	Supreme Court
8	01.04.2007 to 30.09.2007, 01.10.2007 to 31.03.2008 & 01.04.2006 to 31.03.2007	Service Tax Demand	10,361.05	Supreme Court

(viii) The Company has not defaulted in repayment of any loans or borrowings from any financial institution, banks, government or debenture holders during the year.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, clause 3(ix) of the Order is not applicable.

(x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees of a material nature has been noticed or reported during the course of our audit.

(xi) As per Notification No GSR 463(E) dated 05th June 2015 issued by Ministry of Corporate Affairs, Government of India, Section 197 of Companies Act, 2013 is not applicable to the Company. Accordingly, paragraph 3 (xi) of the Order is not applicable.

(xii) The Company is not a Nidhi company. Accordingly, clause 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and the details of such transactions have been disclosed in the financial statements of the Company as required by the applicable Ind AS.(Note No.40)

(xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Sridhar & Co.
Chartered Accountants
FRN: 003978S

Thiruvananthapuram

R.Sripriya
Partner (M.No.209371)

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT

The Comptroller and Auditor General of India has issued directions indicating the areas to be examined in terms of Section 143 (5) of the Companies Act, 2013.

As required by Section 143(5) of the Act, we give a statement on the compliance to the Directions issued by the Comptroller and Auditor General of India for the year 2017-18, we report that:-

Directions under section 143(5) of the Companies Act, 2013	Report	Action Taken	Impact in accounts and Financial Statements
Whether the company has clear title or lease deeds for freehold and lease hold land respectively? If not please state the area of freehold and lease hold land for which title/lease deeds are not available.	Yes, The Company has clear Title deeds.	NIL	NIL
Details regarding any cases of waiver/write off of debts/loans/ interest etc; if yes, reasons thereof and amount involved.	During the FY 2017-18 there are no cases of waiver/write off debts /loans/interest etc.	NIL	NIL
Whether proper record are maintained for inventories lying with third parties & assets received as Gift from Government or other authorities.	No inventories lying with third parties & assets received as Gift from Government or their authorities	NIL	NIL
Whether the Company has an effective system for recovery of dues in respect of sales activities and the dues outstanding and recoveries there against have been properly recorded in the books of accounts?	The Company does not have the practice of supply of goods on credit basis. Hence, the effective system for recovery of dues in respect of sales activities does not arise.	NA	NA

Whether the Company has an effective system for physical verification, valuation of stock, treatment of non-moving items and accounting the effect of shortage/ excess noticed during physical verification.	The corporation has a set of system for physical verification of Liquor of all its FL 9 Warehouse and FL 1 shops. Stock veriication at the FL 9 warehouses and FL1 Shops are conducted twice in a financial year. Also Company has laid down proper procedures to account the non moving items, accounting the effect of shortage/ excess noticed during physical verification.	Corporation is conducting half yearly physical verification of stocks in all our units.	NIL
The effectiveness of the system followed in recovery of dues in respect of sales activities	The Company follows the sales on cash basis. There are no dues in respect of sales activities then and thereby.	NA	NIL

For Sridhar & Co.
Chartered Accountants
FRN: 003978S

Thiruvananthapuram
Date :

R.Sripriya
Partner (M.No.209371)

ANNEXURE 3 TO THE INDEPENDENT AUDITOR'S REPORT

Report on Verification of Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").

We have audited the internal financial controls over financial reporting of Kerala State Beverages (Manufacturing & Marketing) Corporation Limited as of 31 March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles. A company's internal financial control over financial reporting includes those policies and procedures that:

i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Generally Accepted Accounting Principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Qualified Opinion.

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2018:

a) The company does not have a system of timely preparation of bank reconciliation statements at shops/warehouses. Reconciliation of Bank Accounts maintained at shops and warehouses are undertaken at the end of the financial year only. Hence, investigation of un-reconciled or unidentified items and resolution of the same could not be conducted on a timely basis.

b) Imprest Salary Disbursement Accounts are maintained with banks by warehouses for disbursement of salary to staff at warehouses and shops. The balances in these bank accounts represent amounts of Salary or DA or Exgratia remaining undisbursed after they have been sanctioned for disbursement. These bank accounts are not reconciled on a monthly basis at head office, but are carried out only at the end of the financial year and effect of reconciliation is brought into books through a single journal entry for the financial year, consolidating the transactions of all warehouses and shops attached to warehouses. Considering the volume and nature of transactions, volume of balance remaining in such accounts and inadequacy of internal controls established and complexity in accounting procedure established by the company, the correctness of these accounts could not be established otherwise than by obtaining persuasive evidence.

c) As stated in the above paragraph, the balances lying in Imprest Salary Disbursement Accounts represents amounts of Salary or DA or Exgratia remaining undisbursed though they have been sanctioned for disbursement. Further, these balances also include some unidentified old balances treated as excess fund transferred from Head office and amounts withheld against liability of staff at warehouses and shops. The balances in these accounts as on 31.03.2018 amounts to Rs 160.51 lakhs. This balance is pending at warehouse after disbursement of salary for the month of March 2018. Existence of such huge balances at warehouses with minimal control or oversight from Head Office is susceptible to misappropriation and fraud.

d) The company does not have regular program for physical verification of Fixed Assets. Though physical verification is conducted once in a financial year, the procedures and records of physical verification does not commensurate with the nature and size of the company.

e) The company does not have a system of estimating and accounting the loss incurred to stock and fixed assets due to theft or fire at shops or warehouses.

f) The register of Fixed Assets is not updated for deletions made to the assets on account of theft or fire.

g) The internal control regarding review of long pending Advances, Deposits and Trade payables needs further strengthening.

h) The company does not have a system of maintenance and reconciliation of unit-wise details of rent, tax deducted at source and tax collection at source.

I) The company is not having proper system in place for recording/ maintenance of party wise details of advance given to abkari workers and deputation staff during festival season and its recovery. Hence there are balances of advances standing irrecoverable due to non identification of party.

j) The Accounts payable procedure followed by the company, for purchase of liquor and wine results in excess payments, wherein the payment to suppliers are made based on prices in the revised rate contract agreements. Hence, as per the system followed, the payments are made to suppliers at the revised rate for the purchases made before revision, for the stock in hand on the date at which new rate contract agreement becomes effective. However, the company recovers the excess payments from the subsequent payments. Further, the balances payable to suppliers are subject to confirmation and reconciliation. Considering the volume, nature and multiplicity of transactions, complexity in design of the system in place and accounting procedure established by the company, the correctness of these accounts could not be established conclusively.

k) The company has not established a proper system for the remittance of Provident Fund contribution of daily wages employees on a timely basis.

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of

Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone Ind AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.

For SRIDHAR & Co
Chartered Accountants
(FRN:003978S)

Place: Thiruvananthapuram **CA. R. Sripriya**
Date: **Partner (M.No.209371)**

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited

BALANCE SHEET AS AT MARCH 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,016.98	2,023.95
Financial assets			
Investments	5	807.05	814.30
Loans	6	-	-
Other financial assets	7	444.98	261.61
Deferred Tax Assets (net)	8	763.34	1,465.91
Other non-current assets	9	7,306.17	8,339.47
Total non-current assets		**11,338.52**	**12,905.24**
Current assets			
Inventories	10	36,650.88	31,261.05
Financial assets			
Cash and cash equivalents	11	16,439.82	8,741.35
Bank balances other than above	12	1,80,118.29	79,110.03
Other current assets	13	14,578.05	11,050.65
Total current assets		**2,47,787.04**	**1,30,163.08**
Total Assets		**2,59,125.55**	**1,43,068.32**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	14	500.00	102.50
Other equity	15	1,02,943.89	94,274.37
Total equity		**1,03,443.89**	**94,376.87**
Current liabilities			
Financial Liabilities			
(a) Borrowings	16	1,00,000.00	-
(b) Trade payables	17	32,414.57	29,120.48
(c) Other Financial Liabilities	18	4,510.25	3,643.46
Short Term Provisions	19	2,191.13	2,424.53
Other current liabilities	20	16,565.70	13,502.98
Total current liabilities		**1,55,681.66**	**48,691.45**
Total Equity and Liabilities		**2,59,125.55**	**1,43,068.32**

The accompanying notes form an integral part of the financial statements
For and on behalf of the Board of Directors

As per our report of even date attached
For M/s SRIDHAR & CO
Chartered Accountants
(FRN No.003978S)

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
S.Aananthakrishnan IPS	**G.Sparjan Kumar,IPS**	**John Joseph**	**Sishna PP**	**R.Sripriya**
Chairman	Managing Director	Company Secretary	Accounts Officer	Partner
				M.No.209371

Place : Thiruvananthapuram, India
Date : 30.11.2020

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Continuing Operations			
A Income			
Revenue from operations	21	5,35,685.86	5,08,996.90
Other income	22	10,712.37	10,945.81
Total income		**5,46,398.23**	**5,19,942.71**
B Expenses			
Purchase of stock-in-trade - Traded goods	23	1,63,782.36	1,67,537.04
Changes in inventories	24	(5,394.44)	(1,168.98)
Excise duty expenses		1,91,499.94	1,77,221.86
Employee Benefits Expense	25	18,839.21	17,624.34
Finance Costs	26	2,105.62	-
Depreciation and amortisation expense	27	343.25	253.88
Other expenses	28	1,57,622.27	1,45,611.22
Provisions (Net)	29	109.93	164.20
Total expenses		**5,28,908.13**	**5,07,243.56**
C Profit before exceptional items and tax		**17,490.10**	**12,699.14**
Exceptional items	30	(47.14)	(63.56)
Income tax Expenses of Earlier Years			
D Profit/ (Loss) before tax from continuing operations		**17,442.96**	**12,635.58**
Income tax expense	31		
Current tax		5,736.55	5,151.45
Deferred tax (credit)/ charge		1,031.32	(715.16)
Profit/ (Loss) for the year		**10,675.09**	**8,199.29**
E Other comprehensive income			
Items that will be reclassified to profit or loss			
Remeasurement of post employment benefit obligations		(949.88)	71.89
Income tax relating to these items		328.75	(24.88)
Other comprehensive income for the year, net of tax		**(621.13)**	**47.01**
Total comprehensive income/ (Loss) for the year		10,053.96	8,246.30
Earnings per share	32		
Basic earnings per share		77,722.20	79,993.12
Diluted earnings per share		77,722.20	79,993.12

The accompanying notes form an integral part of the financial statements
For and on behalf of the Board of Directors

As per our report of even date attached
For M/s SRIDHAR & CO
Chartered Accountants
(FRN No.003978S)

Sd/-
S.Aananthakrishnan IPS
Chairman

Sd/-
G.Sparjan Kumar,IPS
Managing Director

Sd/-
John Joseph
Company Secretary

Sd/-
Sishna PP
Accounts Officer

Sd/-
R.Sripriya
Partner
M.No.209371

Place : Thiruvananthapuram, India
Date : 30.11.2020

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

(A Equity Share Capital

Balance at the beginning of April 1, 2017	102.50
Changes in equity share capital during the year	397.50
Balance at the end of March 31, 2018	500.00

(B) Other Equity

Particulars	General Reserve	Other comprehensive income	Retained Earning	Total
Balance as at April 1, 2017	19,518.69	(8.43)	74,764.10	94,274.36
Additions/ (deductions) during the year	(397.50)	(621.13)	(986.94)	(2,005.56)
Total Comprehensive Income for the year			10,675.09	10,675.09
Balance as at March 31, 2018	**19,121.19**	**(629.56)**	**84,452.25**	**1,02,943.89**

The accompanying notes form an integral part of the financial statements
For and on behalf of the Board of Directors

As per our report of even date attached
For M/s SRIDHAR & CO
Chartered Accountants
(FRN No.003978S)

Sd/- **S.Aananthakrishnan IPS** Chairman	Sd/- **G.Sparjan Kumar,IPS** Managing Director	Sd/- **John Joseph** Company Secretary	Sd/- **Sishna PP** Accounts Officer	Sd/- **R.Sripriya** Partner M.No.209371

Place : Thiruvananthapuram, India
Date : 30.11.2020

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash Flow From Operating Activities		
Profit before income tax	17,442.96	12,635.58
Adjustments for		
Depreciation and amortisation expense	343.25	253.88
(Profit)/ Loss on sale of fixed asset	0.63	(0.11)
Provision for Employee benefits	753.52	-
Provision for Advance to AWF	-	5.39
Provision for Receivables write off	109.93	94.55
Provision for Funds Receivable	-	65.20
Fair Value changes of investments considered to profit and loss	7.25	2.58
Interest received	(10,252.73)	(6,837.89)
Exceptional Item	47.14	63.56
Interest paid	2,359.85	-
	10,811.79	**6,282.75**
Change in operating assets and liabilities		
(Increase)/ decrease in loans and advances	-	1,232.56
(Increase)/ decrease in Other financial assets	(183.36)	(41.57)
(Increase)/ decrease in inventories	(5,389.83)	(1,173.90)
(Increase)/ decrease in Other assets	(759.83)	32,734.17
Increase/ (decrease) in provisions and other liabilities	2,979.65	(4,633.26)
Increase/ (decrease) in trade payables	3,184.17	(4,372.69)
Cash generated from operations	10,642.60	30,028.06
Cash flow from exceptional items	(47.14)	(63.56)
Less : Income taxes paid (net of refunds)	(5,736.56)	(5,319.43)
Net cash from/ (used in) operating activities (A)	**4,858.90**	**24,645.06**
Cash Flows From Investing Activities		
Purchase of PPE (including changes in CWIP)	(338.18)	(324.82)
Sale proceeds of PPE (including changes in CWIP)	1.26	0.81
Other Non Current assets	1,033.30	1,090.14
(Investments in)/ Maturity of fixed deposits with banks	(1,01,008.26)	(31,211.49)
Interest income	7,485.16	8,355.15
Net cash from/ (used in) investing activities (B)	**(92,826.71)**	**(22,090.21)**

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash Flows From Financing Activities		
Proceeds/(Repayment) of short term borrowings	1,00,000.00	-
Interest on Short term borrowings	(2,359.85)	
Dividends paid	(1,640.00)	(820.00)
Tax on dividend	(333.88)	(166.94)
Net cash from/ (used in) financing activities (c)	**95,666.27**	**(986.94)**
Net increase (decrease) in cash and cash equivalents (A+B+C)	**7,698.47**	**1,567.91**
Cash and cash equivalents at the beginning of the financial year	8,741.35	7,173.44
Cash and cash equivalents at end of the year	**16,439.82**	**8,741.35**
Notes:		
1. The above cash flow statement has been prepared under indirect method prescribed in Ind AS 7 "Cash Flow Statements".		
2. Components of cash and cash equivalents		
Balances with banks		
- in current accounts	7,971.56	4,165.43
- in Treasury bank savings accounts	1,780.21	2,019.08
Cash on hand	6,610.74	2,545.37
Funds in Transit	77.31	11.47
	16,439.82	**8,741.35**

The accompanying notes form an integral part of the financial statements
For and on behalf of the Board of Directors

As per our report of even date attached
For M/s SRIDHAR & CO
Chartered Accountants
(FRN No.003978S)

Sd/-
S.Aananthakrishnan IPS
Chairman

Sd/-
G.Sparjan Kumar,IPS
Managing Director

Sd/-
John Joseph
Company Secretary

Sd/-
Sishna PP
Accounts Officer

Sd/-
R.Sripriya
Partner
M.No.209371

Place : Thiruvananthapuram, India
Date : 30.11.2020

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited

Notes to Financial Statements for the year ended March 31, 2018

1 Corporate Information

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited is a wholly owned State Government company. Its Objectives are as follows:

(1) To provide genuine quality liquor to consumers at reasonable prices.

(2) To make available supplies of liquor commensurate to demand.

(3) To evolve a proper system to prevent misuse, distribution of liquor through unauthorized sources and evasion of duties and taxes by middlemen.

(4) Consumer protection and satisfaction.

(5) To purchase take over and otherwise acquire and manage all or any of the business of distilling, brewing, blending, manufacturing, packing, selling and distributing toddy, wine, arrack, IMFL, rectified spirit, denatured spirit and all kinds of alcoholic and non alcoholic beverages in the state of kerala.

2 Basis of preparation of financial statements

The financial statements of the company have been prepared in accordance with Indian Accounting Standard (Ind AS) notified under Companies (Indian Accounting Standard) Rules, 2015 as amended from time to time. The company has prepared the financial statements to comply in all material aspects with Indian Accounting Standards (Ind AS) and the relevant provisions of the Companies Act, 2013 besides the pronouncements/ guidelines of the Institute of Chartered Accountants of India. The financial statements have been prepared on an accrual basis. However, gratuity and leave salary payable over and above the limit covered under insurance policy, taxes, and other Government levies (other than regular statutory liabilities such as Income Tax, Sales Tax, Excise Duty and Gallonage Fee) are accounted for as and when paid.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

a) financial assets (Rent Deposit) and

b) Investment in Equity Shares measured at fair value (refer accounting policy regarding financial instruments)

These financial statements are presented in INR and values are rounded off to nearest lakhs except when otherwise indicated.

These financial statements are approved for issue by the Board of Directors on 30.11.2020

Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

3 Significant Accounting Policies

a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

i) Expected to be realised or intended to be sold or consumed in normal operating cycle

ii) Held primarily for the purpose of trading

iii) Expected to be realised within twelve months after the reporting period, or

iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

I) It is expected to be settled in normal operating cycle

ii) It is held primarily for the purpose of trading

iii) It is due to be settled within twelve months after the reporting period, or

iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Fair value measurement

The Company has applied the fair value measurement wherever necessitated at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

I) In the principal market for the asset or liability;

ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non - financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and the best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 : Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

c) Revenue Recognition

Sale of goods

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.Revenue on sale of goods is recognised when

(a) the risk and rewards of ownership is transferred to the buyer

(b) neither continuing managerial involvement nor effective control

(c) probable future economic benefits

(d) reliable measurement of revenue

(e) reliable measurement of cost

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government and discount. When the inflow of cash is deffered FV can be less than the nominal account of cash.Under an effective financing transaction ,the fair value of consideration is determined by discounting all future receipts using an imputed rate of interest.

Interest Income

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Dividend income

Dividend income is recognized when the company's right to receive dividend is established by the reporting date, which is generally when shareholders approve the dividend.

Dividend expense

Final Dividend on shares is recorded as a liability on the date of approval by the shareholders. Payment of final dividend is made within the statutory period as per the amendment made in the Articles of Association.

d) Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost, net of recoverable taxes, trade discount and rebate less accumalated depreciation and impairment loss ,if any.such cost includes purchase price, borrowing cost and any cost directly attributable to bringing the assets to its working condition for its intended use.

An asset is treated as Impaired when the carrying cost of assets exceed its recoverable value. An impairment loss is charged to profit and loss Account in the year in which an asset is identified as impairment. The impairement loss recognised in prior accounting periods is reversed if there has been charged in the estimate of recoverable amount

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

e) Depreciation on property, plant and equipment

Depreciation is provided on the basis of useful life of the asset as prescribed in schedule II of the Companies Act 2013. The company continues the policy of fully writing off minor assets having a gross value of less than Rs.0.05 Lakhs per unit in the year of purchase. Depreciation has been provided on WDV method for all depreciable assets so as to write off the cost of the assets after retaining residual value of not more than 5% of cost,over the useful life of the respective assets as prescribed in the Act.

Depreciation on additions to fixed assets and sale of fixed assets are provided on pro-rata basis.

The useful lives considered for depreciation of fixed assets are as follows:

Assets Category	Estimated useful life (in years)
Buildings	60
Furniture and fixtures	10
Office equipment	5
Electrical Fittings	5
Vehicles	8

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f) Inventories

Stock of IMFL and Beer is valued at lower cost and net realisable value.The cost is computed on FIFO basis.Stock of Holographic Security Labels are valued at cost.The stock of IMFL and Beer stated above doesnot include the cost of Dead Stock(Obsolete,defective and unserviceable stock)

g) Foreign currency transactions and translations

The Company's financial statements are presented in INR, which is also the Company's functional currency.

h) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Where there is deferred tax assets arising from carry forward of unused tax losses and unused tax created, they are recognised to the extent of deferred tax liability.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

i) Retirement and other employee benefits

The contributions of the Company towards Employees Provident Fund and superannuation Fund are being charged to revenue. Payments for the funded schemes applicable to the regular employees of the Company for the gratuity and leave encashment are based on the amounts as determined by the Life Insurance Corporation of India. Contributions applicable to the employees on deputation are charged to revenue as and when it is paid to the respective parent department.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other leases are operating leases.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

k) Impairment of non financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

l) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Necessary provision for doubtful debts, claims, etc., are made if realisation of money is doubtful in the judgement of the management.

Contingent liabilities

Contingent liabilities are not provided for in the books of accounts.Contingent liabiities are estimated,have been disclosed by way of notes on forming part of accounts

Contingent assets

Where an inflow of economic benefits is probable, the Company discloses a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

m) Financial Instruments

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

The Company classifies a debt instrument as at amortised cost, if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Debt instrument at FVTOCI

The Company classifies a debt instrument at FVTOCI, if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the profit and loss statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

The Company classifies all debt instruments, which do not meet the criteria for categorization as at amortized cost or as FVTOCI, as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. Where the Company makes an irrevocable election of equity instruments at FVTOCI, it recognises all subsequent changes in the fair value in other comprehensive income, without any recycling of the amounts from OCI to profit and loss, even on sale of such investments.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company

has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.

b) Financial assets that are debt instruments and are measured at FVTOCI

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 months ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 months ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, the Company considers all contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument and Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the profit and loss. The balance sheet presentation for various financial instruments is described below:

- **Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables:** ECL is presented as an allowance, which reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

- **Debt instruments measured at FVTOCI:** Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL and as at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to profit and loss. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The company has not designated any financial liability as at fair value through profit and loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

S.No	Original classification	Revised classification	Accounting treatment
1	Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
2	FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
3	Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
4	FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
5	FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
6	FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

n) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

o) Earnings per share

"The basic earnings per share are computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares."

p) "Liability due from Staff on account of shortage in Stock/Cash"

Liabilities due and recovered from employees of Warehouses and Shops on account of shortage in stock/cash are accounted on cash basis.

q) Loss on account of fire, theft etc.

Insurance claim on account of theft, fire etc. are accounted on cash basis as and when claims are received, except for loss of cash and stock, which are recognised/debited to the Profit & Loss Account in the year of loss.

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

4 Property, Plant and equipment

Particulars	Tangible Assets				Depreciation				Net carrying Value
	Cost as of 01.04.2017	Additions	Sales/ Adjustments	Cost as at 31.03.2018	Upto 01.04.2017	For the year	Sales/ Adjustments	Upto 31.03.2018	As at 31.03.2018
Freehold Land	284.15			284.15	-	-	-	-	284.15
Building	1,103.02	-		1,103.02	37.64	51.88	-	89.52	1,013.50
Furniture & Fittings	281.60	169.07		450.67	66.05	77.17	-	143.22	307.45
Electrical Fittings	201.09	52.18	2.74	250.53	64.54	58.46	0.85	122.16	128.37
Office Equipments	382.20	116.92		499.12	142.79	130.07	-	272.86	226.26
Vehicles	122.13			122.13	39.22	25.67	-	64.89	57.24
	2,374.19	**338.18**	**2.74**	**2,709.62**	**350.24**	**343.25**	**0.85**	**692.64**	**2,016.98**
	Cost as of 01.04.2016	Additions	Sales/ Adjustments	Cost as at 31.03.2017	Upto 01.04.2016	For the year	Sales/ Adjustments	Upto 31.03.2017	As at 31.03.2017
Freehold Land	284.15			284.15				-	284.15
Building	11.77	1,091.25		1,103.02	0.57	37.07		37.64	1,065.38
Furniture & Fittings	88.39	193.57	0.36	281.60	20.76	45.65	0.36	66.05	215.55
Electrical Fittings	64.32	139.01	2.24	201.09	15.21	50.94	1.61	64.54	136.55
Office Equipments	107.37	275.85	1.02	382.20	44.30	99.44	0.95	142.79	239.41
Vehicles	40.25	81.88		122.13	18.44	20.78		39.22	82.91
	596.25	**1,781.56**	**3.62**	**2,374.19**	**99.28**	**253.88**	**2.92**	**350.24**	**2,023.95**

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

		As at March 31, 2018	As at March 31, 2017
5	**Non-current investments**		
	Kannur International Air Port Ltd	807.05	814.30
	Total	**807.05**	**814.30**
	Total non-current investments		
	Aggregate amount of quoted investments	-	-
	Aggregate market value of quoted investments	-	-
	Aggregate cost of unquoted investments	807.05	814.30
	Aggregate amount of impairment in value of investments	-	-
6	**Non-current Loans (at amortised cost)**		
	Other Non - Current Assets	5.40	5.40
	Shop Misappropriation	47.53	47.54
	Due from Govt of Kerala for funds mobilised	276.98	276.98
		329.92	329.92
	Less: Allowance for Doubtful advances	(329.92)	(329.92)
	Total	**-**	**-**
7	**Other Non-current Financial assets**		
	Security deposits	444.98	261.61
	Total	**444.98**	**261.61**
8	**Deferred Tax Liability/ (Asset) - Net**		
	Deferred Tax Liability		
	Others (Provision for Doubtful Debts)	-	8.26
		-	8.26
	Deferred Tax Asset		
	Fixed Asset	122.46	95.92
	Disallowance u/s 40(a)(ia)	3.84	2.00
	Disallowances made u/s 43B of the Income Tax Act	5.03	6.65
	Provsion for salary revision -		1,023.91
	Provision for Employee Benefits	260.79	341.26
	Provison for Doubtful Advances suppliers	38.04	-
	Remeasurement of post employment benefit obligations under Ind AS	333.18	4.43
		763.34	**1,474.17**
	Net deferred tax Assets/ (liabilities)	763.34	1,465.91
	Total	**763.34**	**1,465.91**

		As at March 31, 2018	As at March 31, 2017
9	**Other non-current assets**		
	Capital advance -Advance for purchase of land		
	Advance for purchase of land	400.00	400.00
	Less: Allowance for Doubtful advances	-	-
		400.00	400.00
	Disputed PF deposit	569.33	519.34
	Prepaid Rent	55.77	36.07
	Prepaid expenses - KIST and License Fee	6,281.06	7,384.06
	Total	**7,306.17**	**8,339.47**
10	**Inventories**		
	Finished products	36,560.19	31,165.75
	Stores & Consumables	90.69	95.30
	Total	**36,650.88**	**31,261.05**
11	**Cash and cash equivalents**		
	Cash on hand	6,610.74	2,545.37
	Balances with banks		
	(i) In current accounts	7,971.56	4,165.43
	(ii) In treasury savings accounts	1,780.21	2,019.08
	Funds in Transit	77.31	11.47
	Total	**16,439.82**	**8,741.35**
12	**Other Bank Balances**		
	Fixed Deposit-above 3 months	1,80,118.29	79,110.03
	Total	**1,80,118.29**	**79,110.03**
13	**Other current assets**		
	Advance to suppliers-Considered doubtful	372.79	262.87
		372.79	**262.87**
	Less: Allowance for Doubtful advances (Suppliers)	(372.79)	(262.87)
		-	-
	Excise Duty Advance	4.24	4.24
		4.24	**4.24**
	Less: Allowance for Excise Duty Advance	(4.24)	(4.24)
		-	-
	Security deposits & EMD	5.02	5.02
	Prepaid expenses - Unsecured, considered good	1,200.61	1,232.40
	Balances with government authorities (Refer Note:70)	3,449.29	3,255.10
	Other Advances	2,005.89	1,926.94
	Staff Advances	39.59	27.10
	Interest Receivable on Deposit	4,517.79	1,750.22
	Cash Discount accrued	598.42	474.17
	Funds Receivable	65.21	65.21
	Income tax refund claim	2,696.23	2,314.50
	Total	**14,578.05**	**11,050.65**

		As at March 31, 2018	As at March 31, 2017
14	Capital		
	Authorised Share Capital		
	50000 Equity shares of Rs. 1000 each	500.00	500.00
	Total	**500.00**	**500.00**
	Issued Share Capital		
	50000 Equity shares of Rs. 1000 each	500.00	102.50
	Total	**500.00**	**102.50**
	Subscribed and fully paid up share capital		
	50000 Equity shares of Rs. 1000 each	500.00	102.50
	Total	**500.00**	**102.50**
Notes:			
	1. Reconciliation of number of equity shares subscribed		
	Balance as at the beginning of the year	10,250	10,250
	Add: Issued during the year (Refer Note:45)	39,750	-
	Balance at the end of the year	**50,000**	**10,250**
	2. Shares issued for consideration other than cash 39,750 equity shares of Rs. 1000/- each were allotted as fully paid up by way of bonus shares during current financial year 2017-18.		
	3. Shareholders holding more than 5% of the total share capital		
	Name of the share holder	**No of shares**	**No of shares**
	50000 equity shares of Rs.1000/- held by The Governor of Kerala (100%)	50,000	10,250
	4. Rights, preferences and restrictions in respect of equity shares issued by the Company The company has only one class of equity shares having a par value of Rs.1000 each. The equity shares of the company having par value of Rs.1000/- rank pari-passu in all respects including voting rights and entitlement to dividend.		
15	**Other Equity**		
	General reserve	19,121.19	19,518.70
	Other comprehensive income	(629.56)	(8.43)
	Retained Earning	84,452.25	74,764.10
	Total	**1,02,943.89**	**94,274.37**
	a) General reserve		
	Opening balance	19,518.69	19,518.69
	Additions during the year -		-
	Deductions/Adjustments during the year (Refer Note:45)	(397.50)	-
	Closing balance	**19,121.19**	**19,518.69**

		As at March 31, 2018	As at March 31, 2017
	b) Other comprehensive income		
	Opening balance	(8.43)	(55.44)
	Additions during the year	(621.13)	47.01
	Deductions/Adjustments during the year	-	-
	Closing balance	**(629.56)**	**(8.43)**
	c) Retained Earning		
	Opening balance	74,764.10	67,548.74
	Net profit for the period	10,675.09	8,199.29
	Transfer to General Reserve	-	-
	Dividend and Dividend Tax	(986.94)	(983.93)
	Closing balance	**84,452.25**	**74,764.10**
16	**Borrowings**		
	Working Capital Loan - Federal bank (Refer Note:69)	25,000.00	-
	Working Capital Loan - Canara Bank (Refer Note:69)	75,000.00	-
		1,00,000.00	**-**
17	**Trade payables**		
	For Goods Supplied	28,394.43	23,980.35
	For Services	4,020.14	5,140.13
	Total	**32,414.57**	**29,120.48**
18	**Other Current financial liabilities**		
	EMD & Security Deposit	4,256.02	3,643.46
	Interest accrued but not due on short trem loans	254.23	-
	Total	**4,510.25**	**3,643.46**
19	**Short Term Provisions**		
	Provision for proposed equity dividend	-	820.00
	Provision for tax on proposed dividends	-	166.94
	Provision for Employee benefits	753.52	-
	Provision for taxation	1,367.01	1,367.00
	Provision for Funds Receivable	65.21	65.21
	Provision against advance to Employees	5.39	5.39
	Total	**2,191.13**	**2,424.53**
20	**Other current liabilities**		
	Statutory Dues	12,746.15	8,623.03
	Rent Deposit Payable	-	54.34
	Other payables	1,764.29	2,575.74
	Excise Duty Retained from Suppliers	1,896.74	2,091.34
	Funds Payable	158.53	158.53
	Total	**16,565.70**	**13,502.98**

		For the year ended March 31, 2018	For the year ended March 31, 2017
21	**Revenue from operations**		
	Sale of Products	5,24,346.03	4,97,983.91
	Net Sales of Products	5,24,346.03	4,97,983.91
	Other Operating Revenue	11,339.83	11,012.99
		5,35,685.86	**5,08,996.90**
22	**Other income**		
	Interest income comprises:		
	Interest from banks on :		
	a) On short term deposit	10,246.26	6,791.25
	b) Other interest	6.48	46.63
	Dead Stock Destruction Charges (Suppliers)	29.47	25.81
	Realisation of Loss and Damages While on Duty	281.14	462.73
	Other non-operating income comprises:		
	Fee Received for Supplying Information(RTI)	0.15	2.09
	Miscellaneous Income	77.15	264.51
	Rent Received	0.32	-
	Insurance Claims	8.56	0.39
	Profit on Sale of Assets	0.11	0.26
	Interest on Income tax Refund	62.74	3352.14
		10,712.37	**10,945.81**
23	**Purchase of stock-in-trade - Traded goods**		
	Purchases - Kerala	1,16,794.96	1,20,156.13
	Purchases - Outside	47,344.62	47,906.61
		1,64,139.58	**1,68,062.74**
	Less: Trade Disount 10%	(16.74)	(8.79)
	Less:Trade Disount 5%	(340.48)	(516.91)
		1,63,782.36	**1,67,537.04**
24	**Changes in inventories of work-in-progress, stock in trade and finished goods**		
	Opening Balance		
	Stock- in-Trade	31,165.75	29,996.77
		31,165.75	**29,996.77**
	Closing Balance		
	Stock- in-Trade	36,560.19	31,165.75
		36,560.19	**31,165.75**
	Total changes inventories of work-in-progress, stock in trade and finished goods	**5,394.44**	**1,168.98**
25	**Employee benefits expense**		
	Salaries, wages and bonus	16,187.88	14,557.05
	Contribution to provident and other funds	1,721.78	2,324.04
	Staff/ workmen welfare expenses	929.55	743.25
		18,839.21	**17,624.34**

		For the year ended March 31, 2018	For the year ended March 31, 2017
26	**Finance Costs**		
	Interest on Loan from Federal Bank	549.98	-
	Interest on Loan from Canara Bank	1,555.63	-
		2,105.62	**-**
27	**Depreciation and amortisation expense**		
	Depreciation of property, plant and equipment	343.25	253.88
		343.25	**253.88**
28	**Other expenses**		
	Rates & Taxes	1,44,892.47	1,35,426.96
	Power and fuel	153.93	136.12
	Repairs and Maintenance-General	149.55	92.45
	Repairs and Maintenance (Others)	87.30	116.98
	Freight & Other Selling Expenses	1,071.36	1,001.23
	Professional Charges	29.65	20.97
	Office Expenses	190.27	479.49
	Loading & Unloading Charges	2,025.37	1,802.38
	Training program expenses	2.04	0.55
	Loss on sale of Fixed Assets/scrapped assets	0.75	0.15
	Postage, Telegram and Telephone.	27.94	31.13
	Packing Materials	185.50	180.40
	Cost of Excise Establishment	954.18	948.70
	Security Labels Consumed	774.52	813.16
	Travel and conveyance	216.24	185.23
	Insurance	42.28	30.30
	Printing and stationery	222.13	206.70
	Advertisement and sales promotion	101.67	84.91
	Legal Charges	21.19	35.09
	Rent	2,646.87	1,825.39
	Watch & Ward Expenses	3,272.42	273.68
	Interest on Delayed Statutory Payments	10.59	1,519.19
	Labelling Charges	385.47	353.12
	Payment to Auditors	17.45	25.46
	Bank Charges	(4.49)	12.52
	Miscellaneous expenses	145.61	8.94
		1,57,622.27	1,45,611.22
		1,57,622.27	**1,45,611.22**
29	**Provisions (Net)**		
	Provision for Receivables	109.93	94.55
	Provision for Funds Receivable	-	65.20
	Provision for HO Misappropriation	-	(0.94
		109.93	**164.20**
30	**Exceptional items**		
	Theft	-	13.88
	Amount Paid to Bar Licencee	47.14	49.68
	Total	**47.14**	**63.56**

	For the year ended March 31, 2018	For the year ended March 31, 2017
31 Income tax expense		
(a) Income tax expense		
Current tax		
Current tax on profits for the year	5,736.55	5,151.45
Current tax expense relating to prior years		
4) Dividend Tax	-	-
Total current tax expense	**5,736.55**	**5,151.45**
Deferred tax		
Deferred tax adjustments	1,031.32	(715.16)
Total deferred tax expense/(benefit)	**1,031.32**	**(715.16)**
Income tax expense	6,767.87	4,436.29
b) The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	17,442.96	12,635.58
Income tax expense calculated at 34.608% (2016-17: 34.608%)	6,036.66	4,372.92
Effect of expenses that are not deductible/(deductable on payment) in determining taxable profit	(300.11)	778.53
Income tax expense	**5,736.55**	**5,151.45**
c) Income tax recognised in other comprehensive income		
Deferred tax		
Remeasurement of defined benefit obligation	328.75	(24.88)
Total income tax recognised in other comprehensive income	**328.75**	**(24.88)**

d) Movement of deferred tax expense during the year ended March 31, 2018

Deferred tax (liabilities)/ assets in relation to:	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Closing Balance
Property, plant, and equipment and Intangible Assets	95.92	26.54	-	122.46
Expenses allowable on payment basis under the Income Tax Act	341.65	(33.95)	-	307.70
Remeasurement of financial instruments under Ind AS	1,023.91	(1,023.91)	-	0.00
Remeasurement of post employment benefit obligations under Ind AS	4.43	-	328.75	333.18
Other temporary differences	-	-	-	-
	1,465.91	(1,031.32)	328.75	763.34
Total	**1,465.91**	**(1,031.32)**	**328.75**	**763.34**

e) **Movement of deferred tax expense during the year ended March 31, 2017**

Deferred tax (liabilities)/ assets in relation to:	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Closing Balance
Property, plant, and equipment and Intangible Assets	80.66	15.26	-	95.92
Expenses allowable on payment basis under the Income Tax Act	-	341.65	-	341.65
Remeasurement of financial instruments under Ind AS	665.66	358.25	-	1,023.91
Remeasurement of post employment benefit obligations under Ind AS	29.31		(24.88)	4.43
Other temporary differences	-	-	-	-
	775.63	715.16	(24.88)	1,465.91
MAT Credit entitlement				
Total	**775.63**	**715.16**	**(24.88)**	**1,465.91**

		For the year ended March 31, 2018	For the year ended March 31, 2017
32	**Earnings per share:**		
	Profit for the year attributable to owners of the Company	10,675.09	8,199.29
	Weighted average number of ordinary shares outstanding	13,734.93	10,250.00
	Basic earnings per share (Rs)	77,722.20	79,993.12
	Diluted earnings per share (Rs)	77,722.20	79,993.12
33	**Earnings in foreign currency**	-	-
34	**Expenditure in foreign currency**	-	-
35	**Value of Imports (on C.I.F basis)**	-	-
36	**Disclosures required by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 are as under**		
	(a) The principal amount remaining unpaid at the end of the year	-	-
	(b) The delayed payments of principal amount paid beyond the appointed date during the year	-	-
	(c) Interest actually paid under Section 16 of MSMED Act	-	-
	(d) Normal Interest due and payable during the year, for all the delayed payments, as per the agreed terms	-	-
	(e) Total interest accrued during the year and remaining unpaid	-	-
	*This information has been determined to the extent such parties have been identified on the basis of information available with the Company.	-	-

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
37 Commitments and contingent liability Contingent Liability		
1. Guarantees	NIL	NIL
2. Claims against the Company not acknowledged as debts		
(a) Income tax Demand under appeal	* 2,84,231.53	* 79,284.84
(b) Service tax Demand under appeal	** 48,196.08	** 48,889.64
3. Other money for which company is contingently liable		

In addition, the company is also subject to certain legal proceedings and claims which have arisen in the ordinary course of business. The management expect that these legal actions, when ultimately concluded and determined, will not have a material and adverse effect on the company's results of operation or financial conditions.

*

Assessment Year (Financial Year)	Disputed Amount (in lakhs)	Disputed Forum	Remarks
2012-13(2011-12)	157.55	CIT (A)	Appeal filed by KSBC against the disallowance of Cost of Excise Establishment Charges and Gallonage Fee before CIT(Appeals), Tvm and the CIT(A) issued order by partially allowing the Cost of Excise Establishment Charges. CIT(A) issued a Corrigendum directing the Assessing Officer to allow the claim of Cost of Excise Establishment subject to the condition to verify all the documentary evidences submitted by the Company and the matter is pending with the Assessing Officer.
2014-15(2013-14)	43,006.00	"High Court &CIT (A)"	Appeal filed by the Company against 263 proceedings of the Principal Commissioner of Income Tax which was dismissed by the Income Tax Appellate Tribunal (ITAT) was challenged before Hon'ble High Court and the High Court has allowed the appeal substantially in favour of the Company as per judgement dated 30.04.2020. (Gallonage Fee at FL1 Shops, Shop Rental(KIST), Surcharge on Sales Tax, Turnover Tax were allowed and Gallonage Fee at Warehouses and WH License Fee were disallowed) The appeal filed by the Company against the consequential order passed by the assessing officer under section 143(3) was dismissed by the CIT (A) on the ground of non-maintainability before him and this was challenged before Hon'ble Highcourt and the Hon'ble court has ordered for restoration of the appeal for disposal by CIT (A) in accordance with law. Further, the Company has filed an application before the assessing officer U/S 154 of the Act for rectification of the mistake of not claiming the eligible expenses of rental/kist, licences fee and gallonage fee. This application was rejected by the assessing officer and is under challenge before CIT (A). The tax impact involved in the 154 rectification is not included in the amount of Rs 43,006 lakh stated in column 2. On the basis of the Judgment dated 30/04/2020, Company had submitted the details of amounts allowed

			for the year, before the Assessing Officer, and a revised Assessment Order to that effect is awaited.
2015-16 (2014-15)	36121.29 & 37172.27	Highcourt	The appeal filed by the Company before CIT (A) and ITAT was dismissed by the those forums and also the miscellaneous petition filed before ITAT which was also dismissed by the Tribunal and were under challenge before Hon'ble High Court. All the 2 appeals were finally disposed of by the Hon'ble High Court along with the appeal for AY 2014-15 as above. Further, based on the direction of the Prl. Commissioner of Income Tax, the assessing officer has disallowed the turnover tax paid and issued a demand notice for Rs 37172.27 lakhs. An appeal was filed before the ITAT challenging the 263 proceedings which is pending for disposal. On the basis of the Judgment dated 30/04/2020, Company had submitted the details of amounts allowed for the year, before the Assessing Officer, and a revised Assessment Order to that effect is awaited.
2016-17 (2015-16)	54,671.89	CIT (A)	The appeal was filed against the assessment and demand before CIT (A), and the appeal is pending for disposal.
2017-18(2016-17)	61,992.68	CIT (A)	The appeal was filed against the assessment and demand before CIT (A) and the appeal is pending for disposal.
2018-19(2017-18)	51,109.85	(CIT)	The appeal was filed against the assessment and demand before CIT (A), and the appeal is pending for disposal.
The total demand involved for all the 5 assessment years which are under dispute above comes to Rs 2840.22 crores and against this, the Income Tax Department had appropriated from the bank accounts of the Company, through section 226 garnishee proceedings, an amount Rs 667 crores for AYs 2014-15 to 2016-17 in March 2019. An amount of Rs 330.31 crore was also paid to the income tax department for AYs 2017-18 and 2018-19 during 2019-20. Further, all the demands are challenged through writ proceedings before High Court and granted stay for the balance amount involved. The Company has also filed a writ petition challenging the constitutional validity of the provisions in as much as it is discriminatory with respect to central PSUs and non-governmental entities. The appeals filed before the High Court for AY 2014-15 and 2015-16 were disposed off by holding that surcharge on sales tax as well as turnover tax are not disallowable under section 40(a) (iib) and that regarding license fee, kist and gallonage fee, only license fee and gallonage fee pertaining to FL9 license is liable to be disallowed under the section.			

**

"The Commisioner of Central Excise, Trivandrum had earlier made assessment to service tax allegedly holding that the business activity of the company would falls under 'business auxiliary services' and the details of demand raised is given below:

1. 01.07.2003 to 31.03.2006 and 01.04.2006 to 31.03.2007 (Order No 405/2009 dated: 31.03.2009)- Aggregate demand of Rs.37835.04 lakhs (Rs.18917.52 lakhs plus Penalty under section 78 Rs.18917.52 lakhs)

2. 01.04.2007 to 30.09.2007, 01.10.2007 to31.03.2008 and 01.04.2006 to 31.03.2007 (Interest) (Order Nos.9 to 11/2010 dated: 30.03.2010) Aggregate demand

of Rs.10361.05 lakhs plus Rs.200 per day as penalty (Rs.3942.34 lakhs plus Rs.4338.22 lakhs plus Rs.6.53 plus Penalty amounting to Rs.2073.95 lakhs).

Against the above assessments and demand, Company filed appeal before Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore bench. The Hon'ble Tribunal after hearing the matter at length had held that the activity of procurement and distribution of liquor by the Company is only purchase and sale and no element of service is involved to cover the activity under the business auxiliary service. Against the orders of the Tribunal, the Department had filed appeal before the Hon'ble Highcourt of Kerala but the Hon'ble High Court had dismissed these appeals holding that the said appeals are not maintainable before High court u/s 34(G) of the Central Excise Act 1944. Against the rejection of appeal, the Department had filed Special Leave Petition and civil appeals before the Hon'ble Supreme Court. This was later withdrawn as permitted by the Hon'ble court with a liberty to file appeals and accordingly the Central Excise Department has filed appeals against the orders of the Tribunal before Hon'ble Supreme Court. The Department has also filed an interim application (IA) for early hearing of the matter. Though the matter was listed for final hearing in December 2019, the same stands adjourned and the appeals are yet to be listed for final hearing thereafter. "

On the notice from Central Excise Department to pay Service Tax on Service charges and Display charges realized from suppliers, the company had obtained registration and had paid Service Tax amounting Rs. 693.56 lakhs for the period 01.07.2003 to 31.03.2008 under protest. Subsequently, a refund application was filed before the Assistant Commissioner, Central Excise and Customs, Thiruvananthapuram which was rejected stating it to be premature. Against this said order, an appeal was filed before the Commissioner of Customs and Central Excise (Appeals), Kochi and the appeal was disposed off with a direction to the respondent to consider the refund claim on merit. The Assistant Commissioner has heard the case and ordered that the amount shall be credited to Consumer Welfare Fund and rejected the refund request. The Company has filed an appeal before the Commissioner of Customs & Central Excise (Appeals) against order with a prayer for refund of the amount instead of credit of amount to welfare fund and the appeal is pending for disposal

Particulars	" As at March 31, 2018 "	" As at March 31, 2017 "
Estimated Value of Contracts remaining to be executed on Capital Account and not provided for	NIL	NIL

Other contingencies:

A) "Some of the employees of the Company who had retired at the age of 55 years have filed writ petitions before Hon'ble High court claiming back wages consequent to enhancement of retirement age from 55 to 58 years and withdrawal of SLPs pending before Hon'ble supreme court in this regard. Some of the claimants thus retired had crossed the age of 58 as on the date of order of enhancement of retirement age and those who did not cross the age had got re-induction in service. The Hon'ble High Court has disposed of these writ petitions allowing 50% back wages. The Company has filed writ appeal against the judgment before division bench which is not yet finally disposed off. However no provision has been made in the account for the same."

B) The Company has its own medical benefits scheme which was introduced as early in 1984. The Company was exempted from the purview of ESI Act from the year 1985 till 31.03.2009. Though the company has made application for exemption from ESI for the years 2009-10 and 2010-11, but the same has not been granted so far. Later, the ESI Corporation has served demand notice for remittance of the ESI contribution with interest from 2009 onwards. Against the demand, the Corporation filed petition before Hon'ble Insurance Court, Kollam claiming total exemption of the Company from the purview of ESI Act. The Hon'ble Insurance Court has stayed the assessment and demanded notice issued by ESI authorities and the petition is pending for disposal. The Company has got a better medical benefit scheme compared to ESI scheme. Further, the Government vide letter of 02.03.2017 had clarified that that the ESI scheme is not applicable to the Company. Taking in to consideration all these aspects, no provision has been made in the accounts towards the ESI contribution.

C) A number of consumer cases are pending before various Forums. In most of the cases, the allegation is that, concerned shop in charges have realised excess amount than the maximum retail price (MRP) printed on the labels. However the amount so collected were due to revision in MRP consequent to increase in sales tax rates on liquor by Government and since there were crores of unsold bottles, it could not be possible to mark new MRP on such bottles. At this stage the outcome and the amount involved in these pending cases could not be ascertainable and hence no amount has been provided on this account.

D) Based on the decision of Government as per Abkari Policy for the year 2014-15 to close down FL3 Bar Hotels, except Five star and above category, the Government had directed the Company to take back the liquor stock available with the closed licensees. Accordingly these liquor stocks were freezed and transported to the various warehouses of the Company. Liquor stock worth Rs 1505.55 Lakhs were thus transported to various warehouses and the amount have been paid to the concerned licensees. The Company has requested the Government for refund of the amount paid to such licensees and the Government has ordered for adjustment of the amount against Excise duty/sales tax payable in future. Since the Commissioner of Commercial Taxes Department has expressed their inability to adjust the amount, the matter was again taken up with Government and the Government directed to adjust the amount against Excise duty payable to Excise Department. Some licensees who had transported freezed liquor stocks thereafter to whom an amount of Rs 49.68 lakh was also paid. When the matter was taken up with Government for refund of the amount, the Government ordered to absorb the amount by the Company. Hence an amount of Rs 49.68 lakh during the year 2016-17 and an amount of Rs.47.14 lakh (Note 30) during 2017-18 has been written off in the accounts in the light of the Government order above. The amount of Rs 1505.55 lakhs ordered for adjustment against excise duty is shown under other current assets (Other Advances in Note-13).

E) "Assistant Provident Fund Commissioner, Trivandrum served an attachment Order/Garnishee Order No.KR/10416//ENF-1(2)/2006 dated 04.10.2006 and 12.10.2006 to our Bank Account at State Bank of Travancore, Sasthamangalam and Dhanlaxmi Bank, Vazhuthacaud for an amount of Rs.731.92 lakhs towards the Provident Fund dues of Abkari Workers for the period 2001 to 2005. State Bank of Travancore and Dhanlaxmi Bank had complied the Garnishee Order and remitted an amount of Rs.36.21 lakhs and Rs.695.71 lakhs respectively towards Provident Fund Department.

Against this order, the Company had filed a Writ Petition No.27139/06 before the Hon'ble High Court of Kerala and in the judgement dated 25.10.2006 the Hon'ble High Court had ordered the Department to refund the said amount of Rs.731.92 lakhs to the Company and stayed the recovery procedure for a period of two months from the date of Order during which time the Company shall approach the Tribunal and seek appropriate interim order in the Appeal. Against this the Provident Fund Department had filed Writ Appeal No.241/06 wherein the Hon'ble High Court had ordered in judgement dated 21.11.2006 that the amount held by the Provident Fund Department should be given back to State Bank of Travancore and that the Bank shall keep the amount as such until the final decision. The Company had filed an IA in the Writ Appeal for the release of amount from the deposit of the bank. The Hon'ble Court vide Judgement dated 27.02.2007 ordered to release 50% of the amount from the deposit in the bank to the Company on furnishing bank guarantee ,and rest of the amount was to be kept by State Bank of Travancore C242itself till the petition is disposed.

On furnishing the bank guarantee State Bank of Travancore released 50% of the amount on 10.07.2007 and balance amount of Rs.365.96 lakhs is retained in State Bank of Travancore, Sasthamangalam. This Bank Guarantee has beed transferred to Federal Bank Ltd with effect from 18.03.2017.

On 22nd August 2007 Assistant Provident Commissioner of Provident Fund, Thiruvananthapuram had issued another order demanding an amount of Rs.364.56 lakhs towards EPF for Security Workers and Labelling Workers and also one year PF contribution of Abkari Workers for the year 2006. Against this order the Company had filed an appeal before the Provident Fund Appellate

Tribunal. But the same was not accepted due to the non functioning of the Tribunal. A writ petition to stay all further proceedings pursuant to the order (dated 22.08.2007) was filed before the Hon'ble High Court of Kerala. In the interim order issued by Hon'ble High Court on 16.10.2007, stay was granted for a period of two months on the condition to pay one-fourth of the amount demanded within one month from 16.10.2007.Rs.91.14 lakhs being one – fourth of the demanded amount (of 364.56 lakhs) was paid by the Company on 15.11.2007.

Against the above two demands,The appeals filed before Employees Provident Fund Appellate Tribunal (EPFAT) challenging the determination was dismissed by the Tribunal. The mater was under challenge before High Court through writ proceeding before Hon'ble High Court and the matter is still pending for disposal, On 08.12.2011, the Regional Provident Fund Commissioner had issued another order demanding an amount of Rs.155.57 lakhs towards Employees Provident Fund dues for labelling charges for the period 03/2005 to 3/2011. The appeal was filed before the EPFAT as ATA No 111 (7) 2012 and obtained stay against the determination of demand, subject to payment of 40% of demand amounting to Rs.62.23 lakhs and the appeal is yet to be disposed off. Consequent to the abolition of EPF tribunal, case stands transferred to Central Government Industrial Tribunal, Cochin and renumbered as Appeal No. 720/19.

The Regional Provident Fund Commissioner, Thiruvananthapuram vide order dated 04.04.2017 has issued another determination order demanding to remit an amount of Rs.2026.60 lakhs towards Provident Fund dues of Abkari Workers covering the period from 01/2007 to 04/2014 and on Labelling charges paid to Labelling Contractor covering the period from 04/11 to 4/14.Appeal filed before Hon'ble Tribunal as ATA No A/KL-46/17 and has obtained stay for the balance demand and stay of further proceedings on condition of deposit of Rs.50 lakhs Now the case stands transferred to CGIT, Ernakulam and renumbered as 269/18.An amount of Rs.569.33 lakhs is shown in the Financial statement as Disputed PF deposit under Note - 9 -Other Non-Current Assets"

F) "Further, the following Show Cause notices were also received from Central Excise department :

i) Show cause notice Nos.71 & 14 of 2009 of the Commissioner dated: 20.10.2009-Aggregate proposal Rs.11411.56 lakhs /- plus interest and penalty (Rs.5863.78 lakhs plus Rs.5547.78 lakhs).

ii) Show cause notice No.30/2010-ST(JC) dated: 13.04.2010 towards "Storage and Warehousing Services"-Aggregate proposal Rs.7.40 lakhs plus interest and penalty for the period April 2008 to March 2009.

iii) Show cause notice No.82/2010-ST dated: 08.10.2010 for the period 01.04.2009 to 31.03.2010 aggregate proposal Rs.11082.96 lakhs

iv) Show case notice No.12/2011-ST (JC) dated: 14.03.2011 for the period 01.04.2009 to 31.03.2010 towards "Storage and Warehousing Services"-Aggregate proposal Rs.7.11 lakhs plus interest and penalty.

v) Show cause notice No.70/2011-ST (Commr), dated: 22.09.2011 for the period 01.04.2010 to 31.03.2011 –Aggregate proposal Rs.13228.10 lakhs plus interest and penalty.

vi) Show cause notice No.18/2012-ST (Commr), dated 12.03.2013 for the period 01.04.2011 to 31.03.2012-Aggregate proposal Rs.15217.44 lakhs.

vii) Show cause notice No.34/2013 (ADC), dated: 18.04.2013 for the period 2011-2012 towards storage and Warehousing Services - Aggregate proposal Rs.6.35 lakhs

viii) Show Cause Notice No.73/2014-ST(Commr) dated: 16.05.2014 for the period 01.04.2012 to 31.03.2013, aggregating an amount of Rs.17895.73 lakhs plus interest and penalty.

ix) Show Cause Notice No.12/2015-ST(Commr) dated 24/02/2015 for the period 01.04.2013 to 31.03.2014, aggregate proposal of Rs.18760.11 lakhs along with interest u/s 75 and penalty u/s 76 and 77 of Act, and the company has filed a reply.

x) Show Cause Notice No.292/2015-16 ST (Commr) for the period April 2014-15 aggregate proposal of Rs.18736.42 lakhs along with interest u/s 75 and penalty u/s 76 and 77 of the Act, and the Company has filed a reply.

xi) Show cause Notice No.14/2017-18/ST(Commr)Dtd.14.06.2017 for the period 2015-16 aggregate proposal of Rs.23552.55 lakhs along with interest u/s 75 and penalty u/s 76 and 77 of the Act, and the Company has filed the reply.

xii) Show cause Notice No.21/2018-19/ST (Commr)Dtd.31.3.2019 for the period April 2016 to June 2017 aggregate proposal of Rs. 32509.99 lakh along with interest u/s 75 and penalties u/s 76 and 77 of the Act and the Company has filed the reply. Though the service tax authorities have been issuing above referred notices, no further assessment or demands are raised possibly on account of the decision of the Tribunal. In view of these, no provision has been made in the accounts in this regard. "

38 Operating lease arrangements

The company is in the practice of taking buildings and spaces on lease for its trading and storage activities .

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited
Notes to Financial Statements for the year ended March 31, 2018
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

39 Financial Instruments

Capital management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company determines the amount of capital required on the basis of annual operating plans and long-term product and other strategic investment plans. The funding requirements are met through equity and other short-term borrowings.

The capital structure of the Company consists only of equity.

Categories of Financial Instruments	March 31, 2018	March 31, 2017
Financial assets		
a. Measured at amortised cost		
Other non-current financial assets	444.98	261.61
Cash and cash equivalents	16,439.82	8,741.35
Bank balances other than above	1,80,118.29	79,110.03
b. Mandatorily measured at fair value through profit or loss (FVTPL)		
Investments	807.05	814.30
Derivative instruments	-	-
Financial liabilities		
a. Measured at amortised cost		
Borrowings (short term)	1,00,000.00	-
Trade payables	32,414.57	29,120.48
Other financial liabilities	4,510.25	3,643.46
b. Mandatorily measured at fair value through profit or loss (FVTPL)		
Derivative instruments	-	-

Financial risk management objectives

The treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks by using natural hedging financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company actively manages its currency and interest rate exposures through its finance division and uses derivative instruments such as forward contracts and currency swaps, wherever required, to mitigate the risks from such exposures. The use of derivative instruments is subject to limits and regular monitoring by appropriate levels of management.

Interest rate risk management

The Company is exposed to interest rate risk because it borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. Further, in appropriate cases, the Company also effects changes in the borrowing arrangements to convert floating interest rates to fixed interest rates.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is not subject to credit risk as the internally generated funds are used to meet their financial requirements

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure is the total of the carrying amount of balances with banks, short term deposits with banks, trade receivables, margin money and other financial assets excluding equity investments.

Liquidity risk management

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company invests its surplus funds in bank fixed deposit and mutual funds, which carry minimal mark to market risks..

Liquidity tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

March 31, 2018	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
Tradepayables	32,414.57	-	-	32,414.57
Other financial liabilities	4,510.25	-	-	4,510.25
	36,924.83	-	-	36,924.83

March 31, 2017	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
Trade payables	29,120.48	-	-	29,120.48
Other financial liabilities	3,643.46	-	-	3,643.46
	32,763.94	-	-	32,763.94

	March 31, 2018	March 31, 2017
Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required):	Nil	Ni

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited
Notes to Financial Statements for the year ended March 31, 2018
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

40 Related party disclosure

a) List of parties having significant influence

Holding company — The Company does not have any holding company

Fellow Subsidiaries — The Company does not have any subsidiaries, associate and joint ventures

Key management personnel:

Shri H.Venkatesh, IPS — **Managing Director**

b) Transactions during the year

S.No.	Nature of transactions	Managing director		Other Directors	
		2017-18	2016-17	2017-18	2016-17
1	Salaries and allowances				
	H.Venkatesh, IPS	25.06	27.36		
2	Other benefits and PF Contribution	Nil	Nil		
3	Sitting fee	Nil	Nil		
		25.06	27.36	-	-

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited
Notes to Financial Statements for the year ended March 31, 2018
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

41 Retirement benefit plans

Defined contribution plans

In accordance with Indian law, eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions, as specified under the law, are made to the provident fund and pension fund set up as an irrevocable trust by the Company. The Company also has superannuation plan.

Defined benefit plans

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump-sum payment to vested employees at retirement, death, while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in the future based on an actuarial valuation. Company's liability towards gratuity (unfunded), other retirement benefits and compensated absences are actuarially determined at each reporting date using the projected unit credit method.

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Particulars	March 31, 2018	March 31, 2017
Mortality Table	LIC(2006-08)ultimate	LIC(2006-08)ultimate
Attrition Rate	1% to 3% depending age	1% to 3% depending age
Discount Rate	8%	8%
Rate of increase in compensation level	7%	7%
Rate of Return on Plan Assets	7.65%	8.25%
Expected Average Remaining Working Lives of Employees (years)	17.21	17.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts recognised in total comprehensive income in respect of these defined benefit plans are as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Current service cost	189.74	185.81
Net interest expense	133.11	127.65
Return on plan assets (excluding amounts included in net interest expense)	(148.08)	(146.83)
Components of defined benefit costs recognised in profit or loss	**174.77**	**166.63**
Remeasurement on the net defined benefit liability comprising:		
Actuarial (gains)/losses recognised during the period	745.59	4.00
Components of defined benefit costs recognised in other comprehensive income	**745.59**	**4.00**
	920.36	**170.63**

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:

	March 31, 2018 Rs. Lakhs	**March 31, 2017** Rs. Lakhs
Present value of defined benefit obligation	2,604.65	1,774.88
Fair value of plan assets	(2,012.05)	(1,930.30)
Net Liability/(Assets) arising from defined benefit obligation	**592.60**	**(155.42)**
Funded	592.60	(155.42)
Unfunded	-	-
	592.60	**(155.42)**

Movements in the present value of the defined benefit obligation in the current year were as follows:

	March 31, 2018 Rs. Lakhs	**March 31, 2017** Rs. Lakhs
Opening defined benefit obligation	1,774.88	1,595.57
Current service cost	189.74	185.81
Interest cost	133.11	127.65
Actuarial (gains)/losses	745.59	4.00
Benefits paid	(238.67)	(138.15)
Closing defined benefit obligation	**2,604.65**	**1,774.88**

Movements in the fair value of the plan assets in the current year were as follows:

	March 31, 2018 Rs. Lakhs	**March 31, 2017** Rs. Lakhs
Opening fair value of plan assets	1,930.30	1,722.22
Interest Income	-	-
Expected return on plan assets (excluding amounts included in net interest expense)	148.08	146.83
Contributions	172.34	199.40
Benefits paid	(238.67)	(138.15)
Actuarial gains/(loss)	-	-
Others	-	-
Closing fair value of plan assets	**2,012.05**	**1,930.30**

In view of the fact that the Company for preparing the sensitivity analysis considers the present value of the defined benefit obligation which has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Compensated absences

"Company is following the practice of valuing the compensated absence as per Ind AS 19 "Employee Benefits" based on the leave balance outstanding on the employees account on March 31st every year by an independent actuary and has provided the same in the accounts. The payment is done as and when claims are received from the employees or on the date of retirement/ relieving from the service of the company."

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Particulars	March 31, 2018	March 31, 2017
Mortality Table	LIC(2006-08) ultimate	LIC(2006-08) ultimate
Attrition Rate	1% to 3% depending age	1% to 3% depending age
Discount Rate	7.5%	8%
Inter Valuation leave accrual	AL at 26 days with a ceiling of 300 days	AL at 26 days with a ceiling of 300 days
Rate of increase in compensation level	7%	7%
Rate of Return on Plan Assets	7.65%	8.25%
Expected Average Remaining Working Lives of Employees (years)	17.00	18.00

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Current service cost	109.69	105.68
Net interest expense	40.11	38.12
Return on plan assets (excluding amounts included in net interest expense)	(50.93)	(46.99)
Components of defined benefit costs recognised in profit or loss	**98.87**	**96.81**
Remeasurement on the net defined benefit liability comprising:		
Actuarial (gains)/losses recognised during the period	204.29	(75.89)
Components of defined benefit costs recognised in other comprehensive income	**204.29**	**(75.89)**
Components of defined benefit costs recognised in profit or loss	303.16	20.92

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Present value of defined benefit obligation	743.61	501.43
Fair value of plan assets	823.55	613.61
Net liability/(Asset) arising from defined benefit obligation	**(79.94)**	**(112.18)**
Funded	(79.94)	(112.18)
Unfunded	-	-
	(79.94)	**(112.18)**

Movements in the present value of the defined benefit obligation in the current year were as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Opening defined benefit obligation	501.43	476.46
Current service cost	109.69	105.68
Interest cost	40.11	38.12
Actuarial (gains)/losses	204.29	(75.89)
Benefits paid	(111.91)	(42.94)
Closing defined benefit obligation	**743.61**	**501.43**

Movements in the fair value of the plan assets in the current year were as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Opening fair value of plan assets	613.60	584.94
Interest Income	-	-
Expected return on plan assets (excluding amounts included in net interest expense)	50.93	46.99
Contributions	270.91	24.60
Benefits paid	(111.91)	(42.94)
Actuarial gains/(loss)	-	-
Others	-	-
Closing fair value of plan assets	**823.53**	**613.59**

Kerala State Beverages (Manufacturing & Marketing) Corporation Limited
Notes to Financial Statements for the year ended March 31, 2018
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

42 Property, Plant and Equipment

A. Fixed Assets include acquisition of undivided share of 1.488 cents of land costing Rs1.72 lakhs and a residential flat in Thiruvananthapuram costing Rs.25.36 lakhs purchased during 2000-01and this building is being depreciated as per schedule II of Companies Act 2013. It also includes 28.24 cents of land costing Rs.282.43 lakhs purchased during the year 2010-11.

B. During the year, the company had disposed off Fixed Assets having a Gross Value of Rs.4.78 lakhs which were disposed off for acquiring new assets.

43 Current Assets

A. The total value of unsalable stock as on 31.03.2018 (valued at current years purchase price plus duties) is Rs.1475.60 lakhs (Previous Year Rs. 1658.01 lakhs)The value of stock that has become unsalable during the year valued at current year purchase price and duties is Rs.833.33 lakhs (Previous year Rs. 704.37 lakhs) which has been debited to the respective Suppliers Account and credited to Purchase, Excise Duty and Import Fee Accounts respectively.

B. The stocks of 545 cases kept in the Company's warehouses and shops as per the order of the High Court of Kerala has not been taken into account, as the goods do not belongs to the Company. These items are not saleable and the Hon. High Court has ordered for destruction of the same. Out of these 542 cases have since been destroyed. Similarly confiscated stock of 119 cases kept at Thrissur warehouse has also not been taken into account.

C. During 2017-18, dead stock of 71591 cases and 13783 bottles in warehouses (previous year 74216 cases and 21501 bottles in warehouses) and 648659 Bottles in FL 1 shops. (Previous Year 338377 bottles in FL 1 shops) were destroyed

D. The closing stock of IMFL,Beer and Holographic Security Label is disclosed as per the physical verification conducted at the end of the year. The difference whenever observed stands adjusted in the accounts and there is no discrepancies during the year.

E. In the penalty clause of the terms and conditions of the Rate Contract, it is stated that in addition to levy of penalty of Rs.10/- per case per month,on liquor stocks lying unsold for 90 days, the Company reserves the right to debit the respective suppliers account with all expenses and other statutory duties incurred in case of liquor stocks being unsold for more than 240 days. An approximate amount on these old stock is about Rs.72.12 lakhs. The statutory duties and taxes etc. on theses stocks has not been debited to the suppliers account as duties and taxes on these stocks are being debited only as and when the stocks become unsalable as per the procedure being consistently followed, for otherwise, it would necessitate reversal of entries as and when 240 day old stocks are sold.

F. The Funds in Transit is the net of the amount transferred from Warehouses & Shops but not received in Head Office Account and Amount received in Head Office Account but not transferred from Warehouse and Shops. The entire amount shown under the head Funds in Transit has been subsequently identified and cleared during the year 2018-19.

G. The amounts transferred from Warehouses & Shops amounting to Rs.65.21 Lakhs but not identified in Head Office Account are disclosed as Funds receivable under Current Assets and the amounts received at head office account but not identified with any receipt at warehouse and shops of Rs.158.53 Lakhs is disclosed as Funds payable under Current liabilities. Entire amount under the head Funds Receivable has been provided for. The year-wise break-up of the above amount is as follows:

Period	Particulars	"Funds Receivable"	"Funds payable"
2001-02	Amount transferred but not received in the HO bank accounts/ amount received but not transferred from the Bank branch	-	13.1
2002-03	Do	-	2.55
2004-05	Do	-	1.35
2005-06	Do	39.88	11.48
2006-07	Do	13.41	16.92
2007-08	Do	11.92	5.59
2012-13	Do	-	15.31
2013-14	Do	-	8.5
2014-15	Do	-	83.73
	TOTAL	**65.21**	**158.53**

H. Deposits with Treasury are made at the instance of the Government of Kerala. The maximum balance in Treasury at any time during the year was Rs.1,11,044.73 lakhs (Previous year Rs. 2019.07lakhs)

44 Non-current assets

A. The Company has not made any long term investment during the year. As per Government Order (Rt) No. 259/2012/TD, dated 31-03-2012 an amount of Rs.400 lakhs was paid to CHICOPS for settling debts of Co-Operative Banks and in lieu of this the Government had ordered to allot land for the value.The valuation of land and building is obtained and the order is pending for execution; the amount paid is accounted under Capital Advance,included in Other Non-Current Assets. [Note No.9]

B. "An amount of Rs. 5.40 lakhs being sales proceeds of FL 1 Shop Pattimattom was lost when the cash bag was snatched from Abkari Worker enroute to the bank for remittance. A Crime Case No.136/08 was registered on 10.03.2008, which was subsequently disposed of acquitting the accused. The Company has decided to recover the loss sustained from Abkari Workers. The Hon”ble High Court of Kerala vide judgement dated 30/09/2015 allowed the petitions filed by E.I Sunny and K.N. Vasu, Abkari Workers directed that the disciplinary authority should serve a copy of enquiry report to the petitioners and also directed that the petitioners shall be afforded with an opportunity of hearing. Also it was made clear that the “recovery shall not be made until the disciplinary proceedings conclude, finding the petitioners guilty”. Enquiry has been conducted and disciplinary action is yet to be finalized against them. This amount is shown under Non Current Assets as amount to be received from Shri. E.I. Sunny, Abkari Worker and provision is made in the Books of Accounts. [Note No.6]"

C. "An amount of Rs.47.54 lakhs was misappropriated by Shri Sajeevan, Shop in Charge of FL 1 Shop Ravipuram Ernakulam during the period 24.08.2008 to 29.01.2011 by falsifying accounts of the shop and he had committed suicide on 30.01.2011. An Original Suit No.331/2011 was filed before the Hon’ble Sub Court, Ernakulam on 29.03.2011 for recovery of the misappropriated amount. A crime case No. 468/2011 was also registered on 03.03.2011 at Ernakulam South Police Station, which was later transferred to the Vigilance Wing of the Police Department. The respondent had properties of land and Building to the extent of 4.05 Are, 1.15 Are plus 68 Sq mtr Building and two passenger motor vehicle contract carriage. The Sub Court had issued an Injunction order restraining /alienating the above property to third parties. A case No. OA 243/12 has been registered before the Debt Recovery Tribunal, Ernakulam for the recovery of liability amount due to the Company.An amount of Rs.23.44 lakhs being the Sales Tax and Cess is included in the misappropriated amount. The misappropriated amount is shown under the head Non-Current Loans . Suit was filed and claiming amount from his legal representatives. The Hon'ble Court has dismissed the suit filed by KSBC vide judgment dt: 23.08.2016. Appeal has been filed in the Honourable High Court against the above judgement and provision was made in the books of accounts.[Note No.6]"

D. Rs.276.98 lakhs being the amount reimbursable by Government to the Company for funds mobilised from Commercial Banks as per the directives from the Government for advance remittance of statutory levies due to the government and for parking funds into the Treasury since 2004. However, the Government had not reimbursed the amount so far and we have requested the Government to allow write off the above amount. Since the recovery of the amount is doubtful and based on the request submitted to the government to allow write off, provision to the extent of Rs.276.98 lakhs is made in the books of accounts.[Note No.6]

45 During the year 2017-18, based on the Government direction for increasing the capital base of the corporation, the board had decided to allot fully paid-up bonus shares to the extent of the un issued capital of the company. Accordingly,the company had issued 39750 equity shares of Rs.1000 each totalling to Rs.3,97,50,000/- in favour of Governer of Kerala as fully paid-up bonus shares by the utilisation of balance in general Reserve.

46 The amount of Rs Rs.21.41 lakhs which shown under the head Sundry Debtors in 2008-2009 accounts being the amount due from two licensees on account of the difference in cost of liquor sold in 1996-97 due to excise duty revision was recovered based on the order dated 25.06.2009 of Hon'ble High Court of Kerala. Though Hon'ble High Court has not ordered for interest amount, we had made a demand of interest @ 12% p.a. and filed a civil suit before Hon'ble Sub Court, Thiruvananthapuram, which is pending for disposal.

47 Sundry Creditors account of the year 2017-18 shows a debit balance of Rs. 372.79 lakhs. The reason for debit balance in sundry creditors are the cost, excise duty, import fee on dead stock, godown breakages, penalty for unsold stock and expenses incurred for destruction of dead stock etc. During the year 2017-18 Provision for receivables was created to the extent of Rs.109.92 lakhs towards debit balance in Sundry Creditors Account.

48 "Consequent to the Government decision to open additional number of retail shops (from 14 to 327) progressively from financial year 2001-2002 onwards, the number of bank accounts and the volume of fund transfer from respective branches of the banks to their designate branch at Thiruvananthapuram had increased considerably. The banks have levied charges on such funds transfer, which is shown below, which according to the company is not warranted.

Indian Bank	:	Rs.8.44 lakhs for the period 2002-03 to 2003-04
State Bank of India	:	Rs.47.24 lakhs for the period 2002-03 to 2003-04
State Bank of Travancore	:	Rs.80.09 lakhs for the period 2001-02 to 2004-05

The Company has taken up the matter before the appropriate forums and has made request for refund of bank charges levied. The Company has also filed a petition before the Hon'ble High Court of Kerala against State Bank of Travancore in this respect, which is pending for disposal. Further, the Company has filed cases against Indian Bank and State Bank of India before Consumer Disputes Redressal Forum and Consumer Redressal Commission, Thiruvananthapuram respectively. The Redressal Forum had ordered Indian Bank to refund the Bank Charges without any interest. The Company had filed an appeal before the State Redressal Commission, Thiruvananthapuram for claiming interest. Meanwhile, the Indian Bank also filed an appeal before the Commission for setting aside the order of the Redressal Forum. Further the writ petition filed before Hon'ble High Court against State Bank of Travancore was disposed off by the Court with a direction to the State Bank of India to consider the matter for settlement amicably in view of the merger of SBT with SBI. Accordingly, an application was submitted to the State Bank of India with a request to refund the amount. The case filed against State Bank of India before the State Commission is still pending for disposal"

49 Balance of amount due from staff at Shops and warehouses as on 31.03.2018, due to liability on account of difference in stock/cash between physical count and book figures is Rs.752.47 lakhs (Previous Year Rs.566.5 lakhs) has not been credited for. The liability ascertained during the year 2017-18 was Rs. 465.90 lakhs and an amount of Rs.281.14 lakhs was recovered during the year.

50 Provision for current income tax has been made after taking into account difference between depreciation charged in the accounts and depreciation allowable as per Income Tax Act 1961 and other deductions/ additions applicable as per the said Act.

51 Considering the volume of business the Company is not in a position to ascertain the balance confirmation. However the Company has taken necessary steps to obtain the reconciliation statement from the Suppliers.

52 Amount due to micro,small and medium enterprises(MSME) exceeding Rs.1.00 lakhs for more than 30 days during the financial year 2017-18 is NIL (2016-17: NIL)

53 Contributions due to Kerala Abkari Workers Welfare Fund has been reckoned considering the Basic pay , Dearness Allowance,CCA & HRA paid to workers covered under the fund, and Basic Pay and Dearness Allowance is applicable for ascertaining contribution to provident fund.

54 Salaries,wages and Allowance includes Rs.2257.32 lakhs being Bonus/ Exgratia payable to employees as per the Government Order for the year 2017-18 (Previous Year Rs.2438.25 lakhs)

55 Onam Advance to deputation staff amounting to Rs. 8,63,644/- accumulated until March, 2010 and Rs.10,500/- in respect of financial year 2015-16 (included in Rs.9,18,644/- as on 31.03.2018) and Onam advance to abkari Workers amounting to Rs.9,439/- relating to prior years (included in 404724/- as on 31.03.2018) are pending to be identified, reconciled and reversed in the books of accounts

56 During 2004-05 and 2005-06, the Company has been routing the daily collection of its six retail shops (out of 309) through Chalakudy Urban Co-operative Bank. Out of the daily collections from these shops from 04.02.2005 to 07.04.2005, amount to the extent of Rs.307 lakhs is retained by the banker and kept in Fixed Deposit account of the company. This action was against the approved standing instructions with the banker for the transfer of collections to Thiruvananthapuram on a daily basis. On the Banker's prayer to the Hon'ble High Court of Kerala to allow instalment facility to pay off to the Company the outstanding balance retained by the banker, it was exparte ordered that 'no action shall be taken against the petitioner without due process of law'. Thereafter the company had filed a complaint against the banker before the Hon'ble Chief Judicial Magistrate Court, Thiruvananthapuram in pursuance to which a criminal case has been registered and investigation by the State Vigilence Department is in progress. The Company has also filed an Arbitration Case U/s 69 of the Kerala Co-operative Societies Act, 1969. Meanwhile, the Chalakudy Urban Co-operative Bank had remitted Rs.10 lakhs on 17.03.2007 and the balance due as on 31.03.2007 is Rs.297.01 lakhs and shown in the accounts as the amount to be received from the Co-operative Urban Bank, Chalakudy under the head "Other Current Assets". The Arbitrator passed an award on 31.10.2016 in favour of the Company to realise and recover the amount with interest from 17.03.2007 to 14.10.2016 from the assets. Considering the Principle of Conservatism no provision for the interest component estimated at Rs.271.53 Lakhs till 31.03.2018 has been made in the accounts. Execution petition was filed before the district court Trivandrum for affecting the award of arbitrator, and is yet to be finalized.

57 "The assessment of the Company under the Kerala General Sales Tax Act is finalized up to the year 2014-15.Latest assessment order received is Order No.32010194924/14-15 dated 29-04-2019, which is for the year 2014-15 and the demand of Rs.24.69 lakhs had been remitted on 19th June 2019. As on date, there is no balance tax payable by the Company based on orders passed under the Kerala General Sales tax Act. Assessment under the KGST Act for the year 2015-16 onwards is pending for finalization.

The Assessment of the Company under Section 25(1) of the Kerala Value Added Tax Act is completed up to the financial Year 2010-11 and there is no demand pending against the Company as per orders passed under the KVAT Act. The Assessment under the KVAT Act for the years 2011-12 onwards is pending finalisation."

58 Assessment of Income Tax: (Assessment year-2012-13): In respect of Assessment year 2012-13, rectification order u/s.263 was passed by Principal Commissioner of Income Tax and in pursuant to that Assessing Officer made addition of CSR expenses debited to profit and Loss Account of Rs.30 lakhs vide order dated 30.01.2017 and a demand of Rs.157.55 lakhs was raised. Though the Company accepted the addition, an application was submitted on 12.05.2017 to rectify the apparent error in the calculation of tax liability after the addition of Rs.30 lakhs. The amount of liability is pending to be crystallised.

59 Income Tax relating to financial year 2016-17 was increased by Rs.316.99 lakhs and this amount including Rs.1050.01 lakhs provided during 2016-17 was subsequently remitted during 2018-19. Since the impact of the current tax expense was material,the figures are re-stated as stipulated in Ind As-8.

60 Quantitative details of IMFL and Beer traded by the company :

Particulars	Item	Quantity in Cases(No.s)		Amount (in lakhs)	
		2017-18	2016-17	2017-18	2016-17
Opening Stock	IMFL	1780172	1853001	31,165.75	29,996.77
	BEER	969308	733290		
Purchases	IMFL	20958041	20617519	1,64,139.58	1,68,062.74
	BEER	11391007	15342315		
Sales	IMFL	20859882	20690348	5,24,346.03	4,97,983.91
	BEER	11551938	15016297		
Closing Stock	IMFL	2016632	1780172	36,560.19	31,165.75
	BEER	783891	969308		

61 "Figures for the previous year have been recasted and regrouped wherever necessary to suit current years grouping. Current year figures have been rounded off to the nearest lakhs rupee."

62 (a) An amount of Rs.13.36 lakhs was seen misappropriated by claiming bogus transportation charges (bogus expense vouchers), without actually transferring liquor stocks from the Palakkad Warehouse to the attached KSBC FL-1 Retail shops. Noting the above, a Complaint had been lodged with the South Police Station, Palakkad and the matter is being investigated by the Police and a Case

has been registered as Crime No.2280/13. Meanwhile, Shri.A.V.Pradeep, Manager, Palakkad Warehouse was suspended for Supervisory lapse Sri. Prabhakaran, Accountant and Smt.J.Shyama, Assistant, Palakkad Warehouse was also suspended for the above misappropriation.

"The details of the amount misappropriated and the Officers in whose tenure the amounts were misappropriated are given below."

Period	Excess Freight charges paid (Rs. in lakhs)	Name of Concerned Accountant and Staff
01.04.2010 to 31.03.2011	0.04	Sri. P.Prabhakaran, Accountant, 01.04.2010 to 09.02.2011 – Rs.0.02350 Smt. V.Sreedevi-Accountant (expired) 10.02.2011 to 31.03.2011-Rs.0.01750
01.04.2011 to 31.03.2012	1.51	Smt. V. Sreedevi, Accountant (Expired) & Smt. J. Syama, Assistant on deputation.
01.04.2012 to 31.03.2013	6.67	Smt.V. Sreedevi, Accountant & (Expired) Smt. J. Syama, Assistant, 01.04.2012 to 06.05.2012- Rs.0.27262. Sri. P.K. Ramakrishnan (Retired) Accountant & Sri. J. Syama, Assistant 07.05.2012 to 31.03.2013 –Rs.6.40
01.04.2013 to 30.11.2013	5.13	Sri. P.K. Ramakrishnan Accountant –(Retired) & Smt. J. Syama, Assistant Gr.II.
Total	13.35	

" All the charge sheeted staff except Smt. Syama J, who was on deputation from Kerala State Insurance department, have since been retired from service or deceased since then. Sufficient amount have been withheld from the retirement benefits of all the accused. Smt. Syama J has since been reverted to her parent department and departmental action is being conducted against her by her parent department based on the directions of Hon'ble Administrative Tribunal quashing the disciplinary proceedings initiated by the Company on the ground of jurisdiction. Disciplinary action was also initiated against the staff of the Company but since the crime cases are pending and that accused are either retired or deceased, no punishment was awarded to them. Since sufficient amount is withheld from their retirement benefit, no provision is needed in the books of accounts

(b) During 2015-16, cash chest was perforated and cash of Rs 52.38 lakhs and liquor stock worth Rs 0.35 lakhs were stolen from FL.1 9026 Vadakkanchery, Palakkadu District. An FIR was registered and detailed enquiries were conducted by the Police. Burglary claim was lodged with National Insurance

Company limited, and settlement for Rs.20.97 lakhs was made by the insurance company on 09.08.2018

(c)During the year 2016-17, a theft case was reported involving loss of an amount of 13.87 lakh and stock valued at 0.078 lakh at FL 1 shop 2021 Sasthamcotta. An FIR was registered by the local Police and have investigated the case but the case was transferred to the State Crime Branch as per decision of government as per the letter no. TAXES A3/65/2017-TAXES dated 18/04/2018 and the investigation by the Crime Brach is not yet completed. The insurance claim was also submitted but the claim is yet to be settled by the insurance Company."

63 "During the year 2017-18 Two theft cases were reported a) FL 01-10012, Nilambur on 10.07.2017 loss of Stock worth Rs.84,320.00 An FIR was registered by the local Police and have investigated the case. The insurance claim was submitted and the claim is yet to be settled by the insurance Company. The loss was recovered from the security agency from their payment.b) FL 01 – 11011, Bypass Road on 18.12.2017 loss of stock worth Rs.23,220. was registered by the local Police and have investigated the case. The insurance claim was also submitted and the claim is yet to be settled by the insurance Company. The loss was recovered from the security agency from their payment."

64 "Government vide letter no. 13749/AB/2012/TD dated 20-06-2012 had informed and directed the Company that surcharge on Sales tax waived by the Government for the year from 2001-02 to 2010-11 (upto 26-09-2010) be remitted by the Company as additional Gallonage fee in five equal instalments and that as per the letter, the annual additional Gallonage Fee to be remitted by the Company on account of the surcharge waiver is Rs13,339 lakhs (Rs.66,620.3 lakhs /5).It is not legally payable by the Company as the same has been waived by the Government vide letter number 41/2012/TD dated 23/03/2012,SRO 185/2012 and GO(P) No.40/2012/TD dated 23/03/2012 SRO No.184/2012.As per Foreign Liquor Rules, there is no provision to claim or levy additional Gallonage fee as done by the Government vide letter dated 20/06/2012 and this matter was informed to Government. There is no scope for making provision for Rs 13,339 lakhs demanded by Government as additional gallonage Fee, for there is no provision for levy of additional gallonage fee and moreover the Company cannot provide for quantity of liquor sales to be effected in future years , for Gallonage fee rates which has not been prescribed by Government. The amount of Rs.3,335 lakhs paid by the Company on 30/06/2012 based on Government request has been treated as advance gallonage fee for the year 2012-13. This has been adjusted while paying the total

gallonage fee of Rs.35,471 lakhs payable by the Company at the rate of Rs.11.87 / bulk litre for 2012-13.We have requested Government vide letter No.KSBC/FM/040/2015-16 dated 21/04/2015 that clarification may please be issued by Government that the Additional Gallonage Fee of Rs.3,335 lakhs paid by the Company on 30/06/2012 based on Government request had been adjusted while paying the total Gallonage Fee of Rs.35,471 lakhs payable by the Company at the rate of Rs.11.87 per bulk litre and that as per the Foreign Liquor Rules.There is no provision for levy of Additional Gallonage Fee in the rules, further there is no demand for the balance amount"

65 " Government vide G.O.(MS) No139/14/TD dtd 22.08.2014 decided to close 10% of the retail outlets as part of the Abkari Policy for 2014-15. Accordingly 34 retail outlets were closed on 02.10.2014 vide G.O. (Rt) No. 791/2014/TD dated 30.09.2014. Subsequently 12 Retail Outlets were closed on 01.01.2015 as per GO(Rt) No.1047/2014/TD dated 31.12.2014.Total 46 Retail Outlets were closed during the Year 2014-15. Further as per GO(Rt) No.752/2015/TD Dated TVM 01.10.2015, 22 retail outlets were closed, thus the total number of closed shops is 68. Government vide G.O (MS) No 92/2016/TD Dtd 01.10.2016 has decided to continue to operate the existing FL1 shops without further closure of 10% of shops every year.The Hon'ble Supreme court as per judgement dated 15.12.2016 in CA No 12164-12166/16 above has prohibited functioning of liquor vends within 500 meters of State highway/National highway and its service raods.Subsequently the Apex court vide order dated 11.07.2017 has modified the above order clarifying that the direction contained in the judgement dated 15.12.2016 does not include the liquor vends situated within the corporation/municipal areas even if it is situated within 500 meters. Based on the original order and the clarificatory order, shops were either shifted or re-established, and 3 shops which were closed on account of the order are yet to be opened."

66 "The Company had remitted Rs.20,408.06 lakhs towards KIST/Shop Rental of FL-1 shops for the year 2014-15. Due to the policy of Government to close down 10% of FL- 1 outlets every year. 34 FL 1 outlets were closed in September 2014 and another 12 FL- 1 outlets were closed in December 2014. Due to closure of 46 FL 1outlets during the year 2014-15. the KIST/ Shop Rental amount payable was only Rs.19,971 lakhs. Hence an amount of Rs.437.06 lakhs. remitted towards KIST become excess. Further, the Government vide order GO (P)No.54/2015TD dated 30.03.2015 had reduced the KIST amount of FL1 shops from Rs.63 lakhs to Rs.3 lakhs per annum. Before the issue of the order, the Company had remitted Rs.9,198 lakhs being 50% of KIST for 292 Retail shops @ Rs.63 lakhs per shop. Also, as per GO, Company had closed 22 FL

1outlets w.e.f 2/10/2015. Hence the total excess amount remitted as KIST is Rs 8,792.06 lakhs Similarly the license fees of Warehouse was reduced by Government from Rs.25 lakhs to Rs. 1 lakh as per the same order. But the Company had remitted 100% of the license fee of 22 warehouses @ Rs 25 lakhs per warehouse amounting to Rs.550 lakhs and the excess amount paid is Rs.528 lakhs and this amount is also receivable from Government of Kerala. Thus the total amount receivable including KIST from Government is Rs.9320.06 Lakhs. As per GO(Rt) No.106/2016/TD Dated 05/02/2016 and GO(Rt) No.176/2016/TD Dated 29/02/2016 Government of Kerala has permitted to adjust the excess amount remitted against future payments. Accordingly an amount of Rs 1936 lakh was adjusted up to 31/3/2018 and the balance amount to be adjusted amounting Rs.7384.06 lakhs is shown under other current assets to the extent of Rs.1,103 lakhs (Note No 13) and the amount of Rs.6281.06 Lakhs is shown under other non-current assets (Note No 9)"

67 The Excise Duty rates on IMFL, Beer and Wine were revised as per GO(D)No.52/2015/TD Dated 30.03.2015 wef 01.04.2015. The Differential Excise Duty payable Rs.5,839.18 lakhs on liquor stocks at the Company units have been accounted in Excise Duty Account and has been considered while valuing closing Liquor stocks as on 31.03.2015. The Differential Excise Duty for the unexecuted orders amounting to Rs.906.86 lakhs accounted in the year 2015-16 included and disclosed as Excise Duty Payable. The Deputy Commissioner of Excise, KSBC Head Office vide letter No. Bx.1-911/2015 dated 25.07.2016 has raised a demand for interest 18% on `Rs.6746.04 lakhs for 15 months from 01.04.2015 to 30.06.2016 which amounts to Rs.1517.86 lakhs Company had remitted excess shop rental and licence fees to the extent of Rs.9,320 lakhs (Rs.8,792 lakhs towards Shop Rental (KIST) and Rs.528 lakhs towards Warehouse Licence Fees) as on 31.03.2016. Government had accorded sanction to adjust this excess amount against Shop Rental and Licence Fees to be remitted during the forthcoming years. Out of this excess of Rs.9,320 lakhs, Rs.833 lakhs (Rs.810 lakhs towards Shop rental (KIST) and Rs.23 lakhs towards Warehouse Licence Fees) was adjusted for Financial year 2016-17. No interest had been paid to the Company for the past 15 months (01.04.2015 to 30.6.2016) on the excess amount of Rs.9320 lakhs, calculated @ 18% amounting Rs.1910 lakhs. A request is submitted to Additional Chief Secretary (Taxes Department) Government of Kerala, vide letter No.KSBC/FM/040/2016-17 Dated 29.07.2016 to waive the interest of Rs.1517 lakhs on the Differential Excise Duty of Rs.6746 lakhs as stated above or to adjust the interest demand of Rs.1517 lakhs against the interest of Rs.1910 lakhs due to the Company. The Government has rejected our request

for adjustment against the interest demand and hence the company had requested to adjust the interest amount of Rs.1517 lakhs against the excess amount of Rs.6281.06 lakhs A provision was made in the books of accounts for Rs.1517 lakhs. This amount is inluded in Other Payables and disclosed under Note No: 20 Other Current Liabilities

68 Consequent to the new rate contract for purchase of liquor for 2017-18, effective from 01.11.2017, there was a revision in Rate Contract purchase price of liquor, resulting in a revision in Execise Duty amount on the liquor stocks held in KSBC Warehouses and Shops.In order to avoid the delay in the payment and to ensure timely payment to the government, the Company has remitted Rs. 1200 lakhs as Differential Excise Duty based on tentative figures. But the correct amount ascertained based on the actual stock was Rs. 963.53 lakhs only. Hence there was an excess remittance of Rs.236.47 lakhs. A request was submitted to the Government to refund the excess differential excise duty remitted by the Company to adjust the same against the Advance Excise duty being remitted by the Company for purchase of liquor.

69 "As per letter No.SS-1/311/2017-FIN dated 11.12.2017 Government has directed the Company to mobilise the Funds of Rs. 1000 crores and deposit the same in the treasury for a period of 6 months. For complying this direction, the Company has availed loan of Rs. 750 crores from canara bank and Rs. 250 crores from Federal Bank for a period of 6 months @ 7.95 % interest.and the same was deposited in Company's STSB account on 22nd December, 2017. As security for the loan, District treasury fixed deposit of the Company amounting to Rs.500.05 crores was pledged with the banks (375.05 with Canara Bank and 125 with Federal bank) and lien was marked on the security. As directed by the Government, the loan amount of Rs. 1,000 crores was converted into FD @ 7.95% interest.Later as per the directions from the Government, the Deposit made with treasury has been prematurely closed and transferred to Kerala Transport Developmment Finance Corporation Limited (KTDFC) on 28.03.2018 @ 8.25% interest and the same was re- transferred and deposited in treasury as Fixed Deposit on 03.04.2018. As per the letter No.SS-1/311/2017-FIN dated 11.12.2017 Government has intimated that the opportunity cost of the borrowed fund would be borne by GOK.. Hence the Company, vide their letter bearing No.KSBC/FM/040/2018-19 DTD.14.08.2018, requested to reimburse, the shortfall in the interest amount (opportunity cost). An amount of Rs.41.89 lakhs (processing charges) pertaining to 2017-18 is included in Balance with Govt.authorities disclosed under Note-13-Other Current Assets."

70 "During the year 2017-18 an amount of Rs.16,44,95,050 has been resumed to Government account from the special TSB account of KSBC Ltd as follows

1. Rs.1,45,910 as on 19/01/2018 as per GO(P)No.156/2017/FIN dated 14.12.2017

2. Rs.26,612 as on 31/03/2018 as per GO(P)No.51/2018/FIN dated 28.03.2018

3. Rs.16,43,22,528 as on 31/03/2018 as per GO(P)No.51/2018/FIN dated 28.03.2018

The Company requested the Government for repayment of the amount so resumed. An amount of Rs.16,43,23,000 had been crediedt to STSB account of KSBC on 07/07/2018 and the balance amount of Rs.1,72,050 still receivable from Government. The total amount of Rs. 16,44.95 lakhs is included in Balance with Govt.authorities and disclosed under-Other Current Assets. (Note-13)"

71 During the fianacial year 2007-18,an amount of Rs.12 Lakhs was withheld from AKG Memorial Labour Contract Society since they had not remitted the ESI and EPF payment of security staff. Inspite of Company's repeated reminders,the agency failed to produce the proof of payments to ESI and EPF deductions from the salary of security staff. Later the Company, blacklisted the agency for the dereliction and violation of the conditions as stipulated in the agreement. An amount of Rs. 12 Lakh was withheld and the same is included in Other Payables and disclosed under Other Current Liabilities (Note-19)

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

The accompanying notes form an integral part of the financial statements
For and on behalf of the Board of Directors

As per our report of even date attached
For M/s SRIDHAR & CO
Chartered Accountants
(FRN No.003978S)

Sd/-
S.Aananthakrishnan IPS
Chairman

Sd/-
G.Sparjan Kumar,IPS
Managing Director

Sd/-
John Joseph
Company Secretary

Sd/-
Sishna PP
Accounts Officer

Sd/-
R.Sripriya
Partner
M.No.209371

Place : Thiruvananthapuram, India
Date : 30.11.2020

सत्यमेव जयते

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II)
KERALA, THIRUVANANTHAPURAM

COMMENTS OF THE COMPTROLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF KERALA STATE BEVERAGES (M&M) CORPORATION LIMITED, THIRUVANANTHAPURAM FOR THE YEAR ENDED 31 MARCH 2018.

The preparation of financial statement of **Kerala State Beverages (M&M) Corporation Limited, Thiruvananthapuram** for the year ended **31 March 2018** in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The statutory auditors appointed by the comptroller and Auditor General of India under Section 139(5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated **16 December 2020**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Kerala State Beverages (M&M) Corporation Limited, Thiruvananthapuram** for the year ended **31 March 2018** under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

For and on behalf of
The Comptroller and Auditor General of India

K.P. ANAND
PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II), KERALA

Thiruvananthapuram
Dated: 03-03-2021