

THE HUTTI GOLD MINES COMPANY LIMITED

Regd. Office: 3rd Floor, KHB Shopping Complex, National Games Village,
Koramangala, BANGALORE-560 047

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67th Annual Report & Accounts 2012 - 2013

THE HUTTI GOLD MINES COMPANY LIMITED

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BOARD OF DIRECTORS

1	Sri S V Ramachandra MLA, Jagalur	Chairman
2	Sri A K Monnappa, IAS	Managing Director
3	Sri K Shivram, IAS, Regional Commissioner, Bangalore Division, Government of Karnataka	Director
4	Sri Ajay Seth, IAS Principal Secretary to Govt. Finance Department Government of Karnataka	Director
5	Sri Anil Kumar Jha, IAS, Secretary to Govt. Commerce & Industries Dept. Government of Karnataka	Director
6	Shri M Maheshwar Rao, IAS, Managing Director, Mysore Minerals Limited, Bangalore-560 001	Director
7	Sri H R Srinivasa, IAS, Director of Mines & Geology, Government of Karnataka	Director
8	Sri S Dayashankar, IAS, Addl. Secretary to Hon'ble Chief Minister Government of Karnataka	Director

COMPANY SECRETARY

Sri K N Narasimha Murthy

STATUTORY AUDITORS

M/s Ashok Kumar, Prabhashankar & Co.,
Chartered Accountants
S-2, Narayana, 25 Mission Road,
Shama Rao Compound,
Bangalore-560 027

BANKERS

1. State Bank of Hyderabad - Bangalore & Hutti
2. State Bank of India – Raichur
3. Syndicate Bank - Bangalore & Hutti
4. Axis Bank, Bangalore
5. IngVysya Bank, Bangalore
6. Union Bank of India, Bangalore
7. Canara Bank - Bangalore & Chitradurga

THE HUTTI GOLD MINES COMPANY LIMITED

(A Govt. of Karnataka Undertaking)

Regd. Office: 3rd Floor, KHB Shopping Complex, National Games Village, Koramangala, BANGALORE-560 047

Phone: 25705723/25705724/25705725/Fax: 25718365 Email: hgml@vsnl.com Website: www.huttigold.co.in

NOTICE

NOTICE is hereby given that the **Sixty Seventh Annual General Meeting** of the Members of The Hutti Gold Mines Company Limited will be held on **Saturday, the 28th September 2013, at 12.00 Noon**, at the Registered Office of the Company, at 3rd Floor, KHB Shopping Complex, National Games Village, Koramangala, Bangalore-560 047 to transact the following business:-

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013 and the Profit & Loss Account for the year ended on 31st March 2013 together with the Reports of Directors and Statutory Auditors and the Comments of the Comptroller & Auditor General of India.
- 2) To declare a Dividend to the Equity Shareholders.
- 3) To fix the remuneration of the Auditors of the Company.

Bangalore

Dated: 16-08-2013

By Order of the Board

Sd/-

(A.K. Monnappa)

Managing Director

Notes:

1. A Member entitled to vote, is entitled to appoint a proxy, to attend and, on a poll, to vote, instead of himself on a poll. Any person so appointed need not be a member of the Company. A proxy, in order to be effective, must lodge the instrument with the company at the Registered Office not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 25th September, 2013 to 28th September, 2013 (both days inclusive).
3. Dividend, if declared, will be paid to those members whose names appear on the Register of Members as on 25th September, 2013

THE HUTTI GOLD MINES COMPANY LIMITED

DIRECTORS REPORT TO THE MEMBERS

Dear Members,

Your Directors have immense pleasure in presenting the 67th Annual Report together with the Audited Statements of Accounts of the Company for the year ended 31st March 2013.

CORPORATE VISION & MISSION:

- **Corporate vision** - to become one of the most vibrant, self-reliant mining giant.
- **Corporate mission** - to improve productivity and profitability and ensure steady growth & development to provide long term stability; provide safe & healthy mining environment; promote harmonious and cordial industrial relationship to promote Human Resource Development; promote welfare and community development in and around Hutti; introduction of modern and effective management control systems.

PRODUCTION AND OPERATING RESULTS:

Sl. No.	Particulars	FY 2012-13		FY 2011-12	
		Budgeted	Actuals	Budgeted	Actuals
1.	Ore milled/treated (in MTs)				
	Hutti Mine	5,35,700	4,86,539	5,30,000	4,49,839
	Uti Mine	89,900	90,614	1,50,000	79,848
	Heera Buddini Mine	44,100	21,937	36,000	30,529
	Total	6,69,700	5,99,090	7,16,000	5,60,216
2.	Gold produced (in gms)	2367844	1582001	2677500	2182570
3.	Wind Energy generated (kwh)	31500000	29990698	26574000	31498910
4.	Turnover (Rs. in lakhs)				
	Sale of gold and silver	573.67	522.34	508.73	502.65
	Wind energy	10.71	10.20	9.04	10.71
	Total	584.38	532.54	517.77	513.36

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5.	Profitability (Rs. in lakhs)				
	Profit before int. depreciation and tax	303.43	271.90	236.32	310.36
	Cash profit	205.16	184.27	157.82	218.46
	Net profit for the year	190.76	169.50	141.92	204.13

It may be noted from the above that;

1. The quantity ore milled/treated was 599090 MTs as against to 560216 MTs in FY 2011-12, an increase of 6.94%.
2. The quantity of gold produced was 1582001 gms. as against to 2182570 gms in FY 2011-12, a decrease of 27.52%. Despite increase in ore treated, the quantity of gold produced was less mainly on account of reduction in recovery grade in ore, which was at 2.64 gms/MT as against to 3.89 gms/MT in 2011-12.
3. The value of production of gold and silver was Rs. 52400 lakhs as against to Rs. 52310 lakhs in FY 2011-12, an increase of only 0.17% and was mainly due to increase in cost of production.
4. The turnover/value of sale of Gold & Silver aggregated to Rs. 52234 lakhs as against to Rs.50265 lakhs in FY 2011-12, an increase of 3.92%. The average realisation per gm. of gold was Rs.2791 as against to Rs.2516 in the previous year.
5. The wind energy generated and sold was 29990698 kwh as against to 31498910 kwh in FY 2011-12, decrease of 4.79%. The turnover on sale of wind energy was Rs.1019.68 lakhs as against to Rs.1070.94 lakhs in FY 2011-12. The average sale realisation was Rs.3.40 kwh as in the last year.
6. The operating profit (EBIDT) amounted to Rs.27190 lakhs as against to Rs. 31036 lakhs in FY 2011-12, decrease of 12.40%. The cash profit ie., profit before depreciation amounted to Rs.18427 lakhs as against to Rs.21846 lakhs in FY 2011-12.
7. The net profit for the year was Rs.16950 lakhs as against to Rs.20413 lakhs in FY 2011-12, a decrease of 16.96%.

Dividend:

Your Board of Directors have recommended a dividend at the rate of 100 per cent on paid up equity capital, amounting to Rs.296.20 lakhs, subject to approval at the next Annual General Meeting.

THE HUTTI GOLD MINES COMPANY LIMITED

Unclaimed Dividend:

As per the Companies Act, 1956, dividends lying unclaimed for a period of seven years are required to be transferred to the Investor Education and Protection Fund. As on 31st March, 2012, Unclaimed Dividend amounting to Rs.4.56 Lakhs has not been claimed and the same will be remitted to the Central Government on the respective due dates.

Networth:

Net worth of your Company as at 31st March, 2013 is Rs.94147 lakhs as against Rs.77545 lakhs in the previous year. Out of the net profit for the year of Rs.16949.66 lakhs, the amount appropriated towards proposed dividend and to general reserve was Rs.296.20 lakhs and Rs.2570 lakhs respectively. The earning per share was Rs.5726 compared to Rs.6896 in the previous year.

Financial Position:

The table below summarises the financial position of your Company for the last two years.

(Rs. In Lakhs)

Particulars	FY 2012-13	FY 2011-12
Paid up equity capital	296.20	296.20
Reserves and Surplus	93851.23	77248.33
Non-Current Liabilities and Provisions	4649.50	3236.04
Deferred Tax Liability (net)	1844.79	2220.98
Current Liabilities and Provisions	6659.71	8372.98
Total	107301.43	91374.53
Net Fixed Assets	21969.45	21191.79
Other Non-Current Assets	912.40	897.96
Current Assets Loans and Advances	84419.58	69284.78
Total	107301.43	91374.53

Fixed Deposits:

Your Company has not accepted any fixed deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

THE HUTTI GOLD MINES COMPANY LIMITED

Future Outlook:

According to World Gold Council – a leading industry resource for World Gold Market, the estimated global gold demand trends (GDT) was in the order of 4405 MTs for 2012. As against to the demand the World production of gold was only in the order of 2700 MTs. Thus there is a wide gap between demand and supply position.

The largest world producers of gold in 2012 was China with production of 370 MTs. The other major producers of gold are Australia (250 MTs), USA (230 MTs), Russia (205 MTs) and South Africa (170 MTs).

The production of gold in India is just half a percent (1/2 %) i.e., 4 MTs of the annual gold consumption globally. While the production is negligible in India, it is the World's largest consumers of gold, accounting for about 880 MTs.

HGML is the only India's largest producers of gold which had produced 1.58 MTs of gold during the year.

The shift in US investors sentiments in gold consumption, had precipitated globally a sharp drop in the gold prices recently. But in Asia this is being countered by a surge in Asian market who believe in long term prospects for gold.

In view of the above, the gold prices are expected to be steady, if not, it is expected that there will not be any further / substantial erosion in gold prices.

New projects under implementation:

i) New Circular Shaft:

So as to enhance the production capacity, a new circular shaft is being implemented at Hutti, at an estimated project cost of Rs.235 crores. The implementation of new Circular Shaft had started from January 2013 and the progress of the work is satisfactory and as per schedule. The company is committed to complete the work as planned. The purpose of sinking new shaft is to sustain and enhance the production from existing 1500 tonnes to 2000 tonnes per day. The requirement of new shaft was also essential from the point of safety and improving the ventilation and ensuring that the production levels are sustained from deeper levels of mining.

ii) Other projects:

1. Establishment of common sewage treatment plant 2500 KLD capacity, by adopting the modern technology of activated sludge & diffused aeration process.
2. Establishment of food waste based bio-gas plant of capacity 5 ton, by adopting the technology of anaerobic digestion process.
3. Replacing the entire conventional street light system with LED system as a measure for energy conservation.

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4. Utilizing by Blending Bio-Diesel with the diesel to run the vehicle thereby reducing the automobile emission.
5. Using solar lighting for the tailing dump area.
6. Establishing Bio-fuel Nursery in an area of 4.25 Acres by developing 20,000 saplings.

Projects proposed:

1. Establish Bio Diesel extracting unit of 1000 Lts/day capacity as a measure for energy conservation.
2. Establish Roof Top Rain Water Harvesting System as a measure for water conservation.
3. Coir Matting on the slope of tailing Dump for dust suppression and slope stabilization.

MINING OPERATIONS:

i) Hutti gold mine

Production:

- (a) Production was completed in two stopes i.e. OR 19-16 D/L AE39 and OR 19-17 DE 44-46.
- (b) Three new LDBH stopes, SR 17-15 IE37 (RP-5 & 6), MR 22-20 BE41-42 and OR17-15 D/L AW37 have been put into production. At present 9 sub-level / LDBH stopes are operating at Hutti.
- (c) 10 number of stopes are under preparation for stoping.
- (d) Two more new Load Haul Dumb (LHD) units of Atlas Copco Make, 1.5 m³ bucket capacity have been received and commissioned for tramming from SR 17-15 IE37 (RP-5 & 6) and OR 17-15 D/L AW37 LDBH stopes. Total number of LHDs working in the mine is five, out of which three are of 1.5 M³ and two are 0.9 m³ bucket capacity.

Ventilation:

- (a) In connection with work relating to “Field Investigation and Ventilation Planning”, a project was awarded to Indian School of Mines Dhanbad and Field Investigation for the same was carried out by a team of experts from Indian School of Mines Dhanbad from January to February 2013.
- (b) Establishment of Ventilation network is under progress after completion of which, Computer Simulation, Interpretation of different Variants and suggestion of suitable System of Ventilation will be made.
- (c) All the resistance in the return air path at Prospect Shaft is cleared up to a total Shaft depth of 202m.
- (d) New vertical fan of 180 HP is installed and commissioned at Prospect Shaft.

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Rock Mechanics:

- (a) The work of Stope Stability Monitoring of S.R.20-22L FE 32-33 stope is completed as per our work order.
- (b) Instrumentation, Monitoring and Data Interpretation of remaining production stopes are being carried out departmentally.

Sand Stowing:

- (a) A total quantity of 50,890 te sand stowing has been done in 2012-13.
- (b) Filling of ZI 18-17L CE29-30 stope is complete.
- (c) Filling of OR 18-17L DE45-48 & SR 13 Inter-10L JE34 stopes is under progress.
- (d) MR 24-22L DE45-46 stope has been filled up to 23rd level and left for dumping waste rock generated in 22nd level stope development.
- (e) OR 19-16L AE39 stope is under preparation for stowing.

Underground Dewatering:

Drilling of two number of 6” diameter borehole from surface to 10th level (337m) has been completed by external agency and the work of reaming the boreholes to 8” diameter will be taken up shortly.

Underground Electricity Supply:

Drilling of 4½” diameter boreholes from Village Shaft 7th level to 10th level for taking electrical cable is complete.

ii) Uti Gold Mine:

- 1) North Open Pit (Lode No.4)

The open pit mining has been completed up to 390 MRL. Dewatering and Over Burden Dump management is in progress.

- 2) South Open Pit (Lode No.4)

Proposal for open pit mining by an external agency in the Southern part of the lease has been approved by the Board and approval is awaited from the Govt. of Karnataka.

- 3) Underground (Lode No.3)

Erection of Head Gear and installation & commissioning of 40 HP Single Drum Winder at Winze No.3 has been completed. 31m of Incline Shaft sinking has been done by an external agency and sinking is complete. Stope preparation and production drilling are in progress.

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4) Underground (Lode No.4)

Service shaft sinking & equipping has been done up to a depth of 165m by an external agency and further sinking is in progress.

iii) Heera Buddini Gold Mine:

Stoping of two sub-level stope blocks has been completed. At present, one block is under production, one block is under production drilling and two blocks are under stope preparation.

Mine development has been carried out at II level, II sub-level, III sub-level & III level (off load, on load development -302.10 mtrs) BBC stope drilling has been carried out (Drilled -10050 mtrs) and production from the stope block has commenced. The construction of single circuit 11 KV phase express feeder line, rabbit ACSR conductor and 9 mtr RCC pole from Kavithal to mine area has been completed.

About 21937 tonnes of ore has been milled, which has yielded 62.59 kgs of Gold and 5.51 kgs of silver. The exploratory mining, stope preparation and stoping will be continued.

EXPLORATION ACTIVITIES

Exploration, diamond drilling and sampling:

Exploration Department carries out systematic exploration by geological mapping, trenching, diamond drilling (surface & underground), geochemical / geophysical survey to generate a database for the mining feasibility studies/eventual mining in RP/PL/ML areas. Exploration Department plays a major role in mining geological works like guiding of the exploratory mine developments/primary/secondary developments, sampling, quality control in the stopes/developments and geological inputs for the mine planning and ore reserve estimations responsible for preparation of mining plans/scheme of mining and other statutory reports. Day to day management of the exploration department roles in production, productivity and safety.

Geological works:

Mine	Underground Geological Mapping (in mtrs)	Sample collected (in nos.)
Hutti Gold Mine	3009.440	8121
Uti Gold Mine	490.90	1372
Hira-Buddinni Gold Mine	263.40	743
Total	3682.74	10236

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Diamond Drilling (In mtrs)

	Department	Contractual	Total
a) Hutti Gold Mine Underground Diamond Drilling	641.50	1312.95	1954.45
b) Hutti Gold Mine Surface Diamond Drilling	84.00	--	84.00

A total of 3682.74 mtr on-lode development was monitored followed by geological mapping. A 177.75 cu.m of surface trenching was carried out & delineated the surface position of the lode. A total of 10236 nos. of samples were collected from the primary/secondary development, stopes (for quality control), ore dumps, mill yard pints to ascertain the ROM grade of ore trammed and drilled cores. Samples were analyzed for gold and associated minerals.

A total of 2038.45 mtr (departmental and contractual) of underground and surface drilling has been carried out in Hutti Gold Mine underground and in the surface northern and southern extensions to establish the strike, depth continuity and to trace the parallel gold mineralized zones. The drilled holes cross section and condensed litho-logs have been prepared. Correlation of drilling data has been carried out on the basis of the result obtained by drilling and preparation of final report is under progress.

Chitradurga Gold Unit

The Government has leased 38 hectares of land to the company for mining operations at Ajjanahalli, Tumkur Dist. The Company started its mining operations in 1995, but the same was stopped in 2002 as the operations are not viable due to uneconomical and un-oxidised grade of gold in this area. However, it is proposed to revive the operations, if found viable after processing the existing stock of 264000 MTs of ore lying in the area, at our process plant at Ingaldal, Chitradurga Dist. We have requested the Govt. for its approval in this regard and the same is awaited.

Wind Mill Operations:

Your company has commissioned 11.4 MW wind farm project at Ingaldal, Chitradurga Dist., and it has generated 29990698 units of wind energy and has earned a revenue of Rs.10.20 crores for the year 2012-13.

HGML-Videsh:

HGML is planning to create a subsidiary of HGML called “HGML-Videsh” for taking up Exploration / Mining for Gold & associated minerals outside the Karnataka/Country. The company which has been in the gold business for more than six decades, proposed to extend its arm beyond the state and the country.

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It is proposed to float a subsidiary:

- To transform Company's rich experience as a world – class exploration, production and technical consultancy company on par with the best international consultancy Gold Mining companies providing bullion security to the country.
- To build the company's balance portfolio of exploration, discovery and production of gold and similar activities in countries specifically identified, through HGML's expertise.
- To build a team that excels in performance through assimilation of best practices and world-class technologies.
- To build collaborative relations with international partners.
- To establish an overseas division on a need basis to ensure supply of high gold concentrated raw materials to its beneficiation unit/industries which are to be set up overseas.

ENVIRONMENTAL INITIATIVES:

The Hutti Gold Mines Company Limited (HGML) as a corporate enterprise is environmentally conscious and committed to achieve its business goals through sustainable development / growth. The Corporate Environmental Policy of HGML also emphasizes on "conducting the mining and processing of gold operations in an environmentally concern manner, complying with applicable regulations and striving to go beyond". HGM recognizes its responsibility to continuously improve its energy efficiency and optimize resource consumption through various measures in the productivity at mines and plant viz. introducing the mechanization in the stoping methods, adaptation of effective ventilation, maintaining zero waste discharge mining, post filling of the stoped area and improvement in process technology by adopting the "3R" principle-Reduce, Recovery and Recycle. Cleaner technology is being practised in the process by complete detoxification of the process waste by adopting recovery system which reduce the chemical consumption and complete recycling of the water to form an zero discharge thereby significantly reducing the amount of hazardous substance (Cyanide) escaping to the environment recover utilization by recirculation of the process water, which play a significant role in achieving the Environment standards prescribed by KSPCB, which is continuously monitored by regulating authorities. HGML has been a pioneer in terms of environment management and in adoption of advanced eco-friendly cleaner technologies. The effective pollution abatement strategies are expected to satisfy the environment friendly, safe, technique in processing of gold ore.

The department of Environment has taken adequate measures by adopting suitable monitoring measures along with adaptation of suitable technology to abatement of pollution which are likely to cause at various stages in the mining activities.

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Afforestation programme.

The afforestation activity is being undertaken in co-ordination with Karnataka State Forest Department. Initially, it is proposed for;

- I. Block Plantation in the vacant / available land area -40 Ha
- II. Dump Plantation -1 Ha – Trial plot on slopes.

Awareness programme:

Awareness programmes are being conducted by the Environmental Engineer in Schools / College children, regarding the Environment Concepts, Viz., Conservation of natural resources (Water, Energy, Forest, Minerals), Solid waste management, Rain water Harvesting, Afforestation etc.,

Achievements:

The Mines Environment & Mineral Conservation Association, Bangalore under the aegis of Indian Bureau of Mines, inspected the mines and has recognized the environment activities of the company and awarded the prizes for 2012-13 under the categories;

Category-A2 (Large Mechanized Mine)

- I. Afforestation.
- II. Community Development.
- III. Special Prize – First – Energy conservation.
- IV. Overall – Second.

Category-B (Small Mechanized Mine)

- I. Environment Management.
- II. Publicity & Propaganda.
- III. Aesthetic Beauty.
- IV. Installation & use of Mechanical Beneficiation Plant.
- V. Overall – First.

HGM HOSPITAL:

The Hutti Gold Mines Company Hospital started on March 1st, 1966. It basically extends the medical facility to the employees, their dependents and outsiders covering the local villages around the Mines radius up to 10 kms.

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Presently the Hutti Gold Mines Hospital is a full-fledged with 120-bedded Hospital catering to the needs of about 4357 Company Officers & Employees and their dependants (including Casual Labors). Besides it also treats outside patients from neighboring villages at nominal charges.

There are 16 Permanent doctors & two contract basis, totally 18 doctors composed of specialists and non-specialists along with 133 para medical personnel. The out-patient department is busy of activity during the day time. The daily out-patients ranges from 850-900 are examined by the doctors.

HUMAN RESOURCE DEVELOPMENT

Training:

During the year 2012-13, 90 employees and 49 officers attended the residential programme and non-residential training / workshop / seminars conducted by various outside organizations.

Industrial Relations:

Your management has continued to maintain cordial industrial relation with employees and there was no strike or lockout during the year.

Manpower:

The total manpower as on 31/03/2013 is 3842 as against 3707 in the previous year. The break-up of employees on 31/03/2013 as compared to the position in the previous (in parenthesis) is given below:-

Particulars	Total	SC	Percent	ST	Percent
Officers	200 (202)	36 (40)	18 (20)	13 (11)	7 (5)
Ministerial	199 (220)	53 (50)	27 (23)	8 (12)	4 (5)
Supervisory	620 (541)	143 (122)	23 (23)	35 (38)	6 (7)
Others	2823 (2744)	957 (724)	34 (27)	520 (391)	18 (17)
Total	3842 (3707)	1189 (936)	31 (25)	576 (452)	15 (12)

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Health care:

The Hutti Gold Mines Hospital is a full fledged with 120 bedded Hospital catering to the needs of all the employees and their dependants. The hospital also treats patients from neighboring villages at nominal charges. There are 18 doctors comprising specialist physician and surgeons assisted by 163 para medical, other Staff & Workers. The daily outpatients range between 850 and 900. During the year under report, about 2,20,971 outpatients and 28,374 inpatients were treated in this hospital. During this period about 469 major operations and about 1725 minor operations were conducted at hospital

HGM Hospital has been organizing National Immunization Programmes, for which vaccines were supplied by Health Office, Lingsugur for the benefit of Hutti Children. Pulse Polio immunization is being conducted at Hutti Camp as a part of country wide drive for immunization. During the year under report, some of the important programs like Filaria camp, Free Eye camp, Diabetic & HIV Awareness camp were also conducted.

Housing:

The Management has decided to construct about 100 workers quarters every year. Accordingly, construction works of 48 Nos. of Supervisory Staff quarters & 100 Nos. of workers quarters is in progress.

Right to Information Act (RTI):

As a Government Undertaking, your company has taken necessary action to comply with provisions of Right to Information Act (RTI) 2005. During the year under report, your company received 146 applications and 136 applications have been disposed off & 10 were pending as on 31/03/2013.

Board of Directors:

Directors (including Chairman) of your Company are appointed by the Government of Karnataka, as per provisions contained in Articles of Association of your Company. As on 31st March, 2013, six Directors (including Managing Director and the Chairman), appointed by the Government of Karnataka, were on the Board.

The following changes in the Board of Directors have taken place since the last report:

Name	Date of Appointment	Date of Cessation	Nature of appointment
Sri S V Ramachandra	19.11.2010	21.06.2013	Chairman
Sri Ajay Seth, IAS	05.08.2008	13.06.2013	Director
Sri Anil Kumar Jha, IAS	22.06.2012	22.12.2012	Director
Sri Arvind Shrivastava, IAS	13.06.2013	-	Director

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Sri Rajeev Chawla, IAS	14.06.2013	-	Director
Sri K Amaranarayana, IAS	22.12.2012	-	Director & Chairman
Sri Maheshwara Rao, IAS	12.10.2012	14.06.2013	Director
Sri K Shivram, IAS,	02.03.2012	14.06.2013	Director
Sri S Dayashankar, IAS	18.02.2009	14.06.2013	Director
Sri G A Adagatti, KAS	14.06.2013	-	Director

Statutory Auditors:

Your Company being a Government Company, the Statutory Auditors to audit the accounts of the Company are appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act 1956. Accordingly, M/s Subhaschandra P Kudari & Co., Bangalore has been appointed as the Statutory Auditors for the FY 2012-13.

Responsibilities:

The day-to-day affairs of the Company are vested with the Board of Directors. The Managing Director is the Chief Executive Officer (CEO) of the Company, who is assisted by other Senior Officers in managing the day-to-day affairs. All the major policy decisions are taken with the approval of the Board. Your Board of Directors are required to comply with the directives and other instructions issued by Government of Karnataka and Shareholders from time to time. Your Board of Directors represent the interests of the Company, the Government of Karnataka and the Shareholders, in optimizing long term value by formulating policies, plans, long term strategies, guidance, advice and timely implementation of plans. The composition of Board is a mixture of management, administration, financial and technical expertise. This wide range of experience and skills has enabled your Company to achieve its corporate goals and objectives. Your Board of Directors play an active role in the deliberations at their Meetings and down below the hierarchy of management, they are implemented. Actions taken on the decisions of the Board are periodically reviewed by the Board.

Corporate Social Responsibility

Your company, during the year, has spent Rs.1294.54 lakhs towards various social works/projects under this Corporate Social Responsibility Programme (CSR) which works out to 6.3 % of the company's average earnings for the last three years. The amount spent is more than the proposed mandatory requirements of 2% under the new company's bill 2012.

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Directors' Responsibility Statement:

Pursuant to sub-section 2AA of Section 217 of the Companies Act, 1956, your Directors state that:

- (i) In the preparation of annual accounts for the year ending 31st March, 2013, the applicable accounting standards have been followed by the Company.
- (ii) The Directors have selected such accounting policies and applied 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 for the year ended that date.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The accounts of the Company have been prepared on a going concern basis.
- (v) There has been no buy back of shares or securities during the year under report.

Acknowledgement:

Your Directors are grateful to the Government of India (including Ministries of Mines, Environment and Labour), Government of Karnataka, Karnataka State Pollution Control Board, Director General of Mines Safety, Comptroller and Auditor General of India, Statutory Auditors, Internal Auditors, Legal Advisors, Consultants, Bankers, Insurers, Shareholders, customers, suppliers and all others associated with the Company for their continued valuable guidance, advice, co-operation and timely support. Your Directors also wish to place on record their appreciation for the un-stinted co-operation and support extended by all the employees and officers in achieving the performance of your Company during the year.

For and on behalf of the Board

Bangalore
Date: 17.8.2013

Sd/-
(K Amaranarayana)
CHAIRMAN

THE HUTTI GOLD MINES COMPANY LIMITED

VIJAYAKRISHNA K.T.

BBM, LLB, FCS, AICWA

Company Secretary

496/4, II Floor, 10th Cross

Near Bashyam Circle, Sadashivnagar,

Bangalore -560 080. INDIA.

Tel : +91 80-23610847,

Telefax : +91 80-41231106

E-mail : vijaykt@vjkt.in

ktvijayakrishna@gmail.com

SECRETARIAL COMPLIANCE CERTIFICATE

Registration No. of the Company {CIN}: **U85110KA1947SGC001321**

Nominal Capital: **Rs. 20, 00, 00,000/-**

Paid up Capital: **Rs. 2, 96, 20,371/-**

To:

The Members

The Hutti Gold Mines Company Limited

3rd Floor, KHB Shopping Complex,

National Games Village, Koramangala,

Bangalore - 560 047.

I have examined the registers, records, books and papers of The Hutti Gold Mines Company Limited, (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on the 31st March, 2013. In my opinion and to the best of my information and according to examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under (beyond the time prescribed with additional fee).
3. The Company being a Public Limited Company, has the minimum prescribed paid-up capital as per the provisions of Companies Act, 1956 and the provisions of the Act do not prescribe maximum number of members for such a Public Limited Company. The Company is a 'Government Company' within the meaning of Section 617 of the Act.

THE HUTTI GOLD MINES COMPANY LIMITED

4. The Board of Directors duly met 9 (Nine) times from 01.4.2012 to 31.03.2013 on the following dates: 28.04.2012, 25.06.2012, 07.08.2012, 19.10.2012, 08.11.2012, 27.11.2012, 08.01.2013, 31.01.2013 and 19.03.2013 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Annual General Meeting for the financial year ended on 31.3.2012 was held on 27.11.2012 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
6. No Extraordinary General Meeting was held during the financial year.
7. The Company has not advanced any loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
8. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
9. The Company was not required to make entries in the register maintained under Section 301 of the Act.
10. As there was no instance falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
11. The Company has not issued any duplicate Share Certificates during the financial year.
12. The Company has:
 - (i) has not transferred any securities during the financial year;
 - (ii) has declared dividend during the financial year;
 - (iii) has paid the dividend for the financial year ended 31st March, 2012 and that all unclaimed/unpaid dividends have been transferred to unpaid dividend account of the Company as per the Act;
 - (iv) has transferred the required funds to the Investor Education and Protection Fund during the year.
 - (v) has duly complied with the requirement of Section 217 of the Act.
13. There were changes in the composition of the Board during the year and requisite returns were filed with Registrar of Companies.
14. The Board of Directors of the Company is duly constituted.
15. The Company has not appointed Managing Director during the financial year.
16. The Company has not appointed any Sole Selling Agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interests in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any Equity Shares, Debentures or other Securities during the financial year.

THE HUTTI GOLD MINES COMPANY LIMITED

20. The Company has not issued any Preference Shares during the financial year.
21. The Company has not bought back any Shares during the financial year.
22. There was no redemption of preference shares or Debentures during the financial year.
23. There was no transaction necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
24. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
25. The Company's borrowings during the financial year ended 31.03.2013 were in compliance with the Act.
26. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
27. The Company has not altered the provisions of the Memorandum of Association with respect to the situation of the Company's Registered Office from one State to another during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
30. The Company has not altered the provisions of the Memorandum with respect to the Share Capital of the Company during the year under scrutiny.
31. The Company has not altered its Articles of Association during the financial year.
32. There were no prosecutions initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
33. The Company has not received any money as security from its employees during the financial year.
34. The Company has deposited both the Employee and Employers contribution to the Government PF account and therefore Section 418 of the Act, is not applicable.

Place : Bangalore
Date : 08.08.2013

Sd/-
VIJAYAKRISHNA KT

THE HUTTI GOLD MINES COMPANY LIMITED

ANNEXURE-A

1. Register of Allotment
2. Register of Directors
3. Register of Members
4. Register of Disclosure of Interests
5. Register of Transfers
6. Register of Directors Shareholding
7. Register of Charges
8. Register of Contracts
9. Minutes of the Meetings of the Board and Shareholders

ANNEXURE-B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March 2013:

Sl.	Form No./ Return	Filed under Section	For	Date of Filing	Whether filed within the Prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1.	Form 20B	159	Annual Return	31.12.2012	YES	NO
2.	Form 23AC and 23ACA - XBRL	220	Annual Accounts	12.01.2013	YES	NO
3.	Form 32	303(2)	Change in Directors	11.07.2012	YES	NO
4.	Form 32	303(2)	Change in Directors	30.10.2012	YES	NO
5.	Form 32	303(2)	Change in Directors	31.12.2012	YES	NO

THE HUTTI GOLD MINES COMPANY LIMITED

6.	Form 32	303(2)	Change in Directors	13.02.2013	NO	YES
7.	Form 61	166, 210, 394, 560, 621A	Application with Registrar (Extension of time to hold AGM)	11.09.2013	YES	NO
8.	Form 23C	233B (2)	Application to the Central Government for appointment of cost Auditor	18.12.2012	NO	YES
9.	Form 23C	233B (2)	Application to the Central Government for appointment of cost Auditor	30.10.2012	NO	YES
10.	FORM A-XBRL	209(1)(d), 600(3)(b),	Compliance Report	13.02.2013	-	-
11.	FORM I-XBRL	233B(4), 600(3)(b),	Cost Audit Report	22.02.2013	-	-
12.	FORM 1 INV		Payment of unpaid/unclaimed dividend to IEPF	31.05.2012	-	-

THE HUTTI GOLD MINES COMPANY LIMITED

SUBHASCHANDRA P.KUDARI & CO.
Chartered Accountants

15, 1st Floor, I cross, Nehrunagar,
Seshadripuram, Bangalore– 560 020
Telephone: 080-23564975/23564976

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE HUTTI GOLD MINES COMPANY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of The Hutti Gold Mines Company Limited (“the Company”), which comprise the Balance Sheet as at 31 March 2013, and the statement of Profit and Loss and 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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”). This responsibility includes the design, implementation and maintenance of internal control 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by the Institute of Chartered Accountants of India. 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 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 and fair presentation of the financial statements 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 management, 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:

THE HUTTI GOLD MINES COMPANY LIMITED

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013; and
- (b) in the case of the statement of Profit and Loss, of the profit for the year ended on that date.
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order and subject to:
 - a. Point No.II, 3 of Note 28 with regard to pending approval from Government of Karnataka for Exgratia provision for 2008-09,2009-10,2010-11, 2011-12,2012-13 totaling to Rs.1,145.61 lakhs and provision of Rs.451.62 lakhs for the year 2011-12 towards production linked incentive.
 - b. Point No. II, 12 of Note 28 with regard to pending reconstitution and settlement of Benevolent Fund issues with employees union for medical traveling expenses, an excess contribution of Rs.42.33 lakhs.
 - c. Point No.II, 16 of Note 28 with regard to Confirmation of Balances.
2. As required by section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the balance sheet and statement of profit and loss, and the Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Subhaschandra P Kudari & Co

Chartered Accountants
Firm Regn.No.004094S

Sd/-

S.P Kudari

Proprietor

Membership No.: 020513

Place: Bangalore
Date: 08.08.2013

THE HUTTI GOLD MINES COMPANY LIMITED

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ANNEXURE TO INDEPENDENT AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 1 UNDER HEADING OF “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS”

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets on the basis of available information;
 - b) The management has certified that the fixed assets have been physically verified during the year, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. We are informed that no material discrepancies were noticed on such verification as compared with the records of fixed assets;
 - c) In our opinion, the company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the company is not affected;
2. In respect of inventories:
 - a) As explained to us, the inventories have been physically verified during the year by the management. In our opinion the frequency of verification is reasonable and commensurate with the size of the Company.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management is reasonable and is adequate in relation to the size of the Company and nature of its business.
 - c) The Company has maintained proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3.
 - a. The company has not granted /availed any loans to/ from companies, firms or other parties covered in the register maintained under section 301 of the Act.
 - b. Since the Company has neither granted nor taken loans, clauses relating to interest, terms and conditions of the loans, repayment and overdue of Principal more than Rs.1 lakh does not apply.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, stores & spares, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. In respect of transactions covered under section 301 of the Companies Act, 1956:
 - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, which needed to be entered into in the register, maintained under section 301 of the Companies Act, 1956 have so been entered;
 - b) In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the

THE HUTTI GOLD MINES COMPANY LIMITED

Companies Act, 1956 aggregating during the year to Rs. 500,000/- (Rupees Five Lacs Only) or more in respect of any party.

6. The company has not accepted any deposits from the public and hence provisions of Section 58A and 58AA of the Companies Act, 1956 is not applicable.
7. In our opinion and according to the information and explanations given to us, the company has an adequate internal audit system commensurate with the size of the company and the nature of its business.
8. We have reviewed the cost records maintained by the Company pursuant section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. In respect of statutory dues, according to the information and explanations given to us:
 - a) The Company is regular in depositing undisputed statutory dues including PF, ESI, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty and other statutory dues. According to the records of the Company and as per the information and explanations given to us, the Company does not have any undisputed statutory dues including Provident Fund, Income-tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues which are outstanding for a period in excess of six months as on March 31, 2013, subject to attention being drawn on Note No.II, 2(ii) and Point No.21 of Note 28 of Notes to Accounts.
 - b) According to the information and explanations given to us and as per the records examined by us, there were no disputed amounts due except herein referred in respect of Income Tax, Customs Duty, Wealth Tax, Cess and Sales Tax as on March 31, 2013.

Sl. No.	NAME OF THE STATUES	NATURE OF DUES	FORUM WHERE DISPUTE IS PENDING	AMOUNT (Rs. in Lakhs)	REMARKS
1	2	3	4	5	6
1	Karnataka Tax on Entry of Goods Act	Entry Tax for Asst. year 1998-99	Karnataka Appellate Tribunal, Bangalore	2.29	The Tribunal has dismissed the case and has directed DCCT, Raichur to issue revised demand notice and orders are awaited.
2	Karnataka Tax on Entry of Goods Act	Entry Tax for Asst. year 2001-02	Joint Commissioner of Commercial Taxes (Appeals), Gulbarga	4.41	Appeal Before the Joint Commissioner of Commercial Taxes (Appeals), Gulbarga which was allowed and directed DCCT to rework the tax amount and issue the revised demand notice. Order and notices are awaited

THE HUTTI GOLD MINES COMPANY LIMITED

3	Income Tax Act	Income Tax for Asst. year 2005-06	Deputy Commissioner Income Tax Bangalore	17.78	Appealed before CIT (Appeals)
4	Income Tax Act	Income Tax for Asst. Year 2008-09	Income tax Appellate Tribunal Bangalore	93.77	DCIT has filed appeal before Tribunal.
5	Income Tax Act	Income Tax for Asst. Year 2009-10	Commissioner of Income Tax (Appeals), Bangalore	228.80	Appealed before CIT (Appeals)
6	Income Tax Act	Income Tax for Asst. Year 2010-11	Commissioner of Income Tax (Appeals), Bangalore	988.05	Appealed before CIT (Appeals)
7	The Central Excise Act	Excise Duty on sale of bullion for the year 2006-07 & 2011-12	Central Excise Appellate Tribunal Bangalore	14,137.27	The Commissioner of Central Excise & Customs, Belgaum has passed order on 26.03.2013 for levying excise duty from 01.01.2007 to 31.12.2011 by rejecting reply submitted by the Company towards show-cause notice. Company has filed appeal before Tribunal.

10. The company does not have accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. During the year under review there are no outstanding loans due to banks or financial institution and hence the question of repayment does not arise.
12. In our opinion and according to the information and explanation given to us, and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
14. The company has maintained proper records of the transactions and contracts in respect of dealing or trading in mutual funds and timely entries have been made therein. All such securities and other investments have been held by the Company in its own name.

THE HUTTI GOLD MINES COMPANY LIMITED

15. The company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The company has not availed any term loans during the year.
17. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no short term funds have been used for long term investment.
18. The Company has not allotted shares on preference to parties and companies entered in the Register maintained under Section 301 of the Companies Act,1956.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For Subhaschandra P Kudari & Co

Chartered Accountants
Firm Regn.No.004094S

Sd/-

S.P Kudari

Proprietor

Membership No.: 020513

Place: Bangalore

Date: 08.08.2013

THE HUTTI GOLD MINES COMPANY LIMITED

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE HUTTI GOLD MINES COMPANY LIMITED, BANGALORE FOR THE YEAR ENDED 31st MARCH 2013.

The preparation of financial statements of **The Hutti Gold Mines Company Limited**, for the year ended **31st March 2013** in accordance with the financial reporting framework prescribed under Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated **08th August 2013**.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit, under section 619(3)(b) of the Companies Act, 1956, of the financial statements of “**The Hutti Gold Mines Company Limited, Bangalore**” for the year ended **31st March 2013**. 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 audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors’ report under section 619(4) of the Companies Act, 1956.

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

Sd/-
(**ANITA PATTANAYAK**)
PRINCIPAL ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BANGALORE

BANGALORE
DATED: 3rd September 2013

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING SYSTEM:

Financial statements have been prepared under historical cost convention and in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.

Financial statements have been prepared on the fundamental accounting assumption of a going concern and on accrual system of accounting except as stated in 2.5.

Expenses accruing in the financial year and ascertainable with reasonable accuracy on the cut-off date are provided for in the accounts.

2. REVENUE RECOGNITION

2.1. Sales are accounted net of discount, taxes and duties.

2.2. Sale of Gold is accounted on the basis of weekly average standard rate of Mumbai Bullion Market of that week or average rate till date of preparation of invoice.

2.3. Sale of Silver is accounted on the basis of rate of Mumbai bullion market prevailing on the day of preparation of invoice.

2.4. Sale of wind power is accounted on accrual basis as per B-Form issued by KPTCL, and rate as per Power Purchase Agreement.

2.5. Sale of scrap is recognised on the basis of delivery.

2.6. Revenue grants are recognised over the periods in which they are spent to match to the related costs.

2.7. Insurance claims are recognised during the year of settlement.

3. FIXED ASSETS.

3.1. Fixed assets are stated at cost less depreciation. Capital work-in-progress are recorded at historical cost.

3.2. Values of abandoned Fixed Assets and Capital Work-in-progress are charged off in the year in which the same are identified as redundant.

3.3. Expenditure during period of construction for expansion/ modernisation/ mechanisation of existing unit is capitalised on successful completion of the concerned project.

3.4. Expenditure incurred on Mine Deepening of existing shafts are treated as revenue expenditure.

4. DEPRECIATION.

4.1 Depreciation on Fixed assets is provided on Straight Line Method basis at the rates as contemplated under Section 205(2) (b) of the Companies Act, 1956, read with Schedule XIV of Companies Act, 1956.

4.2 Wind Mill is considered as a continuous process plant and depreciation is provided at the rate applicable thereto under schedule XIV of the Companies Act.

4.3 Additions to the existing assets are depreciated over the remaining useful life of that asset

THE HUTTI GOLD MINES COMPANY LIMITED

5. INVESTMENTS

Long term investments have been valued at acquisition cost. Current investments are valued at the lower of cost or fair market value, on individual asset basis.

6. VALUATION OF INVENTORIES:

6.1 STORES, SPARE PARTS & LOOSE TOOLS.

6.1.1 Stores and Spare parts purchased are valued at Weighted Average Cost.

6.1.2 Spare parts / Consumables manufactured are valued at Cost.

6.1.3 Loose Tools, unit cost of which is ` .500 or less are charged off in the accounts at the time of issue from Stores. Loose Tools whose value is more than ` .500 is charged off at the rate of 50% per year on reducing balance method till such time the Written down Value comes to ` .500 and then charged off in full.

6.2 FINISHED GOODS:

6.2.1 Gold: At lower of cost or net realisable value (Mumbai Bullion price for standard gold as on 31st March less discount).

6.2.2 Silver: Lower of average selling price for the year or closing market value.

6.3 WORK IN PROCESS: Lower of estimated cost or net realisable value.

6.4 STOCK OF ORE ON SURFACE: Lower of cost or net estimated realisable value.

6.5 GOODS-IN-TRANSIT: At Cost.

6.6 Medicines, Canteen and Stationery items are charged off at purchase price since the same are meant for immediate consumption and not for resale.

7. DEFERRED REVENUE EXPENDITURE:

7.1 Exploration/prospecting/Over burden removal expenses for the New Deposits/ Leases/Areas/ are treated as Deferred Revenue Expenditure and amortised during the first five years of operation or till such time the deposits prove economical, whichever is earlier.

7.2 Other Miscellaneous Expenditure is amortised over a period of five years.

8. EMPLOYEE RETIREMENT BENEFITS:

8.1 Gratuity liability is covered by Group Gratuity Policy issued by LIC of India and administered through approved Gratuity Trust. Current Service Cost based on Actuarial Valuation is charged to the Profit & Loss Account.

8.2 Company's contributions to Provident Fund have been made to an approved Trust/Provident Fund Authorities. The contribution is charged off to the profit & loss account.

8.3 The liability on account of Leave Encashment entitlements of the employees is covered by policy with LIC. Current Service Cost based on Actuarial Valuation is charged to the Profit & Loss Account.

THE HUTTI GOLD MINES COMPANY LIMITED

8.4 Company's contribution to Superannuation in the case of eligible Officers (based on a percentage of basic pay and dearness allowance) is made to an approved Trust and administered by LIC of India. Annual contribution is charged to Profit & Loss Account.

8.5 Expenditure incurred towards Voluntary Retirement Scheme is charged off as per AS 15 revised.

8.6 Provision towards twenty-five years long service award is made in the year of eligibility.

9. PREPAID EXPENSES

Expenses, in excess of ₹. 500, whereof benefits accrue in the subsequent year, are treated as Prepaid Expenses.

10. FOREIGN EXCHANGE TRANSACTIONS.

- a) Transactions in foreign currencies are recorded at the exchange rates prevailing at the time of transaction, except in the case of forward contracts where transactions are recorded at forward contract rates.
- b) Liability in respect of foreign currency transactions outstanding at the end of the year not covered by forward exchange contract is updated at the year end rates and the exchange difference is adjusted to the profit and loss account.
- c) Exchange differences arising on settlement are recognised in the profit and loss account.

11. DEFERRED TAX LIABILITY AND CURRENT TAX PROVISION

11.1 Deferred Tax Liability and Asset resulting from divergences between "Accounting Income" and Taxable Income" and between "Book Values" and "Values as per Income Tax Act 1961" and rules framed there under, arising out of "Timing Differences" is accounted for at the effective rates prevailing on the Balance Sheet date, as per Accounting Standard-22.

11.2 The provision for Current Tax is made after taking into consideration all allowable deductions, carry forwards and disallowances envisaged under the Income Tax Act 1961 and rules made there under.

12. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

A provision is made based on a reliable estimate when it is probable that an outflow of resources, embodying economic benefits, will be required to settle an obligation. Contingent liabilities, if material, are disclosed by way notes to accounts. Contingent assets are not recognised or disclosed in the financial statements as a prudent policy.