

ANNEXURE - I

Statement of observations of the Statutory Auditors and the Management reply thereon
Qualified Opinion on Financial Statements Both in Standalone and Consolidated Financial Statements

Sl. No.	Qualification/Reservation/Adverse Remark/Disclaimer by Auditor	Explanations or Comments by the Board
01	Pending confirmation and reconciliation thereon from various creditors, debtors, loans & advances, and lapses the internal controls as mentioned in our report, the effect of which is not ascertainable .	The main debtors are the KFD and other Government departments and organisations. They have been reconciled from time to time and addressed them to release the amounts immediately. The loans and advances also been reconciled and furnish to audit.
02	As at the close of 31.03.2023, trade receivables (unsecured, considered good) amounting to Rs.18,46,90,835. (PY.Rs.17,20,92,113) are outstanding for a period exceeding six months. There are trade receivables outstanding for over one to over three years and the management has prepared age wise analysis of these trade receivables. But there is no action for followed up with the parties concerned. Periodical age-wise classifications of trade receivable were also not placed before the Board Meeting. Further, no confirmation has been obtained from the parties in respect of debts outstanding for more than six months. As per management response Trade receivables are mainly from forest department and other government department. In respect of forest department age wise outstanding balance reports has been submitted to concern department for payments. At the time of meeting with chamber of ACS, Forest Ecology and Environment Department, the outstanding balance of Rs.29,83,74,827/- as on March 2023 and forest department release amount based on release from the government on quarterly basis and requested to release the outstanding amount of Rs.29,83,74,827/- on priority basis to KSFIC. However the impact, if any, on the financial statements is not ascertainable at this stage. (Kindly refer sl.no.33 of note 31 in the financial statement).	<p>These amounts pertaining to the logging expenditure incurred and bills submitted to the Forest Department for payment. The DCB statement is being reconciled periodically, prepare age wise statement and sent to the Principal Chief Conservator of Forests (HoFF) for payment.</p> <p>The Forest department releases the amount as and when the grants are released by the Government.</p> <p>In this regard in the meeting held in the Chambers of Hon'ble Minister for Forest, Ecology and Environment and Chairman of the KSFIC on 20.07.2023 (49th AGM) along with the ACS FEE, the details of outstanding amount due from the KFD has been presented and requested to release the balance amount of Rs.29.84 crores.</p> <p>The DCB statement is now reconciled and prepared year wise, the total outstanding is Rs.41.42 crores and will be placed in the Board meeting.</p>
03	Regarding accounting of sale of 6202.793 cubic meters of confiscated granite blocks in the year 1994-95 subject to lifting of the material by the buyers. Till March 31, 2005 only 1575.302 cubic meters have been lifted by various buyers. The balance was not lifted due to non-issue of permits in view of non-payment by the Tenderers as per terms and conditions of tender. The Company has not carried out Physical verification of un-lifted balance stock lying in the field so far. The Company has neither taken any steps to ascertain whether the un-lifted granite stock is available nor obtained any confirmation from the Forest Department. Advance received for Granite Rs. 22,88,594 (P.Y. Rs. 22,88,954) Trade receivables for Granite Rs. 72,37,934 (P.Y. Rs. 72,37,934) and Amount Payable to forest Department for Granite Rs.60,88,064 (P.Y. Rs. 60,88,064) have not been adjusted as the same are subject to review and reconciled. As per management response, the Karnataka Forest department confiscated the granite blocks and still in their possession the role of KSFIC is to sell the granite blocks through tenders on behalf of the KFD. Further one M/s. SGR Traders approached the Hon'ble High Court in WP No.8840/2012 and in the judgment dated:27.06.2022 passed orders to refund Rs.6,74,388/- with interest @ 6% pa. On the advice of the Advocate general in letter dated:07.09.2022 and Government letter No.FPG 32 FPC 2018 dated:30.09.2022 filed writ appeal No. 1034/2022 against the judgment. The matter is before the Hon'ble High Court. Since the Granite blocks	<p>About 6202.793 cubic meters of granite blocks were confiscated by the Forest department in the Kanakapura Forest area and entrusted to KSFIC for their sale and was accounted in the year 1994-95. However, till March 31, 2005 only 1575.302 cubic meters have been lifted by various buyers. The balance was not lifted due to non-issue of permits by the Mines and Geology Department and also in view of non-payment by the Tenderers as per terms and conditions of tender. The Government of Karnataka ordered that KSFIC is no longer involved in the sale of the granite blocks, hence to refund the advances received from the buyers. Further as per the request of the KSFIC the Government modified the earlier order stating that the earlier instructions were of the advisory nature and the Company can initiate action as per terms and conditions of the tender. In view of this development the Company is taking steps.</p> <p>In respect of the above, certain buyers had gone to Court seeking, inter alia, refund of advance and in some cases the matter was decided in favour of the buyers. In view of the judgment dated 24.10.2008 in civil appeal by the Hon'ble Supreme Court of India, settlement has been made as per orders. Advance received for Granite Rs. 22,88,594 (Rs. 22,88,594), Sundry Debtors for Granite Rs.72,37,934</p>

	<p>confiscated by the KFD and still in their possession they have been requested to conduct physical verification and to assess the blocks. The company as not provided for any interest and refund till date. No provision of interest made in books of accounts as per the court order. Pending reconciliation and verification of granite blocks is not ascertainable at this stage. Hence, we are unable to quantify the impact of profit and loss for the year. (Kindly refer sl.no.5 of note 31 in the financial statement).</p>	<p>(Rs.72,37,934) and Amount Payable to Forest Dept. for Granite Rs.60,88,064 (Rs. 60,88,064) are not adjusted as the same have to be reviewed and reconciled.</p> <p>Further one M/s. SGR Traders approached the Hon'ble High Court in WP No.8840/2012 and in the judgment dated:27.06.2022 passed orders to refund Rs.6,74,388/- with interest @ 6% pa. On the advise of the Advocate general in letter dated:07.09.2022 and Government letter No. FPG 32 FPC 2018 dated:30.09.2022 filed writ appeal No.1034/2022 against the judgment. The matter is before the Hon'ble High Court.</p> <p>Since the Granite blocks confiscated by the KFD are still in their possession, they have been requested to conduct physical verification and to assess the blocks.</p>
04	<p>Regarding non-provision of Rs. 12,85,000 suits disposed in favor of M/S Maheshwara Traders, against which the Company has filed an appeal before the Hon'ble High Court. As per management response they obtained stay order against the judgment. Further the Hon'ble High Court on 06.06.2023 suggested for settlement as the case is a decade old. The KSFIC through advocate requested for time to convey the consent after obtaining the approval of the Board. The above liability is not provided in the books of accounts and to that extent profit for the year is overstated. (Kindly refer sl.no.8 of note 31 in the financial statement).</p>	<p>Due to breach of agreement, the Company has filed a civil suit for recovery of Rs.37,65,000/- (Rs.37,65,000/-) including interest of Rs.10,66,989/- (Rs.10,66,989/-) from M/s. Maheshwari Traders, Gadag. The Court in the judgment on 15.03.2010 dismissed the claims of KSFIC and allowed partly the counter claims of the defendant company M/s. Maheshwari Traders for an amount of Rs.12,84,796/-. The Company has filed an appeal vide RFA 1078/2010 before the Hon'ble High Court and obtained stay order against the judgment. Hence no provision has been made in the books of accounts. Further the Hon'ble High court on 06.06.2023 suggested for settlement by negotiations as the case is a decade old. In the mean while the defendant Sri. S S Yalameli, proprietor of M/s. Maheshwari Traders reported to have died on 15.05.2023. I A has been filed before the hon'ble court to bring the legal heirs on record in this case. Orders of the court is awaited.</p> <p>Since the company challenged the court verdict claiming the defendant to pay the dues to the company, it is not yet clear regarding the amount payable to the defendant or by the defendant to the company. Therefore no provision is made till the final judgement.</p>
05	<p>Regarding non-provision of Rs. 92,41,400 suits filed by Sri Venkateshwara Traders, Kolar against which the Company has filed an appeal before the Hon'ble High Court of Karnataka. The above liability is not provided in the books of accounts and to that extent profit for the year is overstated.</p>	<p>M/s. Venkateshwara Traders, Kolar have obtained stay from the Court for the collection of FDF only. They have agreed to pay the balance amount (Copy enclosed). The FDF amount is Rs.23,51,279/-. The KSFIC has filed objections to the averments made by the petitioner in the WP 2895/2023 and pleaded for dismissal of the W.P. (Copy enclosed). A meeting has been conducted with M/s. Venkateshwara Traders, Kolar on 26.10.2023 and they have furnished Bank Guarantees for the balance amount. Hence the amount is considered under sundry debtors. As such the profit is not overstated.</p>
06	<p>Regarding title deeds of the land at Shivamogga (WPP) 18 acres 35 guntas and Dandeli 15 acres 23 guntas value in aggregate to Rs.1,89,879 have not been conveyed in the name of the Company since 1975. As per the management response The DC Shivamogga has been requested vide letter No.RM/SMG/RTC/2022-23/411, dt:02.02.2023 to direct the Tahsildar Shivamogga to register the property in the name of KSFIC in the RTC. In respect of Dandeli there is a proposal to revive the saw mill and action will be initiated to valuate entire property. However, KSFIC is paying the property Tax</p>	<p>The Title Deeds of land at Shivamogga (WPP) and measuring 18acres 35guntas and Dandeli 15acres 23 guntas and the book value of the land being Rs.1,89,879. The DC Shivamogga has been requested vide letter No.RM/SMG/RTC/2022-23/411, dt:02.02.2023 to direct the Tahsildar Shivamogga to register the property in the name of KSFIC in the RTC. In respect of Dandeli there is proposal to revive the Saw Mill and action will be initiated to valuate entire property. However KSFIC is paying the</p>

	<p>to the concerned local body. Since it is registered in the name of KSFIC. Impact on the financial statements is not ascertainable at this stage. (Kindly refer sl.no.10 of note 31 in the financial statement).</p>	<p>property Tax to the concerned local body, since it is registered in the name of KSFIC.</p>
07	<p>Regarding non accounting of land in the books of Company at Timber Yard Layout, Mysore Road, Bangalore pending finalization of the value since 1990. As per management response the land and building in the response of survey no 45A,46,47,48,49 of new timber yard layout, have been registered in the BBMP records and property tax has been paid up to the date. Impact on the financial statements is not ascertainable. (Kindly refer sl.no.12 of note 31 in the financial statement).</p>	<p>The land and building in respect of survey No. 45A,46,47,48,49 of new timber yard layout, have been registered in the BBMP records and assessed the property tax on the value of the property. The Property Tax has been paid up to the date.</p>
08	<p>The possession of certain immovable property of Murkal Unit having a value of Rs.1,27,678 (PY Rs.1,27,678) has been handed over to the KFDC, the Company has continued to show such assets as assets of the Company and depreciation also charged on such assets. As per management response the unit has been handed over to KFDC and the value of depreciation is not accounted in the books of KSFIC. In the absence of proper documentation, the impact of financial statements is not quantifiable. (Kindly refer sl.no.13 of note 31 in the financial statement).</p>	<p>In pursuance of the Government letter No.FFD.190: FWL.82. dated:21-08-1985, the Company had handed over the possession of certain immovable property of Murkal Unit to the Karnataka Forest Development Corporation Ltd., Since the land handed over to KFDC, no depreciation is being made in the accounts of KSFIC.</p>
09	<p>Regarding acquisition of 9750 sq. ft. of office space valued at Rs. 45,21,797/- (NBV as at 31.03.2023-Rs.23,01,695 (PY Rs.23,78,569)) in "Vanavikas", Malleshwaram, Bangalore from KFDC and charging depreciation from the financial year 1990-91, pending conveyance of title deeds. The reconciliation and valuation of payment consideration along with transfer of Murkal Property. for taking further action of conveyance of title deeds, is pending for a long time. The Company has paid property tax and requested KFDC to transfer title deeds. As per management response Murkal unit has been handed over to KFDC in exchange for Building property. However, the government has ordered for merging of KSFIC with KFDC and KCDC. Once the merger is affected the entire property will be in the possession of KFDC. Impact on the financial statements is not quantifiable. (Kindly refer sl.no.14 of note 31 in the financial statement)</p>	<p>The Company had acquired 9,750 sq.ft of office space valued at Rs. 45,21,797/- (NBV as at 31.03.2023 – Rs.23,01,695, Previous year NBV Rs. 23,78,569)in "Vanavikas", Malleshwaram, Bangalore from the Karnataka Forest Development Corporation Limited. Pending conveyance of the title deeds, depreciation has been charged from the financial year 1990-91 onwards. Further, the Board had instructed to carry out reconciliation and valuation of payments consideration along with transfer of Murkal property for taking further action for conveyance of title deeds. The Company is paying the property tax and made a request to KFDC for arranging transfer of title deeds. KFDC has not responded to the letter dated 28.06.2012 till date nor convey the title deeds.</p>
10	<p>The Company has leased 15 cents of land at Mangalore to Zilla Parishad, Mangalore during 1993-94 on a lease rental of Rs.30,000/- p.a. The Zilla Parishad authorities requested to waive the lease rent, the same has been rejected and insisting for payment. The 15 cents land leased to the DCF social forestry division Mangalore for construction of residence to the DCF. As per management response. In principal land belongs to the Forest Department which was handed over to KSFIC vide order No. AFD 202 FDP 73 dt:27.03.1975, The Zilla panchayath DK Mangalore stated that the social forestry division and KSFIC belongs to Karnataka Forest Department and requested vide letter dt:10.01.2012 to drop the issue of payment of lease rent. The PCCF (HoFF) vide DO letter No. A5 CFN CR 263/1993-94, dt:03.02.1994 addressed to the Government indicated that the land is under the control of KFD, the residential quarters constructed out of funds of Forest Department. Since the building is under the control of KFD, the lease rent shall be waived off by the Government. Hence no provision is made in book of accounts. However, in the absence of necessary documentation the impact is not ascertainable. (Kindly refer sl.no.15 of note 31 in the financial statement)</p>	<p>The 15 cents land leased to the DCF social forestry division Mangalore for construction of residence to the DCF. In principal land belongs to the Forest Department which was handed over to KSFIC vide order No. AFD 202 FDP 73 dt:27.03.1975, The Zillapanchayath DK Mangalore stated that the social forestry division and KSFIC belongs to Karnataka Forest Department and requested vide letter dt:10.01.2012 to drop the issue of payment of lease rent. The PCCF (HoFF) vide DO letter No. A5 CFN CR 263/1993-94, dt:03.02.1994 addressed to the Government indicated that the land is under the control of KFD, the residential quarters constructed out of funds of Forest Department and stated that since the building is under the control of KFD, the lease rent shall be waived off by the Government.</p>

11	<p>Regarding loans advances due from Mysore Match Company Limited, a subsidiary of the Company amounting to Rs. 23,33,830/- (PY Rs.23,33,830), which has been shown under Long Term Loans and advances. The Company has also made short term loans and advances of Rs. 51,42,569 (PY Rs.45,81,031) to the said subsidiary. The loans and advances due from the said subsidiary company as at the close of 31.03.2023, aggregate to Rs. 74,76,399 (PY Rs. 69,14,861). The subsidiary is not carrying on any activities since a long time and the substratum is lost and a decision has been taken to wind up the subsidiary long back and no provision has been made by the Company towards the said advances for the reason that the value of assets of the subsidiary are about Rs. 45,68,00,000 and the Company is certain of recovering the loans and advances. The winding up process under the provisions of Companies Act, 2013, is yet to be initiated from the company. The Government of Karnataka ordered for voluntary winding up of Company. However as per the resolution in the KSFIC 260th Board meeting held on 2.11.2022 addressed the CMD MMC to place it in the next Shareholder's meeting obtained approval for disposal of Land and clearance of outstanding loans and payments to shareholders and file before NCLT for closure as per rules. As per management response, The shareholders in the annual general meeting held on 29.05.2023 resolved that subject to approval of government, to sell the property through public auction, clear the liabilities and pay the amount to the shareholders as per rules and authorized the chairman & managing director to take appropriate action. Hence, since the winding up process is yet to be initiated. we are unable to express our opinion on the same. (Kindly refer sl.no.4&16 of note 31 in the financial statement).</p>	<p>Mysore Match Company Limited, a subsidiary stopped production since 1966 and as per G.O. No. C is under voluntary winding up. The KSFIC share is 59.11% of total share capital. The Government sanctioned a long term loan of Rs.23,33,830/- through KSFIC with a condition to be paid the amount after the disposal of assets of the Company. There after KSFIC incurring expenditure towards salary of watch & ward, Board & AGM and treated as short term loan and therefore the total liability is Rs.74,76,399/. The company has 10.27 acres and valued by the certified valuers for Rs.45,68,00,000/- in the year 2013. The Shareholders in the Annual General Body meeting held on 29.05.2023 resolved that subject to approval of Government, to sell the property through public auction, clear the liabilities and pay the amount to the Shareholders as per rules and authorized the Chairman & Managing Director to take appropriate action. Accordingly Government has been requested to accord approval vide letter No.ನಂ.ಪ್ರೊಮ್ಯಾಕ/ಎಜೆಂ/2023-24, ಇಂಂತ:15.06.2023. Orders of the government is awaited.</p>
12	<p>Regarding non accounting of rental income receivable in the books of accounts of Dandeli Saw Mills. As per management response, the quarters which were constructed during 1939 and 1950, handed over from KFD at the time of formation of KSFIC, they are in dilapidated condition. After depreciation the current value will be zero. However, notices have been issued to all tenants for settlement of arrears and also to vacate the houses which may cause loss of life of occupants for which KSFIC will not take the responsibility. However, some of the occupants are paying nominal rent once in 3 to 4 months. We are unable to quantify the impact on the financial statements. (Kindly refer sl.no.21 of note 31 in the financial statement).</p>	<p>The quarters which were constructed during 1939 and 1950, handed over from KFD at the time of formation of KSFIC, they are in dilapidated condition. After depreciation the current value will be zero. However, notices have been issued to all tenants for settlement of arrears and also to vacate the houses which may cause loss of life of occupants for which KSFIC will not take the responsibility. Some of the occupants are paying nominal rent once in 3 to 4 months and the same is accounted whenever received.</p>
13	<p>Regarding stay obtained by the West Coast Paper Mills and Harihara Poly Fibers from the Hon'ble High Court of Karnataka for collection of Forest Development Fee on pulpwood supply, collection of which has been stopped in respect of supplies effected after 21.03.2018, aggregating to Rs. 74,73,772 (PY Rs. 73,82,920). The liability, if any, in respect of Forest Development Fee already collected has neither been ascertained nor disclosed in the said note. Further no undertaking from Harihara Poly Fibers has been obtained. Still the case is under High court. No provision has been made towards such FDF liability. The impact on the financial statements are not ascertainable. (Kindly refer sl.no.26 of note 31 in the financial statement).</p>	<p>The West Coast Paper Mills, Dandeli & M/s. Harihara Poly Fibers, Kumarapattanam have got the stay for the collection of Forest Development Fee on pulpwood supply from the Hon'ble High Court of the Karnataka on 21.03.2018 vide WP No. 11805/2018 (GM-FOR) and on 27.04.2018 vide WP No. 103167/2018 (GM-FOR) respectively. Accordingly collection of FDF on pulpwood from the bills has been stopped. However on 28.07.2018 an undertaking has also been obtained from the West Coast Paper Mills, wherein it is agreed to pay the FDF subject to decision of the Hon'ble High Court. Suitable condition has also been included in tender terms and conditions for payment of FDF. The FDF to be collectible for the year 2022-23 works out to Rs.74,91,833/- (PY Rs. 67,34,733/-). The aggregate amount of FDF collectible works out to Rs.74,73,772/- (PY Rs.73,82,920/-). Pending decision of the Hon'ble High Court, no provision has been</p>

		made towards such FDF liability.
14	<p>It has been mentioned that depreciation in respect of Assets as on 31.03.2023 including the additions made during the year are calculated /accounted on the basis of useful life of the assets as per Part C of Schedule II of the Companies Act, 2013, whereas as per accounting policy disclosed in 2.1.B(b), it has been stated that in respect of additions made during the year, depreciation is charged for the whole of the year irrespective of the date of addition and in the case of deletions made, during the year, no depreciation is charged, irrespective of date of deletion. This is not in accordance with Part C of Schedule II of the Companies Act, 2013. No action has been placed by the management for change in accounting policy. Impact on the financial statements is not ascertainable. (Kindly refer sl.no.28 of note 31 in financial statements).</p>	<p>Depreciation in respect of Assets as on 31.03.2023 including the additions made during the year are calculated/accounted on the basis of Straight line method as per the accounting policy of the Company. However the depreciation will be calculated as per part C of Schedule II of Companies Act 2013 during 2023-24 subject to approval of the Board.</p>
15	<p>Regarding constitution of Corporate Social Responsibility Committee, by the Board of Directors, pursuant to the provisions of Section 135(1) of the Companies Act, 2013. As per the said provisions of the Act, an amount of Rs.51,77,406 should have been spent for the period from 2015-16 to 2018-19. However, only Rs.2,98,602/- has been spent under this policy up to 31.03.2018. During the year 2018-19 no amount has been spent and the cumulative unspent amount aggregated to Rs.48,78,804. Thus, the Company has not complied with the mandatory requirements of Section 135 of the said Act and the rules framed there under. Further, as stated in the said note, it is observed that no provision has been made in the annual budgetary plan during the year 2021-22. During the year 2021-22 an amount of Rs. 48,79,000/- has been allocated to CSR activities out of which Rs.45,00,000/- has been incurred as per the above sanction. But for the balance amount of Rs.3,79,000 is unspent. Hence, no provision has been made during the year 2022-23 for the balance amount. (Kindly refer sl.no.29 of note 31 in the financial statement).</p>	<p>The total amount from 2015-16 to 2018-19 is Rs.51,77,406/- out which Rs.2,98,602/- was spent upto 31.03.2018. The cumulative amount is Rs.48,78,804/- Out of which Rs.45,00,000/- spent during 2021-22 & 2022-23 for providing pure drinking water facility to various schools as per the approval of the CSR committee. During the year 2022-23 the net profit was less than Rs.5.00 Crores and no amount earmarked for CSR activities.</p> <p>The amount of Rs.3,79,000/- is carry forwarded from the year 2018-19.</p>
16	<p>Regarding non provision of Interest of Rs. 8,17,000 being the interest on loan sanctioned by Government of Karnataka for the period from April to October 2001. As per management response, The Government has convened a meeting on 19.08.2010 and discussed the subject in detail and agreed that since the principal amount has been converted into equity, there is justification to convert this also. there is no need to reject this and decided to send the proposal to Finance Department for initiating necessary action to issue orders. Hence, no provision has been created for the above interest. The impact on the financial statements are not ascertainable. (Kindly refer sl.no.9 of note 31 in the financial statement).</p>	<p>Government had sanctioned a loan of Rs. 1,51,05,000/- to the Company and the same was converted into Equity during October 2001. The Company had provided Interest amounting to Rs.32,13,000/- (Rs.32,13,000/-) up to 31-03-2001 and a proposal to convert the interest into Equity is under the consideration of the Government. In view of this, Interest for the period April to October, 2001 amounting to Rs. 8,17,000/- (Rs.8,17,000) has not been provided in the books and proposal has been sent to Government for waiver. The Government has convened a meeting on 19.08.2010 and discussed the subject in detail and agreed that since the principal amount has been converted into equity, there is justification to convert this also. Hence, there is no need to reject this and decided to send the proposal to Finance Department for initiating necessary action to issue orders. As such the provision of Rs.8,17,000/- as interest has not been provided awaiting Government order.</p>
17	<p>The Company has standing trees in its office premises for e.g. Shimoga and other units. The Company has not prepared list of such standing trees by carrying out physical verification/enumeration of the species/classification and disclosed in the accounts. As per management responses, the 12 Red Sanders trees naturally grown up in the premises of KSFIC, Shivamogga unit which were dried up and fallen have</p>	<p>The standing trees in the office premises at Shivamogga are naturally grown up. Action will be taken to enumerate the trees. The 12 Red Sanders trees naturally grown up in the premises of KSFIC, Shivamogga unit which were dried up and fallen have been cut and transported by the Karnataka Forest Department and kept in the Sandal wood godown of</p>

	<p>been cut and transported by the Karnataka Forest Department and kept in the Sandal wood godown of Forest department for safety purpose. The total output is 23560 kgs and the same has to be sold through public auction after obtaining approval from the competent authorities. In this regard the APCCF (FRM), has been requested vide letter No. KSFIC/RM/Red sanders/2023-24 dated: 08.05.2023 to fix the rate through public auction and transfer the amount to KSFIC after deducting the preparation and transportation charges. Till such time it is not possible to assess the value and taken to account. Management as not done valuation for those 12 trees. Hence, we are unable to quantify the impact of the same on the profit and assets and liabilities during the year. (Kindly refer sl.no.35 of note 31 in the financial statement).</p>	<p>Forest department for safety purpose. The total output is 23560 kgs and the same has to be sold through public auction after obtaining approval from the competent authorities. In this regard the APCCF (FRM), has been requested vide letter No. KSFIC/RM/Red sanders/2023-24 dated:08.05.2023 to fix the rate through public auction and transfer the amount to KSFIC after deducting the preparation and transportation charges. Till such time it is not possible to assess the value and taken to account.</p>
18	<p>The special audit on Fraud committed by Employee for the period from 01.04.2019 to 30.09.2022 to reveled amount recoverable from Sri. Sudheendra Nayak (logging Supervisor) is Rs.8,35,38,991 which includes amount receivable from the contractors Rs.2,66,40,233. The net recoverable from Sri. Sudheendra Nayak is Rs.5,68,98,780. Action has been initiated for recovery of outstanding balance from the contractors and Rs.87,40,239 has been recovered and balance is Rs.1,78,99,972. The contractors have given an undertaking that they will pay the balance amount. Regarding outstanding from Sri. Sudheendra Nayak is Rs.5,68,98,780. Departmental enquiry is already initiated against Sri. Sudheendra Nayak and action will be taken as per the finding of the enquiry. As enquiry is under process. Impact, if any, on the financial statements are not ascertainable at this stage. (Kindly refer sl.no. 34 of note 31 in the financial statement).</p>	<p>The special audit for the period from 01.04.2019 to 30.09.2022 to revealed amount recoverable from Sri. Sudheendra Nayak is Rs.8,35,38,991 which includes amount receivable from the contractors Rs.2,66,40,233. The net recoverable from Sri. Sudheendra Nayak is Rs.5,68,98,780. Action has been initiated for recovery of outstanding balance from the contractors and Rs.87,40,239 has been recovered and balance is Rs.1,78,99,972. The contractors have given an undertaking that they will pay the balance amount and some have provided bank guarantee. However is being initiated to block list the contractors who have neither paid the amount nor responded to notices. Regarding outstanding from Sri. Sudheendra Nayak is Rs.5,68,98,780. Departmental enquiry has been initiated and based on the enquiry report Sri. Sudheendra Nayak has been dismissed from service. Criminal case is also filed in the jurisdictional police. Action is also initiated for filing civil suit for recovery against Sri. Sudheendra Nayak.</p>
19	<p>The Advance recoverable in cash or value to be recovered shown under short term Loans and Advances in Balance sheet included Income Tax Refund of 157.65 lakh. Pertaining to the period from 2011-12 to 2018-19, due from Income Tax Department. The matter is being consistently pursued with the income tax department. An amount of Rs.53,28,525/- which inclusive interest amount of Rs.3,77,778/- refunded in FY 2020-21 and amount of Rs.50,94,746 which inclusive interest amount of Rs.9,97,391/- refunded in FY 2021-22and is being accounted in the Books of Accounts. The balance outstanding Rs.68.58 lakhs which has been ordered for refund by the Income Tax department for the years 2011-12, 2012-13 and 2014-15 is still to be transferred to the account of KSFIC for which an application for grievances cell is filed for early settlement. Soon after the refund it will be taken to the accounts. Since the pending refund as not been received during the year. The impact, if any, on the financial statements are not quantifiable. (Kindly refer sl.no. 32 of note 31 in the financial statement).</p>	<p>Comptroller and Auditor General of India made an observation during the review of Karnataka Forest Industries Corporation Limited (KSFIC) for the year 2019-2020. CAG sought clarification from KSFIC vide letter No. AG (Au-II)/AMG-I/Accounts-2019-20/B/2022-23/71 that the Advance recoverable in cash or value to be recovered shown under Short term Loans and Advances in Balance sheet included Income Tax Refund of 157.65 lakh. Pertaining to the period from 2011-12 to 2018-19, due from Income Tax Department.</p> <p>The matter is being consistently pursued with the income tax department. An amount of Rs.53,28,525/- which inclusive interest amount of Rs.3,77,778/- refunded in FY 2020-21 and amount of Rs.50,94,746 which inclusive interest amount of Rs.9,97,391/- refunded in FY 2021-22and is being accounted in the Books of Accounts. Applications have been filed with the grievance cell for early clearance. Out of the balance Rs.68.58 lakhs, Rs.31.00 lakhs pertaining to 2013-14 and sent to CPC for refund to KSFIC account on 10-11-2023. The balance is Rs.37.58 lakhs and KSFIC is pursuing for early clearance.</p>
20	<p>Due to covid-19 pandemic in 2019-20, 2020-21, and 2021-22, there was delay in holding AGM and caused delay in filing of IT returns. As per the board resolution, application preferred before the CBDT, for condonation of delay in filing the IT returns for 2019-20 and onwards. Pending disposal of such application. No provision is made in the Accounts for any</p>	<p>Due to covid-19 pandemic in 2019-20, 2020-21, and 2021-22, there was delay in holding AGM and caused delay in filing of IT returns. As per the board resolution, application preferred before the CBDT, for condonation of delay in filing the IT returns for 2019-</p>

	interest, penalty, late fee, payable as per the Act. The Impact, if any, on the financial statements are not ascertainable.	20 and onwards. KSFIC through tax consultant is pursuing the early disposal of application for delay condonation. The returns will be filed after the approval by the IT department.
21	The Advance recoverable in cash or kind to be recovered shown under short term loans and advances in balance sheet as on 31.03.2023, Rs. 16,17,76,726/- out of which recoverable for more than 5 years is Rs. 1,47,36,873.	Most of the advances pertaining to the Karnataka Forest department such as maintenance charges of Firewood depots, DCF Karwar, Court cases, BEML KGF, DCF Kolar, DCF Shivamogga, maintenance cost to MMC Shivamogga, Rental advance at Mysore which are all recoverable. Necessary instructions have been issued to the Unit officers for early recovery.
22	The Company has not assessed the impairment of assets in respect of Plants and machinery at Dandeli. As the sawing is based on the local demand hence the usage is not as per the set norms. Impact, if any, on the financial statements are not ascertainable in accordance with the Ind AS- 28.	The Saw-mill was handed over to KSFIC during 1975. The machineries are very old and due to insufficient work demand they are not in use. The sawing work is being carried out on the local demand.
23	In respect of own plantations, the Company has disclosed, the particulars of extent of own plantation, year of plantation, expenditure incurred, expected maturity/harvesting date, yield, etc., and have ascertained the status of these own plantations. No physical verification has been carried out. During the year 22-23, there is no harvesting/realization of plantations. The harvesting is expected to be carried out in the year 2023-24. The impact, if any, on the financial statements are not quantifiable. (Kindly refer sl.no.19 of note 31 in the financial statement).	The 1 st harvest made in the year 2014-15. The 2 nd harvest is due in 2023-24. Necessary direction issued to Sirsi unit to enumerate the trees and obtain necessary permission from the Forest department and take up harvesting vide letter No.ಕರ್ತಾಳಕ್ಕೆನ್ನಿ/ಸ್ವನ್ನೆ-೩೮/2023-24/264 dt:19.07.2023 and 08.09.2023. The unit conducted sample survey and submitted report on 20.10.2023. The report will be examined and necessary action will be taken for harvesting after obtaining approval from concerned authorities.
24	Upon request by the Chairman of the Company, the Principal Director, Karnataka State Audit & Accounts Department, Bengaluru, has carried out the audit on the functions of the Company for the year 2018-19 and 2019-20 and submitted a report. The Board of Directors in their meeting held on 07.12.2020, vide Item No. 256.10, while noting the details provided in the Agenda Notes on the said report has deferred the discussions of the subject and directed the management to submit the replies on the report. It is observed that the Report has not been placed before the Board and a conspectus of the Report furnished to us, we observe that there are serious irregularities, short comings, non- compliance with procurement procedure, logging expenses and advances, non-reconciliation of advances, etc. In the summary of the Report Rs.46,72,10,709 is held under audit objections and Rs.1,90,24,986 as amount recoverable. According to management response, the report has been placed before the board in the 256 th board meeting held on 07 th dec 2020 and replies has been furnished to the finance department. However, pending direction from the government, no action has been taken by the company. Hence, the effect is not able to ascertainable at this stage.	The report has also been placed before the Board in the 256 th Board Meeting held on 07 th December 2020. The replies have been furnished to the Government vide letter No. KSFIC/ACT/Audit/FD/2020-21, dt:06.04.2021.
25	The balance sheet as on 31.03.2023, Assets-Current Assets (Note 17) Cash and cash equivalents of Rs.14,47,35,684/- out of which Accrued interest has been included. Accrued interest must be disclosed separately under other current assets. The classification is not done as per Schedule iii of the Companies Act, 2013. Since, management has not provided proper documentation and evidence for the above accrued interest. There is non-Compliance of schedule III of The Companies Act, 2013 in financial statements. The Impact, if any, on the financial statements are not ascertainable.	The Bank has provided the details of deposits and interest credited on deposits for the period from 01.04.2022 to 31.03.2023. Since the bank credited the interest on deposits to KSFIC account for period from 01.04.2022 to 31.03.2023 it is included in the current balance of the deposits. Therefore the credited interest is shown in the bank balance which has been confirmed by the Bank. Further the CMD of Union Bank of India has been addressed a letter regarding the non-cooperation of the Malleshwaram, 18 th cross Branch and requested to issue directions to them to provide

		details of accrued interest.
26	Details of legal cases pending and the present status are annexed. As the outcome is not known, so no provision is made for any liability. The impact, if any, on the financial statements are not quantifiable.	The cases are pending in the Hon'ble High Court and other Courts. The liability or income will be assessed only after the final verdict and as such no provision are made.
27	The Company has not disclosed the financial ratio Debt Equity Ratio, Debt services credit ratio and Return on capital employed. There is no impact on the profit for the year however there is non- compliance of schedule III of The Companies Act, 2013.	All necessary details were provided to the Statutory Auditor. The amendment to the schedule-III of Companies Act-2013 have not been followed while preparing the financial ratios in respect of 3 items pointed out in audit enquiry. These ratios will be disclosed in the accounts for 2023-24.
28	The overall effect/impact of the above information is not ascertainable as per the information is provided by the company at the time of our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.	The information provided in the previous paras are ascertainable. The statutory auditor accepted that the information furnished is sufficient and appropriate to provide basis for their qualified opinion.
29	The financial statements which disclose that Government vide its order dated: 22.11.2004 and in accordance with the recent proceedings of the Government dated: 13.12.2014 has approved the merger of the Company with Karnataka Forest Development Corporation (the "KFDC") and ordered merger of Companies coming under Forest Ecology and Environment, to merge Rubber Division of KFDC with KCDC and Company with KFDC. The KFDC has appointed valuers and Transactional Advisers to complete this process. The subject of merging the Company with KFDC was placed in the 234th Board meeting held on 28.07.2015 and after discussion, the Board had authorized the Managing Director to take up the action required for the merger. Further, the Board of the Company in its 242 nd Board meeting after discussion has approved the revised Scheme of Amalgamation in view of merger proposal to be filed with NCLT instead of High Court of Karnataka and it was also resolved to communicate to the Government for re-examination of Scheme of Amalgamation as decided in the Board and communicated to Government in May 2017. The government ordered for the merger of KSFIC and KCDC with KFDC and to continue as Karnataka Forest Corporation for the same action will be taken as per government orders. As per management response, the board of directors of KSFIC in the 261 st meeting held on 07.03.2023 taken note of the government order dated:05.08.2022 and authorized the managing director to take all administrative steps for the merger of the companies. All necessary information and material have been furnished to the nodal agency, the KFDC. The merger process is being taken up by the KFDC. Our opinion is not qualified in respect of this matter. (Kindly refer sl.no.27 of note 31 in the financial statement).	Government of Karnataka vide its order No. FEE 33 FPC 2004, Bengaluru dated: 22.11.2004 has order merger of Companies coming under Forest Ecology and Environment, to merge Rubber Division of KFDC with KCDC and KSFIC with KFDC. The process of merger has been taken up by KFDC. In supersession of the Government order dated:22.11.2004 the government vide order No. FEE 55 FPC 2021 dated:05.08.2022 ordered for the merger of KSFIC, KCDC with KFDC and to continue a single corporation namely "Karnataka Forest Corporation" the Government appointed KFDC as the nodal agency. The Board of directors of KSFIC in the 261st Meeting held on 07.03.2023 taken note of the Government order dated:05.08.2022 and authorized the Managing Director to take all administrative steps for the merger of the Companies. All necessary information and material have been furnished to the nodal agency, the KFDC. In the 262 nd Board meeting the Hon'ble Chairman informed that decision will be taken at the Government level.
30	Regarding permission granted by Government in order dated 14.11.2014 to exchange 5.89 acres of land In favour of Deputy Commissioner, D.K. District for the proposed construction of District Office Complex and in lieu, the DC, Mangalore to transfer 4.50 Acres of the company, subject to fulfillment of certain terms and conditions. Pending compliance terms and conditions, the land has not been physically handed over to the Government and no entries regarding Incorporated in the books of account. During the year 2018-19, the Company got the building demolished on auction basis towards the materials retrieved, without obtaining the approval of Board of directors for demolishing the property and realized the Amount of Rs 2,75,000/-.	As per G.O. No. FEE 104 FPC 2014 dt:14.11.2014, 5.89 acres exchanged in favour of DC, Mangaluru for construction of District Administration office. KSFIC got 4.50 acres at Bangrakulur and entries in the RTC have been incorporated. Further 3.50 acres are due to be allotted by the DC. About 5000 sft in the District Administration office building is earmarked for KSFIC and the building is in finishing stage. Thereafter it will be taken possession and registered in the name of the company. The old building in the property was demolished and materials sold through auction during 2018-19 and Rs.2,75,000/- has been adjusted in the books of

	opinion is not qualified in respect of this matter. (Kindly refer sl.no.11 of note 31 in the financial statement).	accounts.
31	Regarding non provision of interest on loans of Rs.8,00,000 sanctioned in December 2001, by Government of Karnataka for financial requirement of Mysore Match Company, Shivamogga, Subsidiary of the Company to meet the payment towards VRS, repayable on receipt of principal amount on disposal of assets. Further, the Government of Karnataka had also provided financial assistance through the Company for settlement of a court case by the said subsidiary through the Company. The Company has not provided for interest on the loans, in the absence of rate of interest specified by the Government of Karnataka. However, as per Section 190 of The Karnataka Financial Code, 1958, rate of interest has been prescribed. As per management response there is no prescribed rate of interest, therefore loan is free of interest and no adjustment were made in respect of refund of loans availed from government through corporation. Hence, no provision is been made by them. Our opinion is not qualified in respect of this matter. (Kindly refer sl.no.17 of note 31 in the financial statement)	The Government of Karnataka has sanctioned Rs.800,000/- of loan vide G.O.No.90 2001 dated 26th December, 2001 for financial requirement of Mysore Match Company, Shivamogga(subsidiary) to meet the voluntary retirement scheme and Rs.15,20,000/- vide G.O. no APJ 77 FPC 2010 Bangalore Dated 18.05.2011 through KSFIC for settlement of VRS of employees and settlement of court case in favour of M/s Western India Pulpwood's limited respectively and the principal amount repayable on receipt on disposal of assets. As the Government Orders had not specified the rate of interest, therefore interest is not provided on this loan as in the past. As per the govt. orders the loan is to be repaid by MMC after disposal of assets and govt. has been requested approval for sale of the assets. Hence no adjustments were made in respect of refund of loans availed from Government through corporation.
32	Regarding Rs.3,33,000 receivables from Karnataka Housing Board, Yelahanka. The matter is pending for settlement for a long time being over 4 years and the settlement of final bills of the Company has not yet been made so far by Karnataka Housing Board, Yelahanka. As per management response the KSFIC as written letter to Chief Engineer KHB requested to release Rs 3,32,626/- recovery of receivables from KHB. Our opinion is not qualified in respect of this matter. (Kindly refer sl.no.23 of note 31 in the financial statement).	In respect of Rs. 3,33,000/- receivables from Karnataka Housing Board, Yelahanka, The Chief Engineer, vide letter dated 31.07.2012 sought clarification from EE. The Chairman, Karnataka Housing Board has been requested to intervene and arrange for payment vide letter dated 16.08.2012. A meeting was held with the Chief Engineer, KHB on 27.05.2013 and he had instructed Executive Engineer to process for settlement of final bills of KSFIC. Further on 26.06.2018 the Assistant Executive Engineer has been reminded to settle the issue.
33	Regarding enquiry initiated in Shivamogga unit against an employee towards irregular logging advances. Criminal case was filed against one employee T S Basappa vide case no. PCR/3/2018 dated 05.04.2018 from whom the amount is outstanding. However, it is observed that the case has been disposed as "uncontested — dismissed" vide decision dated 13.08.2018. The matter has not been placed before the Board. As informed by the management, the enquiry report Disciplinary authority ordered for recovery of Rs 14,90,290 from Sri. T. S. Basappa, on his request Rs. 6,22,080/- being the retirement benefits has been adjusted and remaining balance is Rs 8,68,222/- in spite of several notices he has failed to make good the loss of Rs 8,68,222/- therefore a criminal case has been filed. The case is under investigation of the police. Our opinion is not qualified in respect of this matter. (Kindly refer sl.no.24 of note 31 in the financial statement).	Out of the total irregular logging advances of Rs.14,90,290/- due from Sri. T.S. Basappa, after departmental enquiry on his request for adjustment of his retirement benefits, Rs.6,22,080/- was adjusted. The remaining balance is Rs.8,68,222/-. As per the Board resolution in its 241 st meeting held on 26.12.2016 necessary provision was made during 2016-17. Since there is no response from Sri. T. S. Basappa in spite of repeated efforts, a criminal case filed vide No. P.C.R./3/2018 dated: 05.04.2018. The case is under investigation by the police.
34	Regarding levy and collection of Forest Development Tax (the "FDT") on sale of pulpwood and payment of FOT by the Company only on purchase value on the seignior-age rate, resulting non levy of FDT and short payment to the Forest Department amounting to Rs. 2.02 Crores. The matter is under examination by various authorities and pending the decision, the Company has collected FDT on sale of pulpwood from 2013-14 and the differential amount between Sale Value and Purchase Value amounting to Rs.8,21,26,516. (PY RS. 8,23,30,292) (net) is included under other current liability till further decisions are taken in the matter. According to information and explanation provided by management the FDT collected on sale of pulpwood is kept under liability accounts and the same will be disposed after the decision of	Comptroller and Auditor General of India made an observation during audit of Karnataka Forest Department (KFD) for the year 2007-2012 that KSFIC has to levy and collect Forest Development Tax (FDT) on sale of pulpwood. KSFIC had paid FDT only on purchase value on the seigniorage rate. This has resulted in non-levy of FDT and short payment to Forest Department amounting to Rs. 2,02,00,000/-. The Forest Department has sought further clarification from KSFIC vide letter No.D-4(A) CR-04/2012-13 Dt.19.10.2012. In response to this, KSFIC vide its letter dated.05.11.2012 rejected the contention of AG as the payment of FDT cannot be charged twice. Once the sale by KFD is completed, the KFD does not hold

	<p>joint meeting. Our opinion is not qualified in respect of this matter. (Kindly refer sl.no.25 of note 31 in the financial statement).</p>	<p>any right on the materials in which the buyer make further sale. In this regard reply submitted by the office of the PCCF to AG vide letter dt.12.08.2010 informing that FDT is payable only on the purchase of pulpwood by KSFIC and not on further sales made by the Corporation and FDT on difference of values is not applicable and requested for withdrawal of observation, which confirms the stand of KSFIC. The same has been brought before the Meeting called by PCCF held on 25.02.2013. During discussion the MD, KSFIC sought a joint meeting of the PCCF, KSFIC & AG to sort out the issue. Accordingly the PCCF informed that this will be examined and action will be taken. The PCCF (HoFF) has been requested vide letter No. ಕರಾಳ್ಕೆನ್ನಿ/ಲೆಕ್/ಎಜೆಂಟ್/2023-24 dt:12.07.2023 to clarify the issue. Awaiting this process, the Corporation has collected FDT/FDF on sale value of pulpwood from 2013-14. The differential amount between Sale value and Purchase value amounting to Rs.8,21,26,516/- (Rs.8,23,30,292/-) (net) is disclosed under other current liability till further decision is taken.</p>
35	<p>During the earlier year, while going through the master data maintained by the Ministry of Corporate Affairs, we have observed under charges an amount of Rs. 25,00,000 has been shown in respect of charge created on 11.02.1994. Status of the charge has been shown as open and there are no assets under charge. There is no updation of directors list of the company. The company has not been regular in updating in its master data. As per management response the company does not have any charge of assets. The company is in the process of reconciling and initiated cancelling/rectifying the register of charges in the MCA. Waiting for bank confirmation for the above. Our opinion is not qualified in respect of this matter.</p>	<p>As per the ROC records a charges has been created on 11.02.1994 for an amount of Rs.25,00,000/-. The ROC required an endorsement from the Bank towards clearance of the charge. The Senior Manager, Canara Bank, Sheshadripuram Branch, Bengaluru has been addressed letter vide No. KSFIC/SA/2022-23 dt:02.03.2023 to furnish details of the charge and its clearance if any. The Bank authorities after verifying their records orally informed that no correspondence is available. Further they have been reminded vide letter No KSFIC/SA/2023-24 dt:22.08.2023. Action will be initiated after obtaining the details from the Bank during the current financial year and file the e-form CHG-04 for satisfaction of charges with the ROC.</p>
36	<p>The above matters are reported by earlier auditors and continuing for more than three years, for which the company has provided information about the status as 31st March 2023, pending appropriate action and closure formalities</p>	<p>As stated by the audit the latest information on the observations have been furnished.</p>