

# **THE HUTTI GOLD MINES COMPANY LIMITED**

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

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## **65th Annual Report & Accounts 2010 - 2011**

# THE HUTTI GOLD MINES COMPANY LIMITED

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

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## BOARD OF DIRECTORS

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1	Sri S V Ramachandra MLA, Jagalur	Chairman
2	Sri A K Monnappa, IAS	Managing Director
3	Sri Ajay Seth, IAS Secretary to Govt., Finance Department Government of Karnataka	Director
4	Sri G V Kongawad, IAS, Secretary to Govt., Commerce & Industries Dept. Government of Karnataka	Director
5	Sri H R Srinivasa, IAS, Director of Mines & Geology, Government of Karnataka	Director
6	Sri S Dayashankar, IAS, Addl. Secretary & Ex-Officio Private 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. Canara Bank - Bangalore & Chitradurga
4. Syndicate Bank - Bangalore & Hutti
5. Axis Bank, Bangalore
6. ING Vysya Bank, Bangalore

# 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 Fifth Annual General Meeting** of the Members of The Hutti Gold Mines Company Limited will be held on **Thursday, the 15<sup>th</sup> December 2011, at 5.00 PM**, at the Registered Office of the Company, at 3<sup>rd</sup> 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 31<sup>st</sup> March, 2011 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon and the Comments of the Comptroller & Auditor General of India.
- 2) To declare Dividend to Equity Shareholders.
- 3) To fix the remuneration of the Auditors of the Company.

Bangalore

Dated: 21-11-2011

By Order of the Board

Sd/-

(K N Narasimhamurthy)

Company Secretary

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### Notes:

1. A Member entitled to vote, is entitled to appoint a proxy, to attend and, on a poll, to vote, instead of himself. 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 12th December 2011 to 15<sup>th</sup> December 2011 (both days inclusive).
3. Dividend, if declared, will be paid to those members whose names appear on the Register of Members as on 15<sup>th</sup> December 2011.

# THE HUTTI GOLD MINES COMPANY LIMITED

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## DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors have immense pleasure in presenting the 65th Annual Report together with the Audited Statements of Accounts of your Company for the year ended 31st March 2011.

### **CORPORATE VISION:**

The Corporate vision is to become one of the most vibrant, self reliant, financially viable and steady growth oriented mining corporate.

The Corporate, mission is to:

- improve productivity and profitability
- provide long term Financial Stability
- register steady growth in capacity utilization, production, income and overall profitability
- provide safe working condition in the Mine
- introduction of modern and effective management control systems
- give more importance to the Mine development apart from achieving day to day production target
- promote harmonious and cordial industrial relationship
- promote Human Resource Development
- promote welfare and community development in Hutti Village
- have environment friendly and healthy mining and production process. Have good health and well being of workers staff and employees

### **Strategies:**

- develop core competencies to effectively manage diversification and other activities.
- ensure compliance with various Corporate Laws, Labour Laws, Environmental Laws and other applicable laws.
- follow fair, sound and acceptable ethical practices in relation to shareholders, customers, suppliers, employees and other public authorities.
- strengthen effective and adequate internal control systems
- standardise management information system and computerization
- ensure and adopt transparent procurement, sales, financial reporting, audit and accounting practices
- implementation of Kannada.

# THE HUTTI GOLD MINES COMPANY LIMITED

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## HIGHLIGHTS 2010-11

- Total income amounted to Rs.43,758 lakh as against Rs. 36,012 lakh in the previous year, an increase of 21.51 per cent.
- Operating profits of Rs.21,788 lakh, as against Rs. 16,106 lakh in the previous year, an increase of 35.28 percent.
- Profit before tax Rs. 18,942 lakh, as against Rs.12,471 lakh in the previous year. During the year the Company has paid Rs.10 crore to Chief Minister's Relief Fund as against Rs. 25 crore paid during the previous year.
- Earning per share (EPS) for the year Rs.4274
- Net Worth as at the end of the March 2011 amounted to Rs. 57,437 lakh as against Rs.44,831 lakh in the previous year.

## PERFORMANCE REVIEW:-

### PRODUCTION AND OPERATING RESULTS:

Sl. No.	Mine	2010-11		2009-10	
		Budget	Actual	Budget	Actual
1.	Hutti Mine	5,30,710	5,15,665	4,98,200	4,98,935
2.	Uti Mine	1,24,605	74,750	94,200	45,088
3.	Heera Buddini	35,615	30,076	35,100	11,177
Total		6,90,930	6,20,491	6,27,510	5,55,200

During 2010-11, Hutti Unit has milled 65,291 MT of ore more as compared to the previous year 2009-10.

## FINANCIAL RESULTS

### Production & Sales:

During the year under report, the value of production amounting to Rs.39,967 Lakh as against Rs.33,314 lakh in the previous year, an increase of 19.97 per cent. As on 31<sup>st</sup> March, 2011, your Company was holding 720 kilograms of gold against 434 kilograms as at the end of previous financial year. During the year 2010-11, your Company sold 1,935 kilograms of gold aggregating a value of Rs.36,901 Lakh as against 2,090 kilograms of gold aggregating a value of Rs.32,874 lakh.

# THE HUTTI GOLD MINES COMPANY LIMITED

## Profit

The working of your Company resulted in a profit (before taxation) of Rs.18,942 lakh as against Rs.12,471/- lakhs in the corresponding previous year, an increase of about 52 percent. The Net Profit after taxation and prior period adjustments amounted to Rs.12,659 lakh as against Rs.9,080 lakh in the previous year. During the year under report, the Company has paid Rs.10 crores to Chief Minister's Relief Fund as against Rs. 25 crores paid during the previous year.

## Financial Performance:

The working results of the Company for the last three years upto 2010-11 are tabulated below :

(Rs. in lakhs)

Particulars	2010-11	2009-10	2008-09
Total Income (net of stock adjustments)	43758	36012	34132
Cash expenses	23039	22437	16697
Cash profit	20719	13575	17435
Depreciation and other write offs	1777	1104	2039
Net profit/(loss)	18942	12471	15396
Percentage to Total income	<b>43</b>	<b>35</b>	<b>45</b>

## Financial Position:

The table below summarise the financial position of your Company for the last three years

(Rs.in lakhs)

Particulars	2010-11	2009-10	2008-09
Paid up equity capital	296	<b>296</b>	296
Reserves and Surplus	57180	44866	36133
Borrowings	-	-	-
Deferred Tax Liability (net)	2390	1369	2219
Current Liabilities and Provisions	10300	8141	8897
Total	70166	54672	47545
Net Fixed Assets	21123	20065	18087
Investments	2	2	1570
Current Assets, Loans and Advances	49002	34273	27658
Miscellaneous Expenditure	39	332	230
<b>Total</b>	<b>70166</b>	<b>54672</b>	<b>47545</b>

# THE HUTTI GOLD MINES COMPANY LIMITED

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## Net Worth:

Net worth of your Company as at the close of 31<sup>st</sup> March, 2011 is Rs.57,437 lakh as against Rs. 44,831 lakh during previous year, registering a significant jump of 28.12 percent.

## Appropriations:

The surplus amount available during the year under review is Rs.50,361 lakh which is proposed to be utilised as :

Particulars	Amount (Rs.in lakhs)
Transfer to General Reserves	1890
Proposed Dividend	296
Corporate Tax on Dividend	49
Balance carried to Balance Sheet	48126
<b>Total</b>	<b>50361</b>

## Dividend:

Your Board of Directors recommend a dividend at the rate of 100 per cent on paid up equity capital of Rs.296/- lakhs, subject to your approval in the Annual General Meeting.

## PROJECTS

### Second phase Mining:

Technical evaluation of global tender has been completed for sinking a new 6m dia Circular Shaft up to 940m depth. Excavation of roof of underground crusher chamber at 27<sup>th</sup> level of Mallappa Shaft has been completed and is supported with rock bolts and cable bolts. Further excavation work is in progress. Excavation of rock breaker chamber at 24<sup>th</sup> L has been completed, support work is in progress. Other allied excavation in 2<sup>nd</sup> phase operation is in progress. and will be completed by June 2013.

### Contract work

The contractor M/s Teknomin Construction Limited has completed the exploratory Mine development work including revised quantity at Grey Shaft and South Hutti awarded to them. Grey Shaft is equipped with buntons and rail guides from surface to 7<sup>th</sup> I below.

### New Sag & Ball Mill

As reported in the previous report, the Sag & Ball Mill was successfully commissioned during July, 2011. Now the plant has stabilized and is operating continuously with rated capacity as per the norms prescribed. During the year under report 4,02,545 MT of ore at an average feed rate of 85 tonnes per hour has been processed. However, we are intending to improve the efficiency in terms of reducing grinding cost per ton of ore considerably by replacing chrome ally liners with the latest technology of tough and rubber liners.

# THE HUTTI GOLD MINES COMPANY LIMITED

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## **Load Haul & Dump (LHD):**

Wide Ore Body (WOB R-I Block) originally designed for production between SR 9<sup>th</sup> Level to 11<sup>th</sup> Level, was explored further for possibility of mineralization extending upto 8<sup>th</sup> L and preparatory work is in progress. Present 2 cubic yard LHD will be used to produce extra tonnage from SR 11<sup>th</sup> extraction level. Two remote controlled electric LHD of 0.9cubic meter capacity is being operated at SR 13<sup>th</sup> inter HE 30-31 region (R2 Block) and another ZI 18<sup>th</sup> Inter CE35-38 region.

## **Second outlet**

Central Shaft 26<sup>th</sup> Level Main Haulage Cross Cut West has been developed and intersected Middle Reef. Onlode development is in progress from both Mallappa Shaft and Central Shaft in Middle Reef North for establishing for second outlet.

## **Sand Stowing:**

1,52,780 MT of classified mill tailing was stowed during the year as against 1,85,635 MT of tailing during 2009-10. Stowing was less compared to the previous year because New Ball & Sag mill is generating only 15% of classified tailings due to fine grinding as against 35-38% from the old mill.

## **Mine Ventilation:**

Keeping in view the development of new 6m dia circular shaft in the 2<sup>nd</sup> phase of mining operations, the present ventilation circuit for the return way would be determined. In this regard Prof. D.C. Panigrahi, Indian School of Mines of Dhanbad was approached for suggestion and he has recommended a restudy of the whole mine for locating return air shafts in the mine. The work is in progress.

## **UTI GOLD MINE**

### **North Open Pit (Lode No.4)**

The open-pit mining has been completed up to 390 mRL. During the period 1,35,887 cu.m of OB and 1,91,458 tonnes of ore have been excavated. Dewatering is in progress in north open-pit.

### **South Open-Pit (Lode No.4)**

Mining Plan has been approved by IBM. Digital Global Position (DGP) Survey has been completed. Mining feasibility studies have been completed with the help of IBM, Nagpur. Survey, demarcation and other associated work for Mining Lease is in progress.

### **Underground (Lode No.4):**

For Lode No.4 Service Shaft sinking work started on 12.11.2010 and the work is in progress.

### **Underground (Lode No.3):**

Exploratory on lode mine development carried out at III L, II L, Foot wall haulage black rock drive and the draw x-cuts were developed at III L. Winze No.3, sinking upto III L by drop raise method has been completed. At Winze No.3, 40 HP single drum winder foundation work is in progress. Incline shaft sinking which started on 12.11.2010 is in progress.



# THE HUTTI GOLD MINES COMPANY LIMITED

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During the period 74,750 tonnes of ore was milled, which has yielded about 94.06 kgs. gold and about 8.58 kgs. silver. A stock of 188957 tonnes of ore at 2.24 g/t au is kept at the mine yard.

## **HEERA BUDDINI GOLD MINE**

Mine development has been carried out at I level, II sub-level, III level, IV level, V level. At III level by pass drive, sump excavation for storage of water, three stage pumping system, bypass drive for terminal ventilation, slot, terminal raise and winze work have been carried out. Surface cast winze sinking for the terminal ventilation and ventilation fan of (capacity 40 HP) with evasee has been erected and completed. Stope drilling has been carried out and production from the first stope block has commenced. The bandy hoisting system and associated work at Main Shaft have been completed. The construction of single circuit 11 KV 3 phase express feeder line, rabbit ACSR conductor and 9 mtr. RCC pole from Kavithal to mine area is in progress. At west shaft, the bucket hoisting system has been replaced with single drum cage hoist system. About 30,500 tonnes of ore has been transported from Hira-Buddinni Gold Mine, as against the previous year's quantity of 11,350 tonnes. About 30,000 tonnes of ore has been milled, which has yielded 71.48 kgs gold and 6.63 kgs silver. The exploratory mining, stope preparation will be continued.

## **Exploration programme in ML/PL/RP area:**

Field inspection by Officers of Mines & Geology Dept., Revenue authorities, Officers of Karnataka State Pollution Control Board (KSPCB), Officers of the Ministry of Environment and Forest(MoEF), Digital Global Position(DGP} survey etc., has been carried out in some of the areas having ML/PL. The matter is being pursued with various Govt. Depts. Detailed exploration in these areas would be taken up after obtaining the PL/ML, which is pending with the Govt.

## **Exploration, Diamond Driling, Mapping & Sampling:**

A total of 1460.50m of underground and 5683.35m of surface drilling have been carried out at different areas in Hutti to establish the strike and depth continuity of gold mineralization. The drilled holes cross sections have been prepared and the condensed litho logs were also completed. Correlation of drilling data has been carried out on the basis of the result obtained by drilling.

A total 2530.00m of on-lode development was monitored followed by geological mapping, a total 12,035 samples were collected from developments, stopes (for quality control) and trom drilled cores and analyzed for gold. Mineable reserve blocks for production scheduling have been prepared and action is being taken accordingly to mine the reserves.

## **Wind Mill Power Generation:**

Your Company has commissioned 2.1 MW wind farm during the year under report thereby increasing the total capacity to 11.4 MW which has generated 2,12,49,485 units and earned a revenue of Rs.7.22 crores during the year 2010-11.

## **ENVIRONMENTAL MANAGEMENT:**

Your Company, as a corporate citizen, is environmentally conscious and committed to achieve its business goals through sustainable development / growth. The Corporate Environmental Policy of your Company

## THE HUTTI GOLD MINES COMPANY LIMITED

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emphasizes on “conducting operations in an environmentally concern manner, complying with applicable regulations and striving to go beyond.” Your Company recognizes its responsibility to continuously improve its energy efficiency and optimize resource consumption through various measures viz. improvement in process technology in the areas of raw materials, reuse/re-cycle of the by-products generated. Your Company has been a pioneer in environment management and in adoption of advanced eco-friendly technologies. The effective pollution abatement strategies are expected to satisfy the environment friendly and safe technique in processing of gold ore.

The Environment Department of your Company has taken adequate measures by adopting suitable monitoring measures along with adaptation of suitable technology for abatement of pollution which is likely to occur at various stages in the mining activities.

### **Status :**

#### **Cleaner technology :**

- Zero Discharge of processed water has been possible by adopting the cleaner technology and the "3R" principle - Reduce, Recovery and Recycle.
- Cleaner technology is being practiced 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 a zero discharge thereby significantly reducing the amount of hazardous substance (Cyanide) escaping to environment, recover utilization by recirculation of the process water, which play a significant role in achieving the Environment standards.

#### **Steps for reuse / recycle of waste:**

- various eco friendly techniques for re-using and recycling have been adopted
- complete recycling process of water completely by ensuring zero discharge to environment
- Reusing the treated water from the Oxidation pond for gardening & afforestation activities
- Reclaiming the cyanide used in the process and re-used in the process, thereby reducing the cyanide consumption.
- Activated carbon in the recovery of gold by the surface absorption process, the loaded activated carbon is stripped and reused, thereby reducing the raw material consumption.
- The organic waste segregated from the community solid waste is being composed and used as manure for plants.
- Solar heater has been installed at canteen to generate steam, which is used for cooking purpose.
- Solar water heater has been installed in the Guest house to supply hot water.
- Solar emergency lighting system & two CFL bulbs have been provided, at free of cost on replacement basis, to all the 150 houses of officers to encourage the renewable and sustainable use of energy.

# THE HUTTI GOLD MINES COMPANY LIMITED

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## **Water & waste water management:**

- Treated drinking water is supplied to the colony and to the nearby Gurugunta and Kota villages along with Hutti Village.
- Periodic monitoring of the quality of ground water in and around the plant and dump site is being carried out.
- Entire waste water generated in the colony is collected through sewers, treated and reused for garden and in afforested areas.
- Up-gradation of the existing system, to Activated sludge process as a combined Sewage Treatment Plant, to treat the Sewage generated from the colony, garage wash water & disinfected liquid waste from Hospital, is under process.

## **Tailing dump Management:**

- Formation of tailing dump: The tailings in the form of slurry is pumped to the earmarked site for impounding, where it is allowed to dry under sun and consolidate, to reduce the impact of leaching and water run-off. The decanted water is stored in catchment ponds/storage sump and pumped back to plant and re-used in the process.
- As per the guidelines of the Ministry of Environment and Forest . (MOEF)/KSPCB/IBM/DDMS, tailing dumps are being managed with all necessary safety and environmental precautions.
- In and around the dump, plantation has been carried out and efforts are being made for vegetation of slope of the dump on one side.

## **Solid Waste management:**

- Industrial and community waste are being managed as per the statutory norms. Door to door collection of community waste in the colony is being made.
- Segregation of waste has been given the top priority.
- Two acres of land is being used for handling the waste, where the solids are scientifically disposed off as per the Solid Waste (Management & Handling) Rules.
- Composting of the segregated organic waste is being carried out and the manure is being used for plantations.

## **Hospital Solid Waste Management:**

The Bio-Medical Waste generated in the 120 bedded Hospital is being handled. The solid waste generated is being segregated at the source using color coded bins as per the norms of Bio-Medical Waste Management & Handling Rules. The same is being Transported to the handling and disposal site by closed bullock carts, which is handled as per the Bio-Medical Waste Management & Handling Rules.

# THE HUTTI GOLD MINES COMPANY LIMITED

## Awareness Programme:

Awareness programmes are being conducted by the Environmental Engineer, for all the Hospital Staff / Doctors / Workers / Nursing students regarding Hospital Solid Waste Management- (Handling, Safety, Collection, Segregation, Storage, Transportation, and Disposal & Treatment) and the same is being followed as per the Bio-Medical Waste (Management & Handling) Rules.

Environmental Engineer is also conducting Awareness programmes on Environment Concepts, namely, Conservation of natural resources (Water, Energy, Forest, Minerals), Solid waste management, Rain water Harvesting, Afforestation etc in Schools / College.,

## HUMAN RESOURCE DEVELOPMENT:

### Training:

During the year 2010-11, 05 employees and 37 officers attended the residential programmes and non-residential training/workshop/seminars conducted by various outside organizations.

### Manpower:

The total manpower as at 31<sup>st</sup> March, 2011 is 3797 (including Chitradurga Gold Unit) as against 3895 in the previous year. The break-up of employees on 31<sup>st</sup> March 2011 as compared to position in the previous year (in parenthesis) is given below:

Particulars	Total	SC	Percent	ST	Percent
Officers	173 (174)	36 (33)	21 (19)	9 (8)	5 (6)
Ministerial	248 (254)	54 (59)	22 (23)	10 (15)	4 (6)
Supervisory	523 (507)	122 (101)	23 (20)	39 (33)	7 (7)
Others	2853 (2960)	740 (764)	26 (26)	398 (414)	14 (14)
Total	3797 (3895)	952 (957)	25 (25)	456 (470)	12 (12)

### Particulars of employees pursuant to Section 217(2A) of the- companies Act, 1956:

The particulars of employees to be furnished as per Section 217(2A) of the Companies Act, 1956 read with the Companies particulars of employees) Rules, 1975 are "Nil" as none of the employees of the Company was in receipt of remuneration amounting to Rs 24 lakh or more per annum or at the rate of Rs.2.00 lakh or more per month.

# THE HUTTI GOLD MINES COMPANY LIMITED

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## **Social Welfare & Health care (HGM Hospital):**

The Hutti Gold Mines Hospital is a full fledged 120 bedded Hospital catering to the needs of all the employees and their dependants. It also treats patients from neighbouring villages at nominal charges. There are 20 doctors comprising specialists and non-specialists along with 123 Para- Medical personnel. The out-patient Department is a beehive of activity during the day time. The daily out-patients range between 950 - 1050. Over 2,20,000 outpatients and 24,252 in-patients were treated in the Company's Hospital during the year 2010-11. Further, 2,945 operations were conducted in the Hospital during the year 2010-11.

Emphasis is given to the National Immunisation Programme, for which Vaccines were supplied by Taluka Health Office, Lingsugur and service paid by HGM Hospital for eligible children. Pulse Polio immunization was conducted during the following months in Hutti Camp as a part of countrywide drive for polio immunization. During the year under report, some of the important programmes like Eye Camp, Health Screening Camp, Diabetic 'Walk N Thon' programme were conducted.

## **Industrial Relations:**

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

## **Fixed Deposits:**

Your Company has not accepted any fixed deposit from the public within the meaning of Section 58A of the Companies Act, 1956 during the year under report.

## **Insurance Coverage:**

Your Company has taken a Group Gratuity Policy for meeting the liability towards gratuity with the Life Insurance Corporation of India, Raichur.

Your Company has created a Trust for meeting the three days' special superannuation benefit to the employees covered under the wage agreement with HGM Employees and Staff Union. The liability will be met by the Trust through the Fund administered by Prudential ICICI.

## **Unclaimed Dividends:**

Under the amended provisions of the Companies Act, 1956, dividends lying unclaimed for a period of seven years from the date of their payment are required to be transferred to the Investor Education and Protection Fund constituted and administered by the Central Government. As on 31<sup>st</sup> March, 2010, dividend amounting to Rs.4.66 lakh has not been claimed. Unclaimed Dividend Account for the financial year 2010-11 will be transferred to the said fund on October 2017.

## **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 31<sup>st</sup> March, 2010 six Directors (including Managing Director and the Chairman), appointed by the Government of Karnataka, were on the Board.

During the year 2010-11, the following changes in the Board of Directors have taken place:

## THE HUTTI GOLD MINES COMPANY LIMITED

Name	Date of Appointment	Date of Cessation	Nature of appointment
Sri M P Renukacharya	13.10.2008	19.11.2010	Chairman
Sri S V Ramachandra	19.11.2010 30.6.2011	21.3.2011	Chairman
Sri B S Ramaprasad, IAS	5.8.2009	13.9.2011	Director
Sri M E Shivalingamurthy, IAS	9.8.2008	1.12.2010	Director
Dr. V Chandrasekhar, IAS	18.12.2009	29.8.2011	Managing Director
Sri N Sriraman, IAS	29.8.2011	1.10.2011	Managing Director
Sri A K Monnappa, IAS	1.10.2011	-	Managing Director
Sri G V Kongawad, IAS	13.9.2011	-	Director
Sri H R Srinivasa, IAS	1.12.2010	-	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 Ashok Kumar, Prabhashankar & Co., Bangalore have been appointed as Statutory Auditors for the year 2010-11. The replies to the observations of the Statutory Auditors are annexed to the report.

### 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 44 applications and all these applications have been disposed off.

### Corporate Social Responsibility (CSR) and policy

Your Company, in discharge of its Corporate Social Responsibility(CSR) and policy, has incurred an expenditure of about Rs.25 lakh towards contributions to water supply scheme to Hutti taken up by the Deputy Commissioner, Raichur, construction of bus-stand at Hutti, sinking four borewell at Hutti village etc. during 2010-11.

### Directors' Responsibility Statement:

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

- In the preparation of annual accounts for the year ending 31<sup>st</sup> March, 2011, the applicable accounting standards have been followed by the Company.

## THE HUTTI GOLD MINES COMPANY LIMITED

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- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the statement 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.

**(vi) Secretarial Compliance Certificate:**

The Secretarial Compliance Certificate in accordance with the Companies (Amendment) Act, under Section 383A read with Notification No.G.S.R. II (E) dated 05-01-2009 issued by Ministry of Corporate Affairs, forming part of this report is given in Annexure.

**Acknowledgement:**

Your Directors are grateful to the Government of India (including Ministries of Mines, Finance, Environment and Labour), Government of Karnataka, Karnataka State Pollution Control Board (KSPCB), Director General of Mines Safety(DGMS), Comptroller and Auditor General of India, Statutory Auditors, Internal Auditors, Legal Advisors, Consultants, Financial Institutions, Bankers, Insurers, Shareholders, customers, suppliers and all others associated with the Company for their continued valuable guidance, advice, co-operation and timely support extended. Your Directors look forward to the same un-stinted co-operation and support in the years to come. 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 of Directors

**Sd/-**

**(S V Ramachandra)**

**CHAIRMAN**

Place : Bangalore

Dated: 9th November, 2011

# THE HUTTI GOLD MINES COMPANY LIMITED

## ADDENDUM TO DIRECTORS REPORT

Sl. No.	Para No	Qualification in Auditors Report	Replies
1	2a	Note No.3 of Schedule T with regard to pending approval from Government of Karnataka for Ex-gratia provision for 2008-09 and 2009-10 and 2010-11 totalling to Rs.588.81 lakhs	Company is persuing the subject with Government of Kamataka. The approval would be obtained shortly.
2	2b	Note No. 8 of Schedule T with regard to pending reconstitution and settlement of Benevolent Fund issues with employees union for expenses in excess of contributions of Rs. 61.93 lakhs	The reconstitution of Fund Trust is being examined. Pending finalisation of issue the amount has been shown as recoverable from Trust.
3	2c	Note No.15 of Schedule T with regard to confirmation of Balances	Most of the sundry creditors, deposits etc have been reconciled and confirmations sought. However in few cases who have not confirmed the accounts are under reconciliation. This is a continuous process
4	7	In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business. <b>However Internal Audit requires to be strengthened.</b>	The Company has its own Internal Audit Department. In addition the company has engaged leading Chartered Accountant Firm for conducting the Internal Audit at regular intervals. Increasing the scope and coverage of internal audit, and further strengthening is being examined.
		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	Most of the labour disputes are settled and company deposited the claim amounts in appropriate authorities. However as a prudent measure disclosure as a contingent has been made in the notes to Accounts. In



## THE HUTTI GOLD MINES COMPANY LIMITED

Sl. No.	Para No	Qulification in Auditors Report	Replies
5	9a	explanations given to us, the Company does not have any undisputed statutory dues including Provident Fund, Income-tax, Sales tax, Wealth Tax , Service Tax, Customs Duty, Excise Duty , Cess and any other statutory dues which are outstanding for a period in excess of six months as on March 31,2011, <b>Subject to attention being drawn on Note No.2(ii)(a),(b) and Note No.25 of Schedule T of Notes to Accounts.</b>	respect of other issues more clarity and legal examination applicability are being examined. However the suitable disclosure to this effect has been made in the accounts

For and on behalf of the Board of Directors

Place : Bangalore  
Dated: 9th November, 2011

**Sd/-**  
**(S V Ramachandra)**  
CHAIRMAN

# THE HUTTI GOLD MINES COMPANY LIMITED

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**VIJAYAKRISHNA K.T.**

BBM, LLB, FCS, AICWA

**Company Secretary**

Off : No.496/4, II Floor, 10th Cross

Near Bashyam Circle

Sadashivnagar, Bangalore -560 080

Tel : 080-23610847, Telefax : 41231106

E-mail : ktvijayakrishna@gmail.com

## SECRETARIAL COMPLIANCE CERTIFICATE

Registration No. of the Company {CIN}: **U01329KA1947SGC001321**

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

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

To:

The Members

The Hutti Gold Mines Company Limited

Bangalore

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 31<sup>st</sup> March, 2011. 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 there under 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.
4. The Board of Directors duly met Five (5) times from 1.4.2010 to 31.3.2011 on the following dates: 18.5.2010, 7.7.2010, 3.8.2010, 23.9.2010, and 10.2.2011 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.

## THE HUTTI GOLD MINES COMPANY LIMITED

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5. The Annual General Meeting for the financial year ended on 31.3.2010 was held on 23<sup>rd</sup> September, 2010 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 Extra Ordinary 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) not allotted and transferred Shares during the financial year under scrutiny.
  - (ii) declared dividend during the year and the same was paid to the Shareholders within the prescribed time line. There is no unpaid dividend in the records of the Company.
  - (iii) duly complied with the requirement of Section 217 of the Act.
13. There were changes in the composition of the Board during the year.
14. The Board of Directors of the Company is duly constituted.
15. The Company has appointed Managing Director during the financial year as per the provisions of the Companies Act, 1956.
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 Preference Shares during the financial year.
20. The Company has not bought back any Shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. 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.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company's borrowings during the financial year ended 31.3.2011 were in compliance with the Act.
25. 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.

## THE HUTTI GOLD MINES COMPANY LIMITED

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26. 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.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. 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.
32. The Company has not received any money as security from its employees during the financial year.
33. 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.

Bangalore

19.11.2011

**VIJAYAKRISHNA KT**

CP-980 & FCS-1788

# THE HUTTI GOLD MINES COMPANY LIMITED

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## ANNEXURE-A

Register of Directors

Register of Members

Register of Disclosures of Interests

Register of Transfers

Register of Directors Shareholding

Register of Contracts

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 2011:

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 66	383A	Secretarial Compliance Certificate	11.10.2010	YES	NO
2.	Form 20B	159	Annual Return	18.10.2010	YES	NO
3.	Form 23AC and 23ACA	220	Annual Accounts	15.10.2010	YES	NO
4.	Form 1NV			30.10.2010	NA	NA
5.	Form 32	303(2)	Change in Directors	04.03.2011	NO	YES
6.	Form 32	303(2)	Change in Directors	24.01.2011	NO	YES

# THE HUTTI GOLD MINES COMPANY LIMITED

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**M/s. Ashok Kumar, Prabhashankar & Co.,**

Chartered Accountants

S-2, Narayana, 25 Mission Road,  
Shama Rao Compound, Bangalore-560 027

## AUDITOR'S REPORT

### TO THE MEMBERS OF THE HUTTI GOLD MINES COMPANY LIMITED

We have audited the Balance Sheet of **THE HUTTI GOLD MINES COMPANY LIMITED** as at March 31, 2011 and the Profit and Loss Account for the year ended as on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by The Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure I here to a statement on the matters specified in paragraphs 4 and 5 of the said order and subject to:
  - a) *Note No.3(a) of Schedule T with regard to pending approval from Government of Karnataka for Exgratia provision for 2008-09, 2009-10 and 2010-11 totaling to Rs.588.81 lakhs.*
  - b) *Note No.8 of Schedule T with regard to pending reconstitution and settlement of Benevolent Fund issues with employees union for expenses in excess of contributions of Rs. 61.93 lakhs.*
  - c) *Note No. 15 of Schedule T with regard to Confirmation of Balances*
3. Further to and subject to our comments in the Annexure referred to in paragraph 2 above, 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 it appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

## THE HUTTI GOLD MINES COMPANY LIMITED

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- d) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) The provisions regarding Disqualification of Directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not applicable to this Company, being a Government Company as per Notification No. GSR 829 (E) dated 21st October 2003 issued by the Department of Company Affairs and published in the Gazette of India, Extraordinary Part II, Section 3 (1).
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other Notes thereon give the information required by the Companies Act, 1956 in the manner so required, and present a true and fair-view in conformity with the accounting principles generally accepted in India:
  - (i) in so far as it relates to the Balance Sheet of the state of affairs of the Company as at March 31, 2011.
  - (ii) in so far as it relates to the Profit and Loss Account of the Profit of the Company for the year ended on that date; and
  - (iii) in so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Ashok Kumar, Prabhashankar & Co.**

Chartered Accountants

**Sd/-**

**K. N. Prabhashankar**

Partner

Membership No. 19575

F.Reg.No.004982S

Place : Bangalore

Date : 29-09-2011

# **THE HUTTI GOLD MINES COMPANY LIMITED**

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## **ANNEXURE TO AUDITORS' REPORT DATED 29-09-2011 OF THE HUTTI GOLD MINES COMPANY LIMITED**

### **ANNEXURE I**

Referred to in Paragraph 2 of our report of even date:

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government pursuant to Sec.227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we further report that:

1.
  - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
  - b. The fixed assets have been physically verified by the management during the year. In our opinion the programme of verification is reasonable, having regard to the size of the company and the nature of its business. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2.
  - a. As explained to us, the inventories have been physically verified 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 inventories. 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 neither granted nor taken loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  - 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 nature of its business for the purchase of inventory, sale of goods, fixed assets and also purchase of stores, plant and machinery and equipments and other assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered, into the register to be maintained under section 301 of the Companies Act, 1956.
6. The Company has not taken any deposits from public and hence provisions of Section 58A and 58AA of the Companies Act, 1956 is not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business. However, Internal Audit requires to be strengthened.



## THE HUTTI GOLD MINES COMPANY LIMITED

8. The Government of India has not prescribed the maintenance of cost records U/S 209(1) (d) of the Companies Act, 1956.
9. 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, 2011, ***subject to attention being drawn on Note No. 2(ii) (a), (b) and Note No. 25 of Schedule T 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, 2011.

Sl. No.	NAME OF THE STATUTES	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
3	Income Tax Act	Income Tax for Asst. year 2007-08	Commissioner of Income Tax (Appeals), Bangalore	35.51	Appeal before CIT (Appeal partially allowed. Further appealed before tribunal.
4	Income Tax Act	Fringe Benefit Tax for Asst. 2007-08	Commissioner of Income Tax (Appeals), Bangalore	5.44	Appeal before CIT (Appeal partially allowed. Further appealed before tribunal.
5	Income Tax Act	Income Tax for Asst. year year 2008-09	Commissioner of Income Tax (Appeals), Bangalore	532.97	Appeal before CIT (Appeal partially allowed. Further appealed before tribunal.

## THE HUTTI GOLD MINES COMPANY LIMITED

6	Income Tax Act	Income Tax for Asst. year year 2005-06	DputyCommissioner of Income Tax Bangalore	17.78	Appeal before CIT (Appeal)
7	The Central Excise Act	Excise Duty on sale of bullion for the year 2009-10 & 2010-11	Director General of Central Excise intelligence, Bangalore	656.83	Pending Finalisation of Applicability

10. The Company has not incurred cash loss during the financial year covered and also does not have accumulated losses at the end of the year.
11. The Company has not borrowed any funds from Banks and/or Financial Institutions and hence the provision regarding repayment of dues does not apply.
12. In our opinion and according to the explanations 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, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
14. The Company does not deal or trade in shares, securities, debentures and other investments. Hence provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. Since the Company has not borrowed any Term Loans the provisions with regard to application of these funds does not apply.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment and vice versa.
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.
20. According to the information and explanations given to us and on examination of the books of account, the company has not raised any money by public issue.
21. In our opinion and according to the information and explanations given to us during the course of our audit there are no fraud on or by the Company has been reported.

**For Ashok Kumar, Prabhashankar & Co.**

Chartered Accountants

**Sd/-**

**K. N. Prabhashankar**

Partner

Membership No. 19575

F.Reg.No.004982S

Place : Bangalore  
Date : 29-09-2011

# THE HUTTI GOLD MINES COMPANY LIMITED

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## 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 31<sup>st</sup> MARCH 2011.

The preparation of financial statements of **The Hutti Gold Mines Company Limited, Bangalore** for the year ended **31st March 2011** 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 29 September 2011**.

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 2011**. 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/-**  
**(D. J. Bhadra)**  
PR. ACCOUNTANT GENERAL  
(CIVIL & COMMERCIAL AUDIT)  
KARNATAKA, BANGALORE

BANGALORE  
DATED: 8th November 2011

# THE HUTTI GOLD MINES COMPANY LIMITED

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## THE HUTTI GOLD MINES COMPANY LIMITED

### 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 and taxes.

2.2. Sale of Gold is accounted on the basis of weekly average standard rate of Mumbai Bullion Market of that week from the day of preparation of provisional invoice.

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

#### 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.

# THE HUTTI GOLD MINES COMPANY LIMITED

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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.

## 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 Valuations is charged to the Profit & Loss Account.

## THE HUTTI GOLD MINES COMPANY LIMITED

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- 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 and 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.
- 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 of 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 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 forward 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.