



MATHEW & THANKACHAN
CHARTERED ACCOUNTANTS

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Annual Report 2015-16

INDEPENDENT AUDITOR'S REPORT

To

The Members of
Kerala State Minorities Development Finance Corporation Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Kerala State Minorities Development Finance Corporation Limited which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these 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 provisions of the Act and the rules made there under.
4. We conducted our audit in accordance with the Standards on Auditing specified u/s 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.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at March 31, 2016 and its Profit and its cash flows for the year ended on that date.

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 of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure II", a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statements dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.
- e) Being a Government Company under Sec.2(45), of the Act , in our opinion , disqualification of directors n terms of Section 164(2) of the act do not apply to the corporation.
- f) 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 I" and
- g) 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 does not have any pending litigations which would impact its financial position;
 - ii) The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii) The company was not required to transfer any amount to the Investor Education and Protection Fund.

Place: Calicut
Date : 09/08/2018

For MATHEW & THANKACHAN
Chartered Accountants

Sd/-
N.M. Mathew B.Com., FCA
Partner No. 27049
FRN: 2024S

ANNEXURE I to the Independent Auditors' Report - 31st March, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of Kerala State Minorities Development Finance Corporation Limited as at 31st March, 2016 in conjunction with our audit of the Standalone 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 fraud and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's 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 Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the ICAI. 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 judgement, 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 procedure that:

- (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (b) 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
- (c) 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.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, 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.

Place: Calicut

Date : 09.08.2018

ANNEXURE II to the Independent Auditors' Report - 31st March, 2016

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:

- 1) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
(b) The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.
- 2) (a) The nature of business of the Company does not require it to have any inventory. Hence, the requirement of clause (ii) of paragraph 3 of the said order is not applicable to the Company.
- 3) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
- 4) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company.
- 7) (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, *Income-Tax*, *Sales tax*, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities *except service tax*. According to the information and explanations given to us, no undisputed amounts payable in respect of the above *except service tax* were in arrears as at March 31, 2016 for a period of more than six months from the date on when they become payable.

- (b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute.
- 8) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not taken any loan from financial institution and has not issued any debentures. Loan is availed from National Minorities Development and Finance Corporation and is regular in repayment of principal and interest
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- 11) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- 12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- 13) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

- 15) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 16) With all information available to us, the Corporation awaiting the registration with Reserve Bank of India under Section 45 IA of the Reserve Bank of India Act, 1934.

Place: Calicut
Date : 09/08/2018

For MATHEW & THANKACHAN
Chartered Accountants

Sd/-
N.M. Mathew B.Com., FCA
Partner No. 27049
FRN: 2024S

Report under Section 143(5) of Companies Act, 2013

In case of M/s Kerala State Minorities Development Finance Corporation Limited,
Ground Floor, KURDFC Building, Chakkorathukulam, West Hill P.O, Kozhikode-
673005.

Directions	Replies
(1) Whether the company has clear title/ lease deeds for freehold and leasehold properties respectively? If not please state, the area of freehold and leasehold land for which title/lease deeds not available?	Yes. The Company has lease deeds for leasehold properties occupied by it. The Company has no freehold properties.
(2) Whether there are any cases of waiver /write off of debts/loan/interest etc. if yes, the reason there for and amount involved?	No. There are no cases of waiver/write off of debts/loan/interest etc.
(3) Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant from the govt. or other authorities?	Yes. Proper records are maintained for assets received as gift/grant from govt. or other authorities.
(4) Whether the Company has complied with the directions issued by Reserve Bank Of India for ÷ NBFCs, ÷ classification of non-performing advances and ÷ capital adequacy norms for NBFCs	The Company is awaiting registration with RBI under Section 45-IA of the Reserve Bank of India Act. The Company has complied with prudential norms for income recognition and asset classification issued by RBI and capital adequacy norms for NBFCs.
(5) Whether the company has a system to ensure that loans were secured by adequate security free from encumbrances and have first charge on the mortgaged assets. Further, instances of undue delay in disposal of seized units may be reported.	Yes. The company has a system to ensure that loans were secured by adequate security free from encumbrances.
(6) Whether introduction of any scheme for settlement of dues and extensions thereto are in compliance with the policy	No scheme introduced for settlement of dues and extensions thereto.

guidelines of the Company/government.	
(7) Comment on the confirmation of balances of trade receivables, trade payables, term deposits, bank accounts and cash	Confirmation from a creditor Kerala SIDCO Ltd, Manjeri was not obtained. Confirmation of term deposits, bank accounts and cash obtained.
(8) Whether the bank guarantees are revalidated in time?	There are no bank guarantees held by the Company.

Place: Calicut

Date: 23/08/2018

For MATHEW & THANKACHAN
Chartered Accountants

Sd/-
N.M. Mathew B.Com., FCA
Partner No. 27049
FRN: 2024S

Kerala State Minorities Development Finance Corporation Limited
Balance Sheet as at 31st March 2016

Figures as at 31st March 2015	Particulars	Note No.	Figures as at 31st March 2016
	I EQUITY & LIABILITIES		
	(1) Share Holders Funds	2	292,000,000.00
192,000,000.00	(a) Share Capital	3	(1,327,341.49)
(5,623,542.48)	(b) Reserves & Surplus		
	(2) Non Current Liabilities	4	191,575,434.00
80,000,000.00	Long Term Borrowings		
	(3) Current Liabilities	5	415,427.00
38,792.00	Trade Payables	6	938,839.00
791,993.00	Other Current Liabilities		3,631,168.00
0.00	Provision for Doubtful Debts		
267,207,242.52	Total		487,233,526.51

Figures as at 31st March 2015	Particulars	Note No.	Figures as at 31st March 2016
	II ASSETS		
	(1) Non Current Assets		
	(a) Fixed Assets	13	2,010,266.88
2,349,632.18	(i) Tangible Assets		474,000.00
	(ii) Intangible Assets	7	0.00
0.00	(b) Deferred Tax Assets		
	(2) Current Assets	8	14,744,439.63
6,655,989.60	(a) Cash & Cash Equivalents		417,762,134.00
215,181,106.00	(b) Loans & Advances		
	(c) Other Current Assets	9	45,040,763.00
37,544,709.74	(i) Deposits and Advances	"	3,250,936.00
4,334,582.00	(ii) Pre Incorporation Expenses	"	3,950,987.00
1,141,223.00	(iii) Accrued Income & Other receivables		
267,207,242.52	Total		487,233,526.51

As per our report of even date

sd/-
V.K. Akber
Managing Director
DIN: 07777577

sd/-
Company Secretary

For MATHEW & THANKACHAN
Chartered Accountants

For and on behalf of the Board

sd/-
Prof. A.P. Abdul Vahab
Chairman
DIN: 07870265

Kozhikode
Dated: 11-07-2018

sd/-
N.M. Mathew B.Com., FCA
Partner No. 27049
Firm Reg. No. 2024S

Kozhikode
Dated:

Statement of Profit & Loss for the year ended 31st March 2016

Figures as at 31st March 2015		Particulars	Note No.	Figures as at 31st March 2016
7,003,745.50	(1)	Revenue	10	23,406,198.15
7,003,745.50		Total Revenue		23,406,198.15
	(2)	Expenses		
3,821,980.00	(a)	Employee benefit expenses	11	5,884,885.00
3,154,181.95	(b)	General Charges	12	7,788,500.74
21,500.40	(c)	Finance Costs		86,965.97
1,083,646.00	(d)	Amortisation Expenses		1,083,646.00
1,014,997.49	(e)	Depreciation	13	634,831.45
	(f)	Provision for Doubtful Debts		3,631,168.00
9,096,305.84		Total Expenses		19,109,997.16
(2,092,560.34)	(3)	Profit/(Loss) before Tax		4,296,200.99
0.00	(4)	Tax Expense		0.00
(2,092,560.34)	(5)	Profit/(Loss) after tax		4,296,200.99

sd/-
V.K. Akber
Managing Director
DIN: 07777577

sd/-
Company Secretary

As per our report of even date
For MATHEW & THANKACHAN
Chartered Accountants

For and on behalf of the Board
sd/-
Prof. A.P. Abdul Vahab
Chairman
DIN: 07870265

sd/-
N.M. Mathew B.Com., FCA
Partner No. 27049
Firm Reg. No. 2024S

Kozhikode
Dated: 11-07-2018

Kozhikode
Dated:

Kerala State Minorities Development Finance Corporation Ltd
Cash Flow Statement for the year ended 31-03-2016

As at 31-03-15 Amount (Rs)		As at 31-03-2016	
		Amount (Rs)	Amount (Rs)
	(A). CASH FLOW FROM OPERATING ACTIVITIES		
(2,092,560.34)	Profit before tax		4,296,200.99
	ADJUSTMENT FOR:		
1,014,997.49	Depreciation		634,831.45
	Profit on sale of fixed asset		(2,876.15)
	Provision for Doubtful Asset		3,631,168.00
	Pre Incorporation Expenses		1,083,646.00
(1,077,562.85)	OPERATING PROFIT BEFORE WORKING CAPITAL ADJUSTMENT		9,642,970.29
	ADJUSTMENT FOR:		
	Other Current Assets - Deposits and Advances	(7,496,053.26)	
	" Loans & Advances	(202,581,028.00)	
	" Accrued Income	(2,809,764.00)	
	Current Liabilities and Provisions - Long Term Borrowings	111,575,434.00	
	" - Trade Payables	376,635.00	
(172,599,137.55)	" - Other Current Liabilities	146,846.00	(100,787,930.26)
(173,676,700.40)	CASH GENERATED FROM OPERATIONS		(91,144,959.97)
(173,676,700.40)	NET CASH FLOW FROM OPERATING ACTIVITIES		(91,144,959.97)
	(B). CASH FLOW FROM INVESTING ACTIVITIES		
(435,179.00)	Purchase of Fixed Assets		(1,450,117.00)
0.00	Sale of Fixed Assets		5,000.00
	Adjustment for Grant in Aid		678,527.00
(435,179.00)	NET CASH FLOW FROM INVESTING ACTIVITIES		(766,590.00)
	(C). CASH FLOW FROM FINANCING ACTIVITIES		
100,000,000.00	Issue of Share Capital		100,000,000.00
100,000,000.00	NET CASH FLOW FROM FINANCING ACTIVITIES		100,000,000.00
(74,111,879.40)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		8,088,450.03
	(D). CASH AND CASH EQUIVALENTS		
	OPENING CASH AND CASH EQUIVALENTS	6,655,989.60	
(74,111,879.40)	CLOSING CASH AND CASH EQUIVALENTS	14,744,439.63	8,088,450.03

Notes:

- 1 Cash and Cash Equivalents include cash in hand
- 2 The above cash flow statement has been prepared under the "Indirect Method" as set out on in the Accounting Standard
Cash flow statement (AS-3) issued by ICAI
- 3 This is the cash flow statement referred to in our report of even date

sd/-
V.K. Akber
Managing Director
DIN: 07777577

For and on behalf of the Board
sd/-
Prof. A.P. Abdul Vahab
Chairman
DIN: 07870265

Kozhikode
Dated: 11-07-2018

sd/-
Company Secretary

As per our report of even date
For MATHEW & THANKACHAN
Chartered Accountants

sd/-
N.M. Mathew B.Com., FCA
Partner No. 27049
Firm Reg. No. 2024S