

# **THE HUTTI GOLD MINES COMPANY LIMITED**

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

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## **66th Annual Report & Accounts 2011 - 2012**

# 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 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,  
ShamaRao 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 Sixth Annual General Meeting** of the Members of The Hutti Gold Mines Company Limited will be held on **Tuesday, the 27<sup>th</sup> November 2012, at 12.00 Noon**, 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 2012 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 a Dividend.
- 3) To fix the remuneration of the Auditors of the Company.

**Bangalore**

**Dated: 03-11-2012**

**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 on a pole. 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 24<sup>th</sup> Novemer 2012 to 27<sup>th</sup> November 2012 (both days inclusive).
3. Members are requested to intimate the Company of any change in their address.
4. Dividend, if declared, will be paid to those members whose names appear on the Register of Members as on 27<sup>th</sup> November 2012.

# THE HUTTI GOLD MINES COMPANY LIMITED

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## DIRECTORS REPORT FOR THE YEAR 2011-12

Dear Members,

Your Directors have great pleasure in presenting 66th Annual Report of the Company together with the Audited statement of Accounts for the year ended 31st March, 2012.

### **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

### **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 its business
- 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.

### **PERFORMANCE REVIEW:**

#### **HIGHLIGHTS**

There has been significant improvements in the working/operations of the Company during 2011-12 as compared to previous financial year which include the following:

- The value of production of gold and silver during 2011-12 amounted to Rs.52,310 lakhs as against Rs.39,967 lakhs during 2010-11, registering an increase of 30.88 %.
- The value of sale of Gold & Silver aggregated to Rs.49,715 lakhs as against Rs. 36,969 lakhs during 2010-11, registering an increase of 34.48 %.
- The net profit for the FY 2011-12 amounted to Rs.20,412.87 lakhs as compared to Rs.12,658.83 lakhs in 2010-11 registering an increase of 61%.
- The operating profits amounted to Rs.27,498 lakhs in the year 2011-12 as against Rs.18,897 lakhs in 2010-11, registering an increase of 45.52 %. The cash profits increased from Rs.20,719 lakhs in 2010-11 to Rs. 31,066 in 2011-12, registering an increase of 49.94 %.

# THE HUTTI GOLD MINES COMPANY LIMITED

- The working results (before taxation & exceptional items but after financial charges, selling and management expenses, depreciation and donation) of the Company amounted to Rs.29,598 lakhs as against Rs.18,942 lakhs in 2010-11, an increase of 56.26%. During the year 2011-12, a provision of 100% has been made for the proposed dividend.
- The net worth of the Company for the year ended 31st March, 2012 was Rs.77,511 lakhs as against Rs.57437 lakhs during the previous year.
- Earning Per Share(EPS) for the year is Rs.6891/-
- During the year the Company has paid Rs. 5.00 crores to Chief Minister's Relief Fund as against Rs. 10.00 crores paid during the previous year

## PRODUCTION AND OPERATING RESULTS:

Sl.No.	Mine	2011-12		2010-11	
		Budget	Actual	Budget	Actual
1.	Hutti Mine	5,30,000	4,49,839	5,30,710	5,15,665
2.	Uti Mine	1,50,000	79,848	1,24,605	74,750
3.	Heera Buddini	36,000	30,529	35,615	30,076

## FUTURE OUTLOOK

### New Shaft & 2nd Phase Mining:

Fresh tender for "New Circular Shaft Construction" has been invited with the approval of the Government for the revised estimate. Mallappa Shaft has been deepened up to 2800 L along with shaft lining. The Crusher Chamber Excavation is in progress and all the pockets for EOT crane beams are completed.

### Floating Hutti Videsh:

The Company, which has been in the gold business for more than six decades, proposes to extend its arm beyond the state and the Country. 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.

# THE HUTTI GOLD MINES COMPANY LIMITED

- 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.

## FINANCIAL RESULTS:

### Production & Sales:

During the year under report, the value of production of gold and silver amounted to Rs. 52,310/- lakhs as against Rs. 39,967/- lakhs in the previous year, an increase of 30.88 %. As on 31st March, 2012, your Company was holding 929 kilograms of gold as against 720 kilograms as at the end of previous financial year. During the year 2011-12, your company sold 1973 kilograms of gold aggregating to a value of Rs.49,645 lakhs as against 1,935 kilograms of gold aggregating to a value of Rs. 36,901 lakhs.

### Profit:

The working of your Company resulted in a operating profit of Rs. 27,498 /- lakhs as against Rs. 18,897/- lakhs in the previous year, an increase of about 45.52 %. The Net Profit after taxation amounted to Rs.20413/- lakhs as against Rs. 12,659/- lakhs in the previous year. During the year under report, the Company has donated Rs. 5.00 crores to the Chief Minister's Relief Fund as against Rs. 10.00 crores donated during the previous year.

### Financial Performance:

The working results of the Company for the last three years upto 2011-12 are tabulated below:

(Rs. In Lakhs)

Particulars	2011-12	2010-11	2009-10
Total Income (net of stock adjustments)	57,812	43,758	36,012
Cash expenses	26,746	23,039	22,437
Cash profit	31,066	20,719	13,575
Depreciation and other write offs	1,467	1,777	1,104
Net profit after Tax	20,413	12,659	9,080
Percentage to Total income	35	29	25

# THE HUTTI GOLD MINES COMPANY LIMITED

## Financial Position:

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

(Rs. In Lakhs)

Particulars	2011-12	2010-11	2009-10
Paid up equity capital	296	296	296
Reserves and Surplus	77,248	57,180	44,866
Borrowings	-	-	-
Deferred Tax Liability (net)	2221	2390	1369
Current Liabilities and Provisions	11,422	10,300	8141
<b>Total</b>	<b>91,187</b>	<b>70,166</b>	<b>54,672</b>
Net Fixed Assets	21,192	21,123	20,065
Investments	2	2	2
Current Assets, Loans and Advances	69,993	49,041	34,605
<b>Total</b>	<b>91,187</b>	<b>70,166</b>	<b>54,672</b>

## Net worth:

Net worth of your Company as at 31st March, 2012 is Rs.77,511 lakhs as against Rs. 57,437 lakhs as at 31st March, 2011, registering a significant increase of 35 %.

## Appropriation:

The surplus amount available during the year under review is Rs.68,538/- lakh which is proposed to be utilised as:

Particulars	Amount (Rs. in Lakhs)
Transfer to General Reserves	2,960
Proposed Dividend	296
Corporate Tax on Dividend	48
Balance carried to Balance Sheet	65,234
<b>TOTAL</b>	<b>68,538</b>

# THE HUTTI GOLD MINES COMPANY LIMITED

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## **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.

## **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.

## **OPERATIONAL STATUS**

### **MINING OPERATIONS**

#### **Load Haul & Dump:**

Wide Ore body (WOB R-1 Block), originally was designed for production of 1.25 Lakhs Tonnes of ore. But after redesigning, the stope was extended to 8th L. The permission for this was granted by DGMS and till March 2012, 1.77 Lakhs Tonnes has been drawn from this stope with the help of 2 Cu. Yard Atlas LHD. Two more LHD's of Eimco Elicon make are being operated at SR 13 Int. HE 30 stope (R-2 Block) and ZI 18 Int. CE35 stope. Procurement for 2 new LHD's is in process and expected in the month of July 2012.

#### **Second Outlet:**

Connection to establish a second outlet at 26th L in Middle Reef (MR) is under progress and is expected to be completed in mid of this financial year.

#### **Sand Stowing:**

1,01,800 MT of classified mill tailings were generated from the classification plant during 2011-12. Out of this 1,00,820 MT has been utilized to fill the voids created by extraction of ore from stopes, i.e., there was 99% of utilization of generated classified mill tailings. Voids created by extraction of ore during the period April 2011 to March 2012 was 1,27,828 m<sup>3</sup> out of which 62,235 m<sup>3</sup> voids was filled. The stipulated balance voids is within the permissible limit of DGMS.

#### **Ventilation Section:**

- Work relating to ventilation planning and field investigation has been entrusted to Prof. Panigrahi and the study is expected to commence shortly.
- Continuous monitoring systems MAEMOS have been installed at Main Mechanical Ventilators, namely, S.R. Fan and V.R. Air Shaft Fan.
- Horizontal Fan at prospect shaft is being dismantled and the work of clearing resistance to the fan is in progress by removing the Sollars, Ladder ways, Guide Rail Pipe Line etc. At present, the shaft is cleared of all resistance from surface to 67 m. below. The total depth of the shaft is 202 m. after clearing of all the resistance. A new vertical fan of 180 HP will be installed at this shaft.



# THE HUTTI GOLD MINES COMPANY LIMITED

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- The work relating to stope stability monitoring of S.R. 20-22 L FE 32-33 region has been awarded to M/s NIRM. The project work which commenced on 1st November, 2011, is in progress.

## **UTI GOLD MINE**

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

The open-pit mining has been completed up to 390 MRL. Dewatering work is in progress in the north open-pit and OB dump management is in progress.

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

Mining Plan has been approved by the IBM. Digital Global Position (DGP) Survey, Survey and Demarcation have been completed. Mining Lease has been executed. The process of acquisition of 6.38 Ha of land from the Revenue Dept is underway.

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

Exploratory on-lode and off-lode mine development, raise and winze works have been carried out. At Winze No.3, erection of head gear and 40 HP single drum winder work are in progress. Incline shaft sinking work is in progress.

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

For Lode No.4 Service Shaft sinking work is in progress.

The construction of office, store, VT centre, Hospital building and 11 KV substation have been completed. During the period 79,848 tonnes of ore was milled and it has yielded 99.76 kgs of gold and 9.28 kgs of silver. A stock of 1,10,203 tonnes of ore at 2.22 g/t au has been kept at the mine yard.

## **HEERA - BUDDINNI GOLD MINE**

Mine development has been carried out at II sub-level, III level, IV level. Stope drilling has been carried out 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. 24 Quarters have been constructed for the workers. About 30,529 tonnes of ore has been milled, which has yielded 77.264 kgs of gold and 7.11 kgs of silver. The exploratory mining, stope preparation and stoping will be continued.

## **EXPLORATION OPERATIONS**

The Exploration Department, apart from day to day management of production quality, productivity, plays a major role in mining geological works like exploratory mine developments/ primary / secondary developments, sampling, quality control in the stopes/developments and geological inputs for the mine planning, ore reserve estimations. A systematic exploration is being carried out 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.

# THE HUTTI GOLD MINES COMPANY LIMITED

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A total of 3,321m (Hutti: 2831m, Uti: 340 m, HB: 150 m) on-lode development has been monitored followed by collection of geological mapping. 12,785 samples from the primary/secondary development, stopes (for quality control), ore dumps, mill yard points were tested to ascertain the ROM grade of ore trammed and drilled cores. Samples have been analyzed for gold and associated minerals.

A total of 7449.93m of underground and surface drilling has been carried out in the underground of Hutti Gold Mine and in the surface of northern and southern extensions to establish the strike, depth continuity and to trace the parallel gold mineralized zones. The cross section of drilled holes 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.

## **Computerization of Exploration Data:**

Digitized level plans, plotted assay values updated stope inventory. Entering of borehole core logs & assay data of individual boreholes has been carried out. Ring-wise grade for the stoping blocks have been calculated as per the blasting schedule.

## **Ore Reserves:**

Estimation of ore reserves of different categories (UNFC) has been made in the areas where the Company has the Mining Licence(ML). Production schedule has been prepared.

## **RP/PL/ML Clearance Management:**

The field inspection has been carried out by the officers of Mines & Geology Dept., Revenue authorities, Officers of Karnataka Pollution Control Board (KSPCB), Officers of the Ministry of Environment and Forest (MoEF). Joint Survey for the boundary and demarcation, Differential Global Positioning System (DGPS) Survey etc., has been carried out in areas where the Company has the ML/PL. The matter is being pursued with the various Govt. Depts.

## **SAG and Ball Mill Plant**

The Sag and Ball Mill, which was successfully commissioned during July, 2011, has stabilized and is operating continuously with rated capacity as per the norms prescribed. During the year 2011-12, 43,73,300 MT of ore, at an average feed rate of 71 tonnes per hour, has been processed. Low feed rate was due to low quality supply of grinding media. Efforts are being made to improve the efficiency in terms of reducing grinding cost per tone of ore by replacing the chrome molly and manganese steel liners with latest technology of tough polymetal liners.

## **WIND MILL POWER GENERATION:**

Your Company has a total wind energy generation capacity of 11.4 MW at Chitradurga, which has generated 3,14,98,910 units resulting a revenue of Rs. 10.71 crores during the year 2011-12.

## **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

# THE HUTTI GOLD MINES COMPANY LIMITED

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Environmental Policy of the Company emphasizes on "conducting the mining and processing of gold operations in an environmentally concerned manner, complying with applicable regulations and striving to go beyond". The Company recognizes its responsibility to continuously improve its energy efficiency and optimize the resource consumption taking up various measures in the productivity at the mines and the plant viz. introducing the mechanization in the stoping methods, adaptation of effective ventilation, maintaining zero waste discharge mining, post filling of the stope 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 zero discharge there by 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 the KSPCB, which is continuously monitored by regulating authorities. The Company 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 for abatement of pollution, which are likely to cause at various stages in the mining activities.

## **Land, Water and Air:**

In order to reduce the soil erosion and related water pollution, the Company endeavours to contain all runoff within its area leased for mining with only clear water discharged. To achieve this aim, the Company has constructed gully plugs and check bunds across the streams flowing through its area leased for mining.

Noise levels are regularly monitored using decibel meters at the pre-determined locations in the areas where operations are carried out.

As the Company is carrying out the underground mining operation, the dust generated due to mining is kept at minimal level and the dust generated during processing is managed by adopting dust collectors and bag filters and scrubbers.

## **Afforestation programmes for 2012-13:**

The following afforestation activities have been taken up in co-ordination with the Karnataka State Forest Department and the Karnataka State Bio Fuel Development Board (KSBDB).

- I. Establishment of Nursery-4.25 Acres
- II. Block Plantation in the vacant / available land area- 61.62Ha
- III. Dump plantation-1 Ha – Trial plot on slopes
- IV. Clonal Orchard- 25 Ha – Bio-fuel species

Further, works relating to construction of Sewage Treatment plant(STP), Effluent treatment plant(ETP) and Incinerator for Bio-Medical Waste Treatment are at various stages. Process of acquisition of 289 Acres land

# THE HUTTI GOLD MINES COMPANY LIMITED

required for the proposed Sag & Ball Mill tailing dump is underway. Feasibility report and the cost estimate for the Establishment of Food waste based Bio-Gas generation plant- 3 ton capacity have been prepared.

## Awareness Programme:

Awareness programmes are being conducted by the Environmental Engineer in Schools /College, educate the environment concepts, namely the conservation of natural resources(Water, Energy, Forest, Minerals), solid waste management, rain water harvesting, afforestation etc.,

## Achievements:

The Company has received the following prizes for impressive performances under the Large Mechanized mines (Group-II) during the celebration of Environment & Mineral conservation Week 2009-10 held under the aegis of Indian Bureau of Mines (West –Central sector) in January, 2010:

- First Prize – Outstanding efforts in afforestation
- Second Prize - Dump Management
- Second Prize - Community development & Socio-Economic aspects
- Spécial Prize - Spécial efforts on Environment Documentation

## HUMAN RESOURCE DEVELOPMENT

### ● Manpower:

The total manpower as on 31st March, 2012 is 3707 (including Chitradurga Gold Unit) as against 3797 in the previous year. The break-up of employees on 31st March, 2012 as compared to the position in the previous year (in parenthesis) is given below:

Particulars	Total	SC	Percent	ST	Percent
Officers	202 (173)	40 (36)	20 (21)	11 (9)	5 (5)
Ministerial	220 (248)	50 (54)	23 (22)	12 (10)	5 (4)
Supervisory	541 (523)	122 (122)	23 (23)	38 (39)	7 (7)
Others	2744 (2853)	724 (740)	27 (26)	391 (398)	17 (14)
Total	3707 (3797)	936 (952)	25 (25)	452 (456)	12 (12)

# THE HUTTI GOLD MINES COMPANY LIMITED

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## • **Training**

During the year 2011-12, 5 employees and 62 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 relations with employees and there was no strike or lockout during the year.

## **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.

## **Welfare measures**

### **Health Care (HGM Hospital)**

The Hutti Gold Mines(HGM) Hospital is a full fledged 120 bedded Hospital catering to the needs of all the employees and their dependants. The hospital also treats patients from neighbouring villages at nominal charges. There are 18 doctors comprising specialist physicians and surgeons assisted by 123 para medical Staff. The daily out-patients range between 70 and 800. During the year under report, about 2,14,000 out-patients and 22,400 in-patients were treated in this hospital. During this period about 400 major operations and about 1400 minor operations were conducted at the hospital.

HGM hospital has been organising 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 programmes like Eye Camp and Screening Camp were also conducted.

### **Insurance Coverage:**

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

The 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.

### **Housing**

The management has decided to construct about 100 workers quarters every year in 25 blocks for the next five years. In this regard, tender process is underway for construction of 100 quarters in the current financial year.

# THE HUTTI GOLD MINES COMPANY LIMITED

## 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 31st March, 2011, dividend amounting to Rs.4.37 lakhs was yet to be claimed. Unclaimed Dividend Account for the financial year 2010-11 will be transferred to the said fund in 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 31st March, 2012, seven 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 G V Kongawad, IAS	13.09.2011	22.6.2012	Director
Sri K Shivram, IAS,	02.03.2012		Director
Sri Anil Kumar Jha, IAS	22.06.2012		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 continued as the Statutory Auditors for the year 2011-12. 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 120 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 borewells at Hutti village during 2011-12.

# THE HUTTI GOLD MINES COMPANY LIMITED

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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, 2012, the applicable accounting standards have been followed by the Company.
- (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 on 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, 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,

Sd/-

Bangalore

Date: 6.9.2012

**(S V Ramachandra)**

CHAIRMAN

# THE HUTTI GOLD MINES COMPANY LIMITED

## ADDENDUM TO DIRECTORS REPORT

Sl. No.	Para No	Qualification in Auditors Report	Replies
1	2a	Point No.II, 3 of Note 28 with regard to pending approval from Government of Karnataka for Ex-gratia provision for 2008-09 , 2009-10 ,2010-11 and 2011-12 totalling to Rs.842.48 lakhs and provision of Rs.451.62 lakhs towards Production linked incentive.	Company is persuing the subject with Government of Karnataka. The approval would be obtained shortly.
2	2b	Point No.II, 8 of Note 28 with regard to pending reconstitution and settlement of Benevolent Fund issues with employees union for expenses in excess of contributions of Rs.52.15 lakhs	During the year management formed a commiittee and the committee held few rounds of discussion with union representatives. The matter would be resolved shortly.
3	2c	Point No.II, 14 of Note 28 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. The company has the intenal audit , enough & sufficient for its volume of operation. However the scope and coverage of audit is under examination which is a continuous process.



## THE HUTTI GOLD MINES COMPANY LIMITED

Sl. No.	Para No	Qualification in Auditors Report	Replies
5	9a	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, Customs Duty, Excise Duty , Cess and any other statutory dues which are outstanding for a period in excess of six months as on March 31,2012 , <b>Subject to attention being drawn on Point No.II(ii)(a), and Point No.21 of Note 28 of Notes to Accounts.</b>	Most of the labour disputes are settled and in most of the pending cases, the company deposited the claim amounts with appropriate authorities. However as a prudent / precautionary measure , disclosure under contingent liability has been made in the Accounts. In respect of other issue , pending clarity and legal examination , the suitable disclosure to this effect has been made.

for and on behalf of the Board of Directors,

Sd/-

**(S V Ramachandra)**

CHAIRMAN

# 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

## AUDITORS' 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, 2012 and the Profit and Loss Account for the year ended 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 hereto 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, and 2011-12 totalling to Rs.842.48 lakhs and provision of Rs.451.62 lakhs towards Production linked incentive.*
  - b) *Point No.II, 8 of Note 28 with regard to pending reconstitution and settlement of Benevolent Fund issues with employees union for expenses excess contributions of Rs. 52.15 lakhs.*
  - c) *Point No.II, 14 of Note 28 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 to 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, 2012.
  - (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

**K. N. Prabhashankar**  
Partner

Membership No. 019575  
F.Reg.No.004982S

Place : Bangalore  
Date : 07-08-2012

# **THE HUTTI GOLD MINES COMPANY LIMITED**

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## **ANNEXURE TO AUDITORS' REPORT DATED 07.08.2012 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, 2012, **subject to attention being drawn on Note No.II, 2(ii) (a) 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, 2012.

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
3	Income Tax Act	Income Tax for Asst. year 2007-08	Commissioner of Income Tax (Appeals), Bangalore	35.51	Appeal before CIT (Appeals) 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 (Appeals) partially allowed. Further appealed before Tribunal.
5	Income Tax Act	Income Tax for Asst. year year 2005-06	Deputy Commissioner of Income Tax, Bangalore	17.78	Appealed before CIT (Appeals)

## THE HUTTI GOLD MINES COMPANY LIMITED

6	The Central Excise Act	Excise Duty on sale of bullion for the year 2006-07 & 2011-12	Director General of Central Excise Intelligence, Bangalore	14,137.27	The Directorate General of Central Excise intelligence, Bangalore has issued a show cause notice levying excise duty from 01.01.2007 to 31.12.2011. Company has not accepted the liability and preparing a suitable reply for the notice.
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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

**K. N. Prabhashankar**

Partner

Membership No. 019575

F.Reg.No.004982S

Place : Bangalore

Date : 07-08-2012

# 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 2012.

The preparation of financial statements of **The Hutti Gold Mines Company Limited, Bangalore** for the year ended **31st March 2012** 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 **7th August 2012**.

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 2012**. 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

**(D. J. BHADRA)**  
PR. ACCOUNTANT GENERAL  
(ECONOMIC & REVENUE SECTOR AUDIT)  
KARNATAKA, BANGALORE

BANGALORE  
DATED: 13th September 2012

## **SIGNIFICANT ACCOUNTING POLICIES**

### **1. ACCOUNTING SYSTEM:**

- 1.1 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 the Companies Act, 1956.
- 1.2 Financial statements have been prepared on the fundamental accounting assumption of going concern and on accrual system of accounting except as stated in 2.5.
- 1.3 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 the 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

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## 5. INVESTMENTS

Long term investments are valued at 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 31<sup>st</sup> 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 are 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.

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 the 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.

# THE HUTTI GOLD MINES COMPANY LIMITED

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## **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” are accounted for at the effective rates prevailing on the Balance Sheet date, as per Accounting Standard-22.

11.2 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.**

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.