

Karnataka Rural Infrastructure Development Limited, Bangalore

No.KRIDL/ADM/38th AGM/2012-13

Date : 20th December 2012

NOTICE TO MEMBERS

NOTICE OF THE THIRTY EIGHTH ANNUAL GENERAL MEETING

Notice is, hereby given that the 38th Annual General Meeting of the Company will be held on Monday the 31st December 2012 at 4.30 p.m. at the Committee Room, Rural Development and Panchayat Raj Department, M.S.Buildings, Bangalore - 560001 to transact the following business :-

ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2012, Profit and Loss Account for the year ended on that date along with the Auditor's Report, Directors' Report thereon and the comments of the Comptroller and Auditor General of India under Section-619(4) of the Companies Act 1956.
2. To declare dividend for the financial year 2011-12.
3. Remuneration of the Auditors for the year 2012-13.

By the order of Board,

Sd/-

(H.G. SHIVANANDAMURTHY, I.F.S.)
MANAGING DIRECTOR

Place: Bangalore

Dated: 20-12-2012

Note: A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on his behalf only on a poll, such proxy need not be a member of the company.

To,

- Sri S.I. Chikkanagoudra, Chairman, KRIDL.
- Dr. E.V. Ramana Reddy, IAS, Secretary to Government, RD&PR Department.
- Sri H.G. Shivanandamurthy, I.F.S., Managing Director, KRIDL, Bangalore
- Sri Naveen Raj Singh, I.A.S., Commissioner, Social Welfare Department, M.S. Building, Bangalore
- Secretary to Government, Finance Department (Budget and Resources) (Nominee to Hon'ble Governor of Karnataka)

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting this 38th Annual Report of the company along with the Audited Statement of Accounts and Auditors' Report for the year ended 31st March 2012.

OVERVIEW

Your Board is pleased to report that the Company achieved all time high and the highest ever turnover of Rs. 788.98 Crores as against the previous year's turnover of Rs.599.51Crores. The increase in turnover is about 31.60% over that of the previous year. Increased turnover was made possible mainly because of entrustment of Suvarna Grama works, BBMP Works, Asare works etc. which contributed primarily to the significant enhanced level of revenue during the year under report. The Company achieved a net profit of Rs.31.44 Crores after providing for Income Tax of Rs.11.43 Crores, writtenoff Bad Debts of Rs.6.39 Crores and provision for ex-gratia of Rs.1.91 Crores to the employees.

The Company also made provisions for payment of Rs.2.45 Crores as dividend to Government of Karnataka for the third year in succession in the history of the Company.

The Company's Net worth has increased by 35.72% over that of the past year from Rs.81.22 Crores to Rs.110.23 Crores during the year. This is mainly because of the consistent profits earned from 2008-09 onwards.

At the end of 31-03-2012, the value of work pending adjustment stood at Rs. 1605.76 Crores against Rs. 983.11 Crores in the previous year. Final bills amounting to Rs.157.00 Crores have been adjusted during the year as against Rs. 346.06 Crores adjusted in the previous year. The resultant debtors arose due to final bill adjusted is to the extent of Rs.1.85 Crores as against Rs.3.04 Crores in the previous year. The income recognized from final bills adjustment during the year is Rs.1.54 crores as against Rs.107.90 lakhs in the previous year.

FINANCIAL RESULTS

The financial results of the Company during the year are as follows:

(Rs. in lakhs)

Particulars	2011-12	2010-11	2009-10
Value of work done	78897.66	59951.10	38020.76
Other Income	4268.18	2380.78	2226.81
Total Income	83165.84	62331.88	40247.57
Direct Works Expenditure	74764.06	55455.92	33994.75
Other Expenses	4942.84	4179.64	3986.26
Profit/(Loss) for the year before Depreciation	3458.94	2696.32	2266.56
Depreciation	58.17	65.00	38.07

Particulars	2011-12	2010-11	2009-10
Profit/(Loss) for the year after depreciation	3400.77	2631.32	2228.48
Prior period adjustments (Cr)	0	24.78	83.52
Profit/-(Loss) before taxation	3400.77	2656.10	2312.00
Income Tax	1121.96	1382.95	803.71
Profit/(Loss) after Tax before Deferred Tax	2278.81	1273.15	1508.29
Deferred and other taxes Credit (Net)(Cr)	865.17	388.24	169.75
Profit/(Loss) After taxation	3143.98	1661.39	1678.04

DIVIDEND

Considering the profits earned and the funds needed in the foreseeable future, your Board has recommended dividend of Rs.200/-per Equity Share of Rs.1000/- each (20%) as against Rs.100/- per equity shares(10%) in the previous year.

PERFORMANCE

Your Company's Management has been infusing every effort to increase the business of the Company by approaching different Government Departments to get works entrusted. Your Company had started consultancy division during the financial year 2006-07. Through this division the Company is extending technical consultancy services to the needy institutions. During the year the Company has received Rs.159.15 lakhs from Consultancy Services as against Rs.246.29 lakhs in the previous year. The Company has earned Rs.731.07 lakhs as Consultancy charges since beginning of the services.

FINANCIAL POSITION

The following data reflects the financial position of your Company:

(Rs. in lakhs)

Particulars	2011-12	2010-11	2009-10
Paid up Equity Capital	1225.00	1225.00	1225.00
Reserves and Surplus	9798.37	6941.02	5422.94
Unsecured Loans-HUDCO	4640.18	5895.06	7215.51
Other long term liabilities	3421.77	3287.35	0.00
Current Liabilities & Prov	226974.25	148629.12	113161.88
Total	246059.57	165977.55	127025.33
Net Fixed Assets	3659.62	3602.26	3464.22
Current Assets	70258.06	54301.22	36673.24
Loans and Advances	11565.52	10532.01	14079.73
Value of Work, pending adju	160576.37	97531.99	72808.14
Total	246059.57	165977.55	127025.33
Net Worth	11023.37	8166.02	6389.90

SHARE CAPITAL

The Authorised Share Capital of the Company as at the close of 31st March 2012 is Rs. 1500 lakhs and the paid Up Capital is Rs. 1225 lakhs.

FIXED DEPOSITS

The Company has not accepted any deposit from the public within the meaning of Section 58A of the Companies Act, 1956.

QUALITY

Your company continues to give emphasis on executing quality work and the works are executed generally without time and Cost overrun. Quality and reliability of services are identified as the key thrust area. Local Engineering colleges are assigned for quality certification of the works. Third parties have been appointed zone wise for quality and quantity Audit of works periodically and report to the Management. The management also selects the works randomly and gets verified through Deputy Directors, Joint Directors and General Managers. Thus the Company is making all efforts to maintain the quality of its works.

IMPORTANT SCHEMES UNDERTAKEN BY THE COMPANY

The Company has executed works mainly under the following schemes entrusted by the Government departments and other local bodies during the year.

a) Asare Houses : The Government has entrusted the construction of 11,049 houses in 10 districts located in 97 places for the flood affected people in Northern Karnataka at an estimated cost of Rs. 150.31 Crore. Out of this, Company has taken up construction of 9844 houses in 88 places for which sites were given by the local authority. Government has released Rs. 140.00 Crores for construction of these houses. Company has completed 9562 houses in 88 places. The Company has spent about Rs. 63.15 Crore during the year under the Scheme. These works have been entrusted to the Company at zero profit margins and the Company is executing these works to discharge its **Corporate Social Responsibility** to the flood affected people of the State.

b) Suvarna Grama Yojane : The Government has been entrusting works to the Company under this scheme from phase I itself. At present phase IV is started. The Company has received Rs. 219.23 Crores during the year as against Rs. 167.41 Crore received during 2010-11 for different phases. The Company has incurred an expenditure of Rs. 181.41 crores during the year as against Rs. 161.64 Crores incurred during the previous year.

c) Social Welfare Department works : Social welfare department is entrusting the construction of Hostels at various places in the State. During 2011-12, the department has entrusted 53 number of Hostels at an estimated cost of Rs. 43.19 Crores as against 60 number of works entrusted at an estimated cost of Rs. 50.27 Crores in the previous year. The Company has incurred an expenditure of Rs. 69.00 Crore during the year as against Rs. 9.84 Crores incurred in the previous year.

d) Grama Panchayath Buildings : The Government has taken up the construction of Buildings to the Grama Panchayathies with the assistance of NABARD. The Zilla Panchayaths of various districts have entrusted the construction of 455 number of Grama Panchayath Buildings located in 152 Taluks under three phases. The estimated cost of these buildings is Rs. 75.57 Crores and ZP's have released Rs. 46.18 Crore to the Company

so far. The Company has achieved financial progress of Rs. 50.51 Crores as on 31.03.2012 and 222 Buildings have been completed and remaining are in different stage of completion.

e) BBMP Works: Bruhat Bangalore Mahanagara Palike has entrusted various works such as widening and asphaltting of Roads, construction of Drainages, construction of low cost houses, Samudaya Bhavanas, Toilets, Bus Terminals etc. During the year BBMP has entrusted works to the extent of Rs. 250.00 Crores. Company has completed works to the extent of Rs.209.35 Crores during the year.

Other works : The Company is also getting works from Tourism, Fisheries, Forest, Horticulture departments and other Government agencies and local bodies. MLA'S and MP'S are also entrusting works from their developments funds. Company has achieved a progress of Rs.215.56 Crore during the year.

FUTURE OUTLOOK

Your Directors are confident that your Company with new face and all the motivation amongst the employees, will be in a position to meet the challenges of the future through well-defined objectives and strategies to improve the overall performance and profitability in the coming years. The Government has been laying immense thrust on the infrastructure developments in the rural and semi urban areas. KRIDL, being lead institution in the development of infrastructure in rural areas, will have major role to play. The Government of Karnataka has also given exemption under section 4(g) of KTPP Act 1999 up to Rs.1.00 Crore which will enable the company to get more works without going for tenders. The exemption under Transparency Act will be expiring on 31.3.2013. All efforts will be made to get further exemption under the Act up to Rs.2.00 Crores for a further period of three years.

The Government is investing lot of funds to create infrastructure facility in rural areas and thus Company may not face much problem in getting sufficient work in the near future.

The Company has also with due care and caution and in consultation with recognized Bankers, been making investments in Mutual Funds from August 2010. The Company is using surplus funds available in current accounts to make investment in Debt based Mutual Funds during week ends and holidays. Through these investments, the Company has earned Rs.6.32 Crores tax free dividend during the year.

E-GOVERNANCE :

Transparency in the Public Procurement Act 1999 & Right to Information Act 2000 legislated by the Government is followed in the Company at all level of activities. The Company is committed to principles of Transparency and Right to Information, quality, cost effectiveness and timely deliveries. To meet these commitments, your Company has taken steps to introduce Computerization in all its sub-divisions by introducing Tally System of Accounting from the Financial Year 2010-11.

HUMAN RESOURCE DEVELOPMENT :

KRIDL is continuously encouraging employees to acquire and update the latest development and techniques in construction activity. KRIDL organizes some "in house training" programmes and deputed employees for training outside the State also. To infuse fresh blood in to the Company, the Company has appointed 10 Engineers in 2010 and 31 in 2012 and planned to appoint more in the coming years in a phased manner.

ENERGY CONSERVATION & POLLUTION CONTROL

The particulars of energy conservation in accordance with the Companies (Disclosure of particulars in the Report of the Board of Directors), Rules 1988, is not applicable to the Company as it is mainly engaged in the business of construction services.

FOREIGN EXCHANGE EARNINGS AND OUT GO

During the year under report there were no foreign exchange earnings and out go.

PARTICULARS OF EMPLOYEES

There are no employees whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956.

AUDITORS

Messrs Gnanoba & Bhat, Chartered Accountants, Bangalore, were the Statutory Auditors for the financial year 2011-12 who were appointed by the Comptroller and Auditor General of India who has appointed the same firm as Statutory Auditors for the FY 2012-13 also.

REPLIES TO STATUTORY AUDITORS OBSERVATIONS :

Replies to observations contained in Statutory Auditors revised report dated 26.12.2012 are given as an Addendum to this report.

REVIEW OF ACCOUNTS BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Comments certificate issued by Comptroller and Auditor General is enclosed.

EMPLOYEES

Relations with employees were cordial and your directors wish to place on record their appreciation of the dedication, hard work and contribution by the employees of your Company at all levels during the year.

STATUTORY COMPLIANCE

Your Company has complied with the various statutory requirements prescribed under the Companies Act, 1956, Labour Laws and other Corporate Laws wherever applicable.

DIRECTORATE:

The Government of Karnataka has made changes in the directorships during the year of report as detailed below:

1. Sri.B.G.Gurupadaswamy, KES, Secretary to Government, Water Resource Department has been appointed as Director of the Company in place of Sri.P.N.Srinivasachari, IAS, w.e.f 13.6.2011.
2. Sri.Naveen Raj Singh, IAS, Commissioner, Social Welfare Department has been appointed as Director of the Company in place of Sri.Manjunath Prasad, IAS, w.e.f 13.6.2011.
3. Sri.K.B.Devaraj, KES, Secretary to Government, Public Works Department has been appointed as Director of the Company in place of Sri.Mruthyunajaya Swamy, KES w.e.f 08.9.2011.

4. Sri.K.Shivaram,IAS, Principal Secretary to Government, Department of Public Enterprises has been appointed as Director of the Company w.e.f.21.2.2012.

The Board places on record its deep appreciation for the valuable services rendered by Sri.C.K.Shivanna,IFS and Dr.G.C.Prakash, IAS as Managing Directors and Sri.P.A.Meghannavar,IAS, Dr.Amita Prasad,IAS, and as Directors of the Company during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions under Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- a) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) That 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 a fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- c) That 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;
- d) That the directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors would like to express their gratitude and appreciation for the valuable co-operation, guidance and support given by the Government of India, Government of Karnataka, Government Departments, Hon'ble Members of Legislature, the Legislature Committee, the RDPR Department, the Finance Department, the Zilla Panchyaths and local bodies without which your Company could not have performed well during the year and look forward the same continued whole hearted support in the years to come. Your Directors wish to place on record their sincere appreciation to the Customers, Bankers, Consultants, Statutory Auditors, Internal Auditors and the Accountant General and Employees for their relentless efforts and valuable support extended during the year under report and look forward to receive similar support in future. The Directors also thank the Shareholder namely the Government of Karnataka for the continued confidence reposed in the Company.

For and on behalf of the Board

Sd/-
(H.G.Shivanandamurthy)
Managing Director
KRIDL, Bangalore

Sd/-
(Prabhakar H.Chini)
Chief Engineer
PRED & Director, KRIDL

Place: Bangalore

Date : 20.12.2012

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF
KARNATAKA RURAL INFRASTRUCTURE DEVELOPMENT LIMITED, BANGALORE,
FOR THE YEAR ENDED 31 MARCH 2012.**

The preparation of financial statements of **Karnataka Rural Infrastructure Development Limited, Bangalore** for the year ended **31 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 26th December, 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 “**Karnataka Rural Infrastructure Development Limited, Bangalore**” for the year ended **31 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. In view of the revisions made in the Auditors Report vide Para No. 5 as a result of my audit observation highlighted during supplementary audit. I have no further comments to offer upon or supplement to the statutory Auditor’s 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
(General and Social Sector Audit)
Karnataka, Bangalore.

Place: Bangalore.

Dated: 31st December 2012

**REPLIES TO THE STATUTORY AUDITORS OBSERVATIONS ON THE
ACCOUNTS OF KRIDL FOR THE YEAR ENDED 31.03.2012.**

Sl.No.	Observations	Reply by the Management
1	Revenue Recognition : The Company Recognizes the revenue based on percentage of completion method as per AS-7 except in the case of value of work done at SR (Schedule of rates) where only Company's charges are recognized. Consequently there could be difference in revenue recognition during the year which is not ascertainable.	In respect of uncompleted entrustment works, the revenue is recognized based on percentage of completion method as per AS7. The difference between Tender amount & actual expenditure cannot be ascertained & quantified in uncompleted tendered works. Hence, the question of recognition of excess revenue does not arise.
2	The Company has not formed policy to review the impairment of assets held, consequently loss on account of impairment if any, is not quantified by the company. Hence the fixed asset and the profit might have been overstated to the extent of Impairment loss if any should have been recognized.	The company has formed policy of Annual Stock taking which includes fixed Assets also. Unserviceable and obsolete /broken fixed assets are identified, and the same will be written off in the book of accounts. During the year the Company has not identified such assets and hence there is no write off on this account during the year.
3	Balance shown under Sundry Debtors pertaining to years 2003-04 to 2011-12 are not confirmed by the parties. Further, receivable pertaining to Accounting Years 2003-04 to 2008-09 amounting to Rs.1448.24 lakhs are barred by the limitation of time and not been provided in the financials which has resulted in overstatement of receivable and profits of the company for the year.	The Company has been making provisions for amount receivable from EA which are pending for more than 5 years. Accordingly, the Company has made provision of Rs.638.56 lakhs pertains to Financial Year 2005-06 which was due for more than 5 years. The debts due is all from Government Departments and hence it is felt that it is not proper to make provision for the entire amount in a year, the efforts are made to constitute separate team to prepare individual Schedules headed by the Deputy Director of the respective divisions. On concluding of the same, the difference if any will be accounted accordingly.
4	Loans and advances including deposits with Government and public bodies are not supported by confirmation. Reconciliation and schedules in respect of loans and advances to others (current assets) amounting to Rs.1954.37 lakhs are not updated. This includes several old balances, which needs review and follow-ups. In the absence of ascertainment of recoverable debts and advances thereof, the relative impact of the same on the profit/loss of the company is not ascertainable.	The efforts are made to constitute a separate team to prepare individual schedules headed by Deputy Director of the respective divisions. On concluding of the same, the difference, if any, will be accounted accordingly.

Sl.No.	Observations	Reply by the Management
5	Trade payables and EMD collected from other parties amounting to Rs.1066.02 lakhs is subject to confirmation and reconciliation. Schedules in respect of above are not updated.	A team will be constituted to prepare Schedules to Trade Payables and EMD collected from other parties and the same will be completed during 2012-13.
6	Rs 319.52 lakhs receivable from various firms, Rs 37.33 lakhs from employees and Rs 72.09 lakhs others (party name not available) is overdue for long time for want of information etc., Company has not provided for the same which has resulted in overstatement of advance (receivable) and profits of the company for the year.	These amounts are pending from various material suppliers for which reconciliation of their advances is to be carried out and net receivables will be obtained. Receivables from employees are pending as some are deceased and some are in sormile from whom recovery will made. Receivables from party are also pending for non-reconciliation of the advances on these three heads, review will be made in to next year and suitable provision will be made.
7	During the year the Company has not recognized an expense of Rs.69.77 lakhs as payable to Government of Karnataka (GOK) for guarantee commission – Based on a order of GOK which exempted the company from the provisioning for the year to 2008-09.	The Company has booked Guarantee Commission for 2011-12 amounting to Rs.69.77 lakhs and shown outside the profit & loss account based on the Government order dated 29.03.2010. Since, Government has agreed that the Company is not liable to pay Guarantee Commission on the borrowings on behalf of the Government.
8	The Company has not provided the following liabilities: a. Due to difference in Turn over in Form no 240 and Work in Progress submitted to head office VAT liability due to this difference has not been ascertained and provided for (Refer note 27)	VAT authority has given time limit upto 31.12.2012 for filing VAT annual return in Form-240. By the time accounts are finalized some of the projects have not filed Form-240. VAT payable is subject to reconciliation with the annual return filed with VAT authorities. Hence, difference if any is not ascertainable.
	b. Liquidated damages for BCM Hostel project Rs.37.68 lakhs (Refer note 29).	Out of the total amount of Rs.182.71 lakhs due from M/s BCM Department, the Company has received Rs.145.03 lakhs till date and confident of receiving the balance amount. Hence, the Company has not provided for the balance amount of Rs.37.68 lakhs.
	c. Payment made towards EMD, Performance security deposit, security deposit with EA, Additional Security deposit with EA during the year 2005, which has been forfeited by EA for Jabalpur Project Rs.201.21 lakhs (Refer note 29) & further a advance of Rs. 511.51lakhs was extended to the contractor to carry out the works	NVDA has forfeited EMD and SD of Rs.201.21 lakhs for non completion of work in scheduled time. The matter has been referred to Arbitration. The necessary provision will be made in the year of settlement of Arbitration. After continuous persuasion, the project incharge officers have rendered accounts with final

Sl.No.	Observations	Reply by the Management
	for this project has been absconding, however company has not provided for both the above losses. Hence, Profit for the year is over stated to the extent of liability not ascertained, short provision and excess income recognition as listed in para a to c above.	measurements. The account submitted by the officers have been under scrutiny and will be adjusted against the advance due from the project executives. After settlement of the final bills from NVDA, required provision will be made in the book of accounts.
9	There are about 48 cases have been filed against the company are pending, in various courts, company has not provided the information on the amount involved in these cases & the amount of liability which may arise in the event of company losing these cases have not been quantified. Consequently contingent liability amount stated in the notes on accounts has been understated to this extent.	Most of the cases are pertaining to cases filed by the employees against the company in service matters. Unless the cases are decided in the respective courts, the liability to the company cannot be ascertained. Considering the volume of the company, the probable liability on this account is not material in nature.
10	Rs. 1605.76 crores is the value of Work Pending Adjustments as on 31.03.2012 and this amount is included in the Current Assets. Amount received from Entrusting Agencies is Rs.2174.67 crores as on 31.03.2012 and this amount is included in Current Liabilities. Party wise Schedules are yet to be reconciled and confirmation to be received from Entrusting Agencies. Pending this, balances shown in Balance Sheet are not verifiable. Though in certain cases the work has been completed and the job are handed over to Entrusting Agencies from time to time, consequential adjustments are not effected in the advance received from Entrusting Agency. Non-Adjustments of these accounts resulted in over statement of Current Assets and Current Liabilities. The amount of such over statement and resultant impact, if any, on the Profit and Loss Account cannot be ascertained.	Party wise schedule for value of work pending adjustment of Rs.1605.76 crore and amount received from entrusting agency of Rs.2174.67 crores is readily available in Hqrs., i.e., in respect of works which are to be adjusted as on 31.03.2012. under reconciliation. The same will be adjusted in the coming years. The Company has adjusted value of work done to the extent of Rs.157.00 crore in the financial year 2011-12 as against Rs.346.06 crore in the previous year. Company is confident of completing all the pending WIP adjustments in the coming years.
11	The company has not provided exgratia of Rs 1.50 crores approved by the board for the financial year 2009-10. has resulted in overstatement of profit and understatement of provision to this extent.	Company has not made provision for Ex-gratia during 2009-10. However, company has requested the Government to accord its approval for payment of Ex-gratia which is not agreed as company has paid only 10% dividend as against 20%. Company Secretary to the company has clarified that the accounts for 2009-10 are completed and hence balance dividend for the Financial Year 2009-10 can't be given and hence provision for Ex-gratia to the said year is not made.

Sd/-

(H.G.Shivanandamurthy)

Managing Director, KRIDL, Bangalore.

Date : 26.12.2012

AUDITORS REPORT TO THE MEMBERS OF KARNATAKA RURAL INFRASTRUCTURE DEVELOPMENT LIMITED

We have audited the Balance sheet of KARNATAKA RURAL INFRASTRUCTURE DEVELOPMENT LIMITED AS AT March 31, 2012 and Statement of Profit and Loss 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. Our Audit Report dated 19.12.2012 has been modified based on the Supplementary audit conducted under section 619(4) of the Companies Act 1956 and accordingly the figure of Rs. 1448.24 lakh as shown under Para 5 of our Report has now been modified to Rs. 2086.80 lakh.
2. As required by the Companies (Auditors Report) Order 2003, issued by the 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 in the matters specified in paragraphs 4 and 5 of the said Order.
3. **Revenue Recognition :** *The Company Recognizes the revenue based on percentage of completion method as per AS-7 except in the case of value of work done at SR (Schedule of rates) where only Company's charges are recognized. Consequently there could be difference in revenue recognition during the year which is not ascertainable.*
4. *The Company has not formed policy to review the impairment of assets held, consequently loss on account of impairment if any, is not quantified by the company. Hence Fixed Assets might be overstated to that extent of Impairment loss if any should have been recognised.*
5. *Balance shown under Sundry Debtors pertaining to years 2003-04 to 2011-12 are not confirmed by the parties. Further, receivable pertaining to Accounting Years 2003-04 to 2008-09 amounting to Rs.2086.80 lakhs are barred by the limitation of time and not been provided in the financial which has resulted in overstatement of receivable and profit of the company for the year.*
6. *Loans and advances including deposits with Government and public bodies are not supported by confirmation. Reconciliation and schedules in respect of loans and advances to others (current assets) amounting to Rs.1954.37 lakhs are not updated. This includes several old balances, which needs review and follow-ups. In the absence of ascertainment of recoverable debts and advances there of, the relative impact of the same on the profit/loss of the company is not ascertainable.*
7. *Trade payables and EMD collected from other parties amounting to Rs.1066.02 lakhs is subject to confirmation and reconciliation. Schedules in respect of above are not updated.*
8. *Rs 319.52 lakhs receivable from various firms, Rs 37.33 lakhs from employees and Rs 72.09 lakhs others (party name not available) is overdue for long time for want of information etc., Company has not provided*

for the same which has resulted in overstatement of advance (receivables) and profits of the company for the year.

9. *During the year the Company has not recognized an expense of Rs.69.77 lakhs as payable to Government of Karnataka (GOK) for guarantee commission – Based on a order of GOK which exempted the company from the provisioning for the year to 2008-09.*

10. *The Company has not provided the following liabilities:*

- a. *Due to difference in Turn over in Form no 240 and Work in Progress submitted to head office VAT liability due to this difference has not been ascertained and provided for (Refer note 27)*
- b. *Liquidated damages for BCM Hostel project Rs.37.68 lakhs (Refer note 29).*
- c. *Payment made towards EMD, Performance security deposit, security deposit with EA, Additional Security deposit with EA during the year 2005, which has been forfeited by EA for Jabalpur Project Rs.201.21 lakhs (Refer note 30) & further a advance of Rs. 511.51lkahs was extended to the contractor to carry out the works for this project has been absconding, however company has not provided for both the above losses.*

Hence, Profit for the year is over stated to the extent of liability not ascertained, short provision and excess income recognition as listed in para a to c above.

11. *There are about 48 cases have been filed against the company are pending, in various courts, company has not provided the information on the amount involved in these cases & the amount of liability which may arise in the event of company loosing these cases have not been quantified. Consequently contingent liability amount stated in the notes on accounts has been understated to this extent.*

12. *Rs. 1605.76 crores is the value of Work Pending Adjustments as on 31.03.2012 and this amount is included in the Current Assets. Amount received from Entrusting Agencies is Rs.2174.67 crores as on 31.03.2012 and this amount is included in Current Liabilities. Party wise Schedules are yet to be reconciled and confirmation to be received from Entrusting Agencies. Pending this, balances shown in Balance Sheet are not verifiable. Though in certain cases the work has been completed and the job are handed over to Entrusting Agencies from time to time, consequential adjustments are not effected in the advance received from Entrusting Agency. Non-Adjustments of these accounts resulted in over statement of Current Assets and Current Liabilities. The amount of such over statement and resultant impact, if any, on the Profit and Loss Account cannot be ascertained.*

13. *The company has not provided exgratia of Rs 1.50 crores approved by the board for the financial year 2009-10, has resulted in overstatements of profit and understatement of provision to this extent.*

14. *Further to and subject to our comments in the Annexure referred to in para 2 above and qualifications listed in para 3 to 12 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 accounts as required by law have been kept by the Company, so far as it appears for the purpose of those books;*

- c) The Balance sheet, profit and loss account and cash flow statement dealt with by this report is in agreement with the books of account;
 - 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; other than specifically stated in Para 3 to 13 above.
 - 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).
15. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March 2012 and
 - b) In the case of Statement of Profit & Loss, Profit of the Company for the year ended as on that date.
 - c) In the case of Cash flow statement, of the cash flows of the company for the year ended 31st March 2012.

For **GNANOBA & BHAT**
CHARTERED ACCOUNTANTS
FIRM REGN NO: 000939S

Sd/-
(NAVIN NAYAK K.)
PARTNER
M.NO: 205154

PLACE: BANGALORE
DATE : 26.12.2012

ANNEXURE TO AUDITOR' S REPORT DATED 26TH DECEMBER, 2012 OF KARNATAKA RURAL INFRASTRUCTURE DEVELOPMENT LIMITED

ANNEXURE 1

Referred to in paragraph 2 of our report of even date

1. In respect of its fixed assets

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b. *The fixed assets have been physically verified by the management. In our opinion the frequency of verification is reasonable. However Physical verification statements have not been reconciled with the fixed asset register and difference if any remained un adjusted.*
- c. The company has not disposed off substantial parts of fixed assets during the year. Accordingly there is no question of the going concern being affected.

2. In respect of inventories

- a. As explained to us inventories were physically verified by the management, however frequency of such verification needs to be increased so that it is commensurate with the business of the company.
 - b. In our opinion, and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and the nature of the business.
 - c. In our opinion, and according to the information and explanation given to us, the company has maintained proper books of its inventories and no material discrepancies were noticed on physical verification.
3. 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.
 4. *In our opinion and according to the information and explanations given to us, there are no adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory, fixed assets and also purchase of stores, construction materials, plant and machinery and equipments and other assets with regard to other construction receipts. During the course of our audit, we have observed continuing failure to correct major weakness in internal control procedures with regard to purchase of construction materials non reconciliation advances accounts etc.*
 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. In our opinion and according to the information and explanations given to us the Company has not taken any deposits from public and hence provisions of Section 58A of the companies Act, 1956 is not applicable.
 7. In our opinion, the Company has an internal audit system is not commensurate with the size and nature of its business.

8. The Government of India has not prescribed the maintenance of cost records u/s 209 (1) (d) of the Companies Act, 1956.
9. The Company is generally regular in depositing undisputed statutory dues including PF, ESI, Income tax, Sales tax, Wealth Tax, Customs duty, Excise Duty and other Statutory dues barring few delays.
 - a. 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, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues which are outstanding for a period in excess of six month as on March 31, 2012 *except the Wealth Tax amounting to Rs. 11.13 lakhs.*
 - b. According to the information and explanations given to us and as per the records examined by us, there were no disputed amounts due in respect of income tax, Customs Duty, Wealth Tax, Cess and Sales Tax as on March 31, 2012 *except Excise Duty Rs.1.86 lakhs and Sales Tax of Rs.695.63 lakhs, out of which Rs.32.00 lakhs paid was charged to revenue, during the F.Y 08-09.*
10. There are no accumulated losses as at the Balance sheet date. The company did not incur cash losses during the financial year under report and in immediately preceding financial year.
11. Based on our audit procedures and according to the information's and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks.
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. The Company has purchased and sold debts funds during the year and in our opinion and according to information give to us up to date records have been maintained and the Debt funds were held in the company's own name.
14. 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
15. The term loan borrowed from HUDCO Ltd. by the company as a Nodal Agency for implementation of Swacha Gram Yojana has been applied for the purpose it is Sanctioned.
16. 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.
17. 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.
18. The Company has not issued any debentures.
19. 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.

20. *We have been informed that the 10 employees of the company have misappropriated construction materials amounting to Rs. 197.22 lakhs during the year under audit. Enquires are in progress, however the amount has been charged off to the current year profit & loss account.*

For **GNANOBA & BHAT**
CHARTERED ACCOUNTANTS
FIRM REGN NO: 000939S

PLACE: BANGALORE
DATE : 26.12.2012

Sd/-
(NAVIN NAYAK K.)
PARTNER
M.NO: 205154

Karnataka Rural Infrastructure Development Limited, Chinnaswamy Stadium, Bangalore

BALANCE SHEET AS AT 31st MARCH 2012

(Amount in Rs.)

PARTICULARS	Note No.	As at 31.03.2012		As at 31.03.2011	
		Rs.	Rs.	Rs.	Rs.
I. Equity & Liabilities					
1. Shareholders' Funds					
(a) Share Capital	2	122,500,000		122,500,000	
(b) Reserves & Surplus	3	979,836,676		694,101,951	
			1,102,336,676		816,601,951
2. Non-Current Liabilities					
(a) Long Term Borrowings	4	464,018,337		589,506,202	
(b) Other Long Term Liabilities	5	342,177,244		328,735,202	
			806,195,581		918,241,404
3. Current Liabilities					
(a) Trade Payables	6	106,602,173		82,507,271	
(b) Other Current Liabilities	7	22,384,365,102		14,608,463,614	
(c) Short Term Provisions	8	206,457,767		171,940,874	
			22,697,425,042		14,862,911,759
TOTAL			24,605,957,299		16,597,755,114
II Assets					
1. Non-Current Assets					
(a) Fixed Assets					
(i) Tangible Assets	9	355,493,145		350,509,489	
(ii) Capital Work-in-Progress		10,468,410		9,717,007	
(c) Deferred Tax Assets (Net)	10	139,030,917		52,513,520	
(d) Long Term Loans & Advances	11	1,156,552,064		1,053,201,306	
			1,661,544,536		1,465,941,322

(Amount in Rs.)

PARTICULARS	Note No.	As at 31.03.2012		As at 31.03.2011	
		Rs.	Rs.	Rs.	Rs.
2. Current Assets					
(a) Inventories	12	16,321,672,838		9,983,053,225	
(b) Trade Receivables	13	228,450,004		282,761,191	
(c) Cash & Cash Equivalents	14	6,329,688,375		4,859,786,412	
(d) Other Current Assets	15	64,601,546		6,212,964	
			22,944,412,763		15,131,813,792
			24,605,957,299		16,597,755,114
TOTAL					

See accompanying notes (1-34) to the financial statements

For and on behalf of the board

As per our report attached
For Gnanoba & Bhat
Chartered accountants
Firm Reg No. 000939S

Sd/-
(H.G.Shivananda Murthy)
Managing Director

Sd/-
(Prabhakar H. Chini)
Director

Sd/-
(Navin Nayak.K)
Partner
M.No. 205154

Sd/-
(H.M.Mukundappa)
General Manager
(Finance)

Place:- Bangalore

Date:- 19.12.2012

Karnataka Rural Infrastructure Development Limited, Chinnaswamy Stadium, Bangalore

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH 2012

(Amount in Rs.)

PARTICULARS	Note No.	For the year ended on 31st March 2012		For the year ended on 31st March 2011	
		Rs.	Rs.	Rs.	Rs.
I. Revenue from operations	16	7,889,765,871		5,995,110,962	
II. Other Income	17	426,817,550		240,556,752	
III. Total Revenue			8,316,583,421		6,235,667,714
IV. Expenses					
(a) Cost of Materials Consumed and other construction expenditure	18	7,476,406,299		5,545,591,936	
(b) Employee Benefit Expense	19	350,416,485		311,523,960	
(c) Depreciation and Amortisation Expense	9	5,816,777		6,500,987	
(d) Other Expenses	20	143,867,332		106,440,566	
V. Total Expenses			7,976,506,893		5,970,057,449
VI. Profit before tax (III-V)			340,076,528		265,610,265
VIII. Tax Expense					
a) Income Tax					
(i) Current Tax		114,274,907		137,250,000	
(ii) Earlier years		(3,232,483)			
(b) Deferred Tax Asset		(86,517,397)		(38,823,744)	
(c) FBT		-		(28,804)	
(d) Wealth Tax Earlier Year		40,000		-	
(i) Current Tax		1,113,000		1,073,000	
(ii) Earlier years			25,678,027		99,470,452
X. Profit/ (Loss) for the period			314,398,501		166,139,813

(Amount in Rs.)

PARTICULARS	Note No.	For the year ended on 31st March 2012		For the year ended on 31st March 2011	
		Rs.	Rs.	Rs.	Rs.
XI. Earning per equity share Basic & Diluted			2,567		1,356
XII. Number of shares used in computing Basic and Diluted earnings			122,500		122,500

See accompanying notes (1-34) to the financial statements

For and on behalf of the board

As per our report attached
For Gnanoba & Bhat
Chartered accountants
Firm Reg No. 000939S

Sd/-
(H.G.Shivananda Murthy)
Managing Director

Sd/-
(Prabhakar H. Chini)
Director

Sd/-
(Navin Nayak.K)
Partner
M.No. 205154

Sd/-
(H.M.Mukundappa)
General Manager
(Finance)

Place:- Bangalore

Date:- 19.12.2012

Karnataka Rural Infrastructure Development Limited, Chinnaswamy Stadium, Bangalore

NOTES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2012

2. Share Capital

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
Authorised 1,50,000 Equity Shares of Rs.1,000/- each	150,000,000	150,000,000
Issues, Subscribed and Fully Paid-Up		
122,500 Equity Shares of Rs.1,000/- each Fully Paid up (of the above 1,296 Equity Shares of Rs. 1000/- each are allotted as fully paid up Pursuant to a Contract, without payment being received in cash.)	122,500,000	122,500,000
Total	122,500,000	122,500,000

**2(a). The reconciliation of number of shares
outstanding is set out below:**

(Amount in Rs.)

PARTICULARS	No of shares As at 31st March 2012	No of shares As at 31st March 2011
No of shares at the beginning	122,500	122,500
Add / (Sub): Additions / (Deletions) made during the year	-	-
No of shares at the end	122,500	122,500

**2(b). The details of shareholding more than 5% shares
is set out below:**

(Amount in Rs.)

Name of the Shareholder	As at 31st March 2012		As at 31st March 2011	
	No of shares	% as held	No of shares	% as held
Honourable Governor of Karnataka	122,495	99.996%	122,495	99.996%
Total	122,495	99.996%	122,495	99.996%

3. Reserves and Surplus

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
(a) Capital Reserve		
Opening Balance	309,113,910	309,113,910
(b) General Reserve		
Opening Balance	200,000,000	100,000,000
Add: Transferred from Surplus	100,000,000	100,000,000
Closing Balance	300,000,000	200,000,000
(c) Profit & Loss A/C		
Opening Balance	184,988,041	133,180,116
Add: Net Profit	314,398,501	166,139,813
Amount available for appropriations	499,386,542	299,319,929
Appropriations:		
Amount transferred to General Reserve	(100,000,000)	(100,000,000)
Dividend	(24,500,000)	(12,250,000)
Dividend Distribution Tax	(4,163,776)	(2,081,888)
Closing Balance	370,722,766	184,988,041
Total (a+b+c)	979,836,676	694,101,951

4. Long term borrowings

(Amount in Rs.)

Unsecured		
HUDCO Ltd.	464,018,337	589,506,202
Total	464,018,337	589,506,202

(Amount in Rs.)

Notes :

4(a). The above loan was borrowed by the Company as per the direction of the Govt. Of Karnataka (GOK), to fund a Govt Project " Swacha Grama scheme', consequently GOK has extended a guarantee to HUDCO Ltd. Since Company has not extended any Security or guarantee this loan has been considered as unsecured by the Company.

4(b).The above term loan is repayable in Quarterly instalments with interest at 10% p.a

4(c) Interest Reset: Company had taken Rs.160.00 Crore from HUDCO which was released in four instalments which carries different rates ranging from 8.50% to 13.00%.During 2009-10, as per Company request HUDCO Ltd. reset the interest rate on loan to 10.00% on the balance outstanding as on 01.01.2010. A supplementary agreement was also entered with HUDCO on 28.05.2010.

4(d) Based on the order of GOK in the previous year on Guarantee commission, the company is of the view that, Guarantee Commission payable to GOK on HUDCO loan for the FY 2011-12, Rs69.77 lakhs. (PYRs.51.86 lakhs,) will be made good by an equal amount by GOK as 'Administrative expenses' accordingly company has provided for reimbursement of Expenses of Rs. 69.77 lakhs and further the same has been setoff against the Guarantee Commission expenses without disclosing the same in the Profit & Loss Account of the current year. However in the Balance Sheet these amounts have been disclosed as Commission payable and Reimbursement receivable from GOK.

5. Other Long Term Liabilities :

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Other Payables	342,177,244	328,735,202
Total	342,177,244	328,735,202
5(a) The above amount included Rs. 14,92,21,391 unspent amount on 'Swatch Grama Scheme" which has been separately deposited with a scheduled bank and Rs.18,28,82,391 interest earned on the said amount.		

6. Trade Payables

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Sundry creditors	90,093,812	59,695,854
Sundry creditors (Details to be traced)	-	1,583,649
Security deposits Firms	16,508,361	21,227,768
Total	106,602,173	82,507,271

6(a). Sundry Creditors and Security Deposit are subject to reconciliation.

6(b). Due to Micro & Small Scale Industries Rs. Nil (P.Y. Rs.Nil)

7. Other Current Liabilities

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Advance received from Entrusting Agencies	21,746,727,733	13,999,106,743
Statutory liabilities	103,267,810	164,733,572
Mobilisation advance received from customer	336,338,229	353,051,909
Other Liabilities	198,031,330	91,571,390
Total	22,384,365,102	14,608,463,614

7(a). Amounts received from various Entrusting Agencies have been clubbed under one account and the same is subject to reconciliation.

8.Short Term Provisions

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Exgratia	35,050,000	15,900,000
Group Gratuity Liability	8,501,001	17,125,795
Terminal Leave Salary	133,129,990	123,510,191
Wealth Tax	1,113,000	1,073,000
Dividend	24,500,000	12,250,000
Dividend distribution Tax	4,163,776	2,081,888
Total	206,457,767	171,940,874

8 (a). The Company has provided terminal leave benefit of Rs.13,31,29,990/-

(P.Y.Rs.12,35,10,191/-) based on the actual amount due to the employees on the last day of the financial year however the same has not been funded.)

8(b). The Company has provided Exgratia for all employee @ 8.33% of basic + DA , subject to approval of GOK however since three years , including current financial year the same has not been approved.

NOTE NO. 9 : FIXED ASSETS AS AT 31ST MARCH, 2012

in Rs.

Sl. No.	Particulars	GROSS BLOCK			%	DEPRECIATION BLOCK				NET BLOCK	
		As on 01.04.2011	Add for the year	Del for the year	As on 31.03.2012	As on 01.04.2011	Add for the year	Del for the year	As on 31.03.2012	As on 31.03.2011	As on 31.03.2011
1	Land										
	a) Free Hold Land	312,759,185	150,705	-	312,909,890	-	-	-	-	312,909,890	312,759,185
	b) Lease Hold Land	534,361	-	83,999	450,362	-	-	-	-	450,362	534,361
2	Buildings	24,788,411	-		24,788,411	7,934,895	842,676	-	8,777,571	16,010,840	16,853,516
3	Plant & Machinery	32,152,748	318,900		32,471,648	26,589,179	815,961	-	27,405,140	5,066,508	5,563,569
4	Furniture & Fixtures	10,671,958	380,199	304,240	10,747,917	9,667,114	306,767	274,598	9,699,283	1,048,634	1,004,844
5	Office Equipments	7,961,454	354,270	94,793	8,220,931	6,734,689	196,998	58,671	6,873,015	1,347,915	1,226,765
6	ELEC&Electronics Equipments	2,943,357	113,845	281,697	2,775,505	619,177	327,140	63,333	882,985	1,892,520	2,324,180
7	Motor Vehicles	31,425,333	8,357,130	2,625,186	37,157,277	24,311,026	1,865,918	2,568,651	23,608,293	13,548,984	7,114,307
8	Computer & Accessories	14,920,739	1,550,049	-	16,470,789	11,812,710	1,455,951	-	13,268,661	3,202,128	3,108,029
9	Motor Cycle	38,330	-	-	38,330	17,597	5,368	-	22,965	15,365	20,733
	TOTAL	438,195,876	11,225,098	3,389,915	446,031,059	87,686,387	5,816,777	2,965,253	90,537,911	355,493,145	350,509,489
	Previous Year	425,163,107	15,718,238	2,685,469	438,195,876	83,842,679	6,504,784	2,661,076	87,686,387	350,509,489	341,320,428
10	Capital Work In Progress	9,717,007	751,403	-	10,468,410	-	-	-	-	10,468,410	9,717,007
	TOTAL	9,717,007	751,403	-	10,468,410	-	-	-	-	10,468,410	9,717,007
	PREVIOUS YEAR	5,101,995	6,111,701	1,496,689	9,717,007				9,717,007	5,101,995	

9(a) Out of the allotted land of 87120 sft at Sy.No.42 at Singhasandra Village, 4865 sft acquired by NHAI and 12559 sft encroached by private party not included in the land value.

9(b) Capital work in progress also includes Rs.6.05 lakhs pertains to construction of office building at Gulbarga to Revenue Department exchange of Office premises already handed over to the Company.

10. Differed Tax Assets (Net)

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Related to Fixed Assets	(1,840,960)	(1,753,296)
Related to VRS Payments	624,417	594,683
Related to Disallowance as per IT Act	140,247,463	53,672,135
Total	139,030,917	52,513,520

11. Long Term Loans & Advances

(Unsecured considered good)

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
a) Advance With Govt.And Public Bodies	430,765,424	259,518,290
b) Deposits With Govt.And Public Bodies	58,311,438	47,361,809
c) Others	195,437,527	168,974,427
d) SGY Funds	472,037,675	577,346,780
Total	1,156,552,064	1,053,201,306
11(a). Deposits / Advances with Government and public bodies are subject to reconciliation.		

12. Inventories

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Construction Materials	263,864,627	229,686,206
Scrap Materials	171,234	168,034
Value of Work Pending	16,057,636,977	9,753,198,985
Total	16,321,672,838	9,983,053,225
12(a) Stock of Construction materials are valued on FIFO basis at lower of cost or net realisable value		
12(b) Sand, Jelly Murrum etc, lying at work sites are not valued and are considered as materials consumed during the year		
12(c) Scrap materials are valued at estimated realizable value		

13. Trade Receivable

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
a) Trade receivables outstanding for a period of less than six months from the date they are due for Unsecured, considered good	18,512,703	30,353,745
	18,512,703	30,353,745
b) Trade receivables outstanding for a period of exceeding six months from the date they are due for Unsecured, considered good	209,937,301	296,395,446
Less: Provision for doubtful debts	-	(43,988,000)
	209,937,301	252,407,446
Total	228,450,004	282,761,191

14. Cash and Cash Equivalents

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Balance with Banks		
In Current Accounts	2,366,753,305	1,829,363,130
In S B Accounts	96,562	86,744
In Fixed Deposits	3,962,833,536	3,030,335,773
Cash on Hand	4,972	765
Total	6,329,688,375	4,859,786,412

15. Other Current Assets

(Amount in Rs.)

PARTICULARS	As at 31st March 2012	As at 31st March 2011
Interest Accrued on FD, FFD	64,601,546	6,212,964
Total	64,601,546	6,212,964

16. Revenue from Operations

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
Value of work done during the Year	7,909,281,048	6,010,910,139
Add: Previous year Forceable loss on works	80,120,355	53,530,680
(Less): During the year Forceable loss on works	(115,078,734)	(80,120,355)
Add / (Less) Income from adjustment of Final bills	15,443,202	10,790,498
Total	7,889,765,871	5,995,110,962

17. Other Income

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
(i) Interest Income	308,023,712	185,596,661
(ii) Dividend Income	63,181,475	15,651,055
(iii) Profit on Sale of Assets	557,617	709,303
(iv) Other Non Operating Income	55,054,746	38,599,733
Total	426,817,550	240,556,752

18. Cost of Materials Consumed and other construction expenditure

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
Materials	3,859,385,697	2,840,787,554
Other Construction Expenditure	3,617,020,602	2,704,804,382
Total	7,476,406,299	5,545,591,936

19. Employee Benefit Expenses

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
(i) Salaries, Wages & Allowances	283,730,498	246,732,493
(ii) Contribution to Provident Fund and Other Funds	65,103,514	61,573,572
(iii) Staff Welfare Expenses	1,582,473	3,217,895
Total	350,416,485	311,523,960

20. Other Expenses

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
Power & Fuel	8,880,438	9,619,949
Rent	6,319,780	5,476,715
Repairs to Buildings	541,888	210,753
Repairs to Machinery	153,072	287,316
Insurance	423,712	922,141
Rates and Taxes	271,447	1,264,422
Bad Debts W/O	63,856,000	-
Bad Debts Provision	-	43,988,000
Miscellaneous Expenses	63,420,995	44,671,270
Total	143,867,332	106,440,566

For and on behalf of the board

Sd/-

(H.G.Shivananda Murthy)

Managing Director

Sd/-

(Prabhakar H. Chini)

Director

As per our report attached
For Gnanoba & Bhat
Chartered accountants
Firm Reg No. 000939S

Sd/-

(Navin Nayak.K)

Partner

M.No. 205154

Sd/-

(H.M.Mukundappa)

General Manager

(Finance)

Place:- Bangalore

Date:- 19.12.2012

Karnataka Rural Infrastructure Development Limited, Chinnaswamy Stadium, Bangalore

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
<u>I CASH FLOWS FROM OPERATING ACTIVITIES :</u>		
Net Profit/(Loss) before taxation	340,076,528	265,610,265
<u>Adjustments for:</u>		
Depreciation	5,816,777	6,504,784
Interest income	(308,023,712)	(185,596,661)
Dividend Income	(63,181,475)	(15,651,055)
Profit on sale of Fixed Assets	(557,617)	(709,303)
Operating Profit(Loss) before working capital changes	(25,869,499)	70,158,030
Decrease in Receivables	54,311,187	14,494,255
Increase in Inventories	(6,338,619,613)	(2,651,963,980)
Decrease in Long Term Loans & Advances	(103,350,758)	(6,622,324)
Increase Trade Payables	24,094,902	19,445,292
Increase in Other Long Term Liabilities	13,442,042	321,260,540
Increase in Long Term Provisions	-	20,513,436
Increase in Other Current Liabilities	7,775,901,488	3,636,524,707
Decrease Short Term Provisions	34,516,893	171,305,073
Decrease in Other Current Assets	(58,388,582)	11,434,417
Cash generated from operating activities	1,376,038,060	1,606,549,446
Income Tax Provision	(112,195,424)	(138,294,196)
Net Cash Flow from operating activities (A)	1,263,842,636	1,468,255,250
<u>II CASH FLOWS FROM INVESTING ACTIVITIES :</u>		
Purchase of Fixed Assets	(11,225,098)	(15,718,238)
Sale of Fixed Assets	982,279	733,696
Decrease / (Increase) in capital work -in-progress	(751,403)	(4,615,012)

(Amount in Rs.)

PARTICULARS	For the year ended on 31st March 2012	For the year ended on 31st March 2011
Interest Income from Fixed Deposits (Net)	308,023,712	185,596,661
Dividend Received	63,181,475	15,651,055
Interest Expenses	-	-
Net Cash Flow from Investing activities (B)	360,210,965	181,648,162
<u>III CASH FLOWS FROM FINANCING ACTIVITIES :</u>		
Borrowings repaid during the year	(125,487,865)	-
Dividend provision including dividend distribution tax	(28,663,776)	(14,331,888)
Net cash from financing activities (C)	(154,151,641)	(14,331,888)
Net Increase in Cash and Cash equivalents (D) (A+B+C)	1,469,901,960	1,635,571,524
Cash & Cash equivalents at the beginning of the year	4,859,786,412	3,224,214,888
Cash & Cash equivalents at the end of the year	6,329,688,372	4,859,786,412

For and on behalf of the board

As per our report attached
For Gnanoba & Bhat
Chartered accountants
Firm Reg No. 000939S

Sd/-
(H.G.Shivananda Murthy)
Managing Director

Sd/-
(Prabhakar H. Chini)
Director

Sd/-
(Navin Nayak.K)
Partner
M.No. 205154

Sd/-
(H.M.Mukundappa)
General Manager
(Finance)

Place:- Bangalore

Date:- 19.12.2012

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2012

NOTE-1 : Significant Accounting Policies

i. Accounting Convention:

The Company maintains its accounts on accrual basis except the recoveries from company's staff in respect of material shortage etc. and reimbursement of administrative expenses from PMGSY sponsored by Government of India, which are accounted on actual recovery/ receipt basis.

ii. Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Practices requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements, and the reported amounts of revenue and expenses during the reported year. Examples of such estimate include provision for doubtful debts, income taxes, future obligation under employee retirement benefit plans, Incentives payable on sales (net of returns) etc. Actual results could differ from those estimates. Differences, if any, between the actual results and estimates are recognized in the period in which the results are known

iii. Fixed Assets:

- a) Fixed Assets are stated at cost less depreciation and impairment loss if any.
- b) Depreciation is provided on Written down Value basis at the rates prescribed in Schedule XIV of the Companies Act, 1956.
- c) Depreciation in case of addition to and deletion from Fixed Assets are charged on pro- rata basis.
- d) Additions to Fixed Assets each costing not more than Rs.5,000 are fully charged off to accounts in the year of addition.
- e) Expenses on Assets which do not result in enhancement of its value / benefit of an enduring nature is considered as revenue expenditure in the year in which it is incurred.

iv. Inventories:

- a) Stock of Construction materials are valued on FIFO basis at lower of cost or net realizable value.
- b) Sand, Jelly Murrum, etc., lying at work sites are not valued and are considered as materials consumed during the year.
- c) Scrap Materials are valued at estimated realizable value.
- d) Work-in-progress is arrived based on schedule of rate (SR) of PWD and applicable KRIDL charges and VAT.

v. Revenue Recognition:

a) In respect works other than Clause (b) of this para, the revenue recognized is based on percentage of completion method which assessed and certified by Deputy/Assistant Director of respective Projects / Works are valued at the Schedule of Rates of the year of P W D plus overhead/KRIDL charges ranging from 0% to 15% as per Government Directives. However, certain escalation and other claims, considered as receivable irrespective of obtaining the revised administrative approval and admission of claim by the Entrusting Agencies based on the Schedule of Rates (S.R).

The Overhead/KRIDL charges are accounted in accordance with Accounting Standard-7, based on the cost of work completed, details of KRIDL charges are as follows:

% of Work Done	% of KRIDL Charges
0 to 25	0.00
26 to 50	25%
51 to 75	50%
76 to 98	75%
99 to 100	97%
Final bills prepared	100%

b) Tender works:-

The savings/loss will be recognized on completion of the Tender work and on Final Bills accepted by the Tendered Authority. However the actual expenditure incurred and cost of work done are accounted as and when it is incurred. However, the billing will be done in line with the terms and conditions of the tender.

- c) Provision is made for foreseeable losses on the entire work done at the rate of 0.25% of unadjusted value of Work in Progress and at 1% of SR value during the year.
- d) The revenue is recognized on accrual basis in respect of other income i.e., interest on FD/ FFD, Consultancy fee and other miscellaneous income.

vi. Expenses:

- i. All costs incurred prior to securing the contracts are charged to revenue during the year in which the expenditure is incurred.
- ii. The cost attributable to contracts except depreciation are normally identified with reference to the contract and treated as direct works expenditure. However, the costs which cannot be identified to a specific contract are charged as revenue expenditure in the year in which it is incurred.

vii. Retirement Benefits:

- a) Gratuity liability under the payment of Gratuity Act is provided for at the end of each financial year on the basis of Projected Unit Credit method under LIC Group Gratuity Scheme. The Gratuity limit is being raised from Rs.3.50 lakhs to Rs.6.00 lakhs during the year to fall in line with State Government increase to its employees.

- b) **Leave Salary:** The Company has provided Leave Salary on the assumption that such benefits are payable to all eligible employees on last day of the current accounting year.
- c) Retirement benefits in the form of Provident Fund and superannuation/ pension schemes whether in pursuance of any law or otherwise, is accounted on accrual basis and charged to Profit and Loss account of the year. There are no other obligations other than the contribution payable to the respective trusts.

viii. Accounting for taxes on income:

- a) Income Tax is accrued in the same period the related revenue and expenses arise.
- b) Deferred tax is provided on all timing differences, which are recognized during the year after setting off the deferred tax assets, on the basis of estimate of income during future years, received from the Management.

ix. Cash Flow Statement :

Cash flows are reported using the indirect method whereby profit before tax is adjusted for the effects of transaction of non cash nature and any deferrals or accruals of past or future cash receipt or payments. The cash flow from regular revenue generating, financing and investing activities of the company are segregated.

x. Segment Reporting:

The company's operations are predominantly confined to execution of Civil works entrusted by Govt. Agencies, Current year the Company also generated income from consultancy services, however considering the miniscule operation the board has decided that there are no reportable segments other than the 'Execution of civil works'. Hence, information under Accounting Standard 17 is not required to be reported.

xi. Related Party Disclosures :

Since KRIDL is a Government of Karnataka Undertaking, disclosure in this regard is not applicable.

For and on behalf of the board

As per our report attached
For Gnanoba & Bhat
Chartered accountants
Firm Reg No. 000939S

Sd/-
(H.G.Shivananda Murthy)
 Managing Director

Sd/-
(Prabhakar H. Chini)
 Director

Sd/-
(Navin Nayak.K)
 Partner
 M.No. 205154

Sd/-
(H.M.Mukundappa)
 General Manager
 (Finance)

Place:- Bangalore

Date:- 19.12.2012

21. Disclosure, as required by Accounting Standard 19, "Leases", issued by the Institute of Chartered Accountants of India:

Operating Lease for assets taken on lease after 1st April, 2011.

a. Total of future minimum lease Payments.

(i) Not later than one year	Rs.26.80 lakhs.
(ii) Later than one year and not later than five years	Nil
(iii) Later than five years	Nil

b. Lease Payments recognized in the Profit and Loss account Rs.125.93 lakh.

Motor Cars and Equipments are obtained on operating lease. The lease terms range from Six months to one year and are renewable at the option of the Company. The office premises and Godowns taken on lease for temporary period are not recognized

22. During the year a sum of Rs.381.27 lakhs has been charged to Profit & Loss Account towards difference in Gratuity liability of the fund and as ascertained by LIC using Projected Unit Credit method, without considering the gains/(loss) if any in actuarial Valuation as on 31.03.2012.

(Rs. in Lakhs)

	Gratuity Fund	
	As on 31.03.2012	As on 31.03.2011
Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
Obligation at period beginning	1634.76	1124.80
Current service cost	57.20	35.37
Interest cost	89.98	89.98
Actuarial (gain)/ loss	99.18	420.42
Benefits Paid	(79.92)	(35.83)
Obligation at period end	1801.20	1634.76
Change in plan assets		
Plan Assets at period beginning, at fair value	1463.50	1325.51
Expected return on plan assets	94.60	123.82

	Gratuity Fund	
	As on 31.03.2012	As on 31.03.2011
Actuarial gain/ (loss)	NIL	NIL
Contribution	288.37	50.00
Benefits paid	(79.92)	(35.83)
Plan Assets at period end, at fair value	1577.90	1463.50
Reconciliation of present value of the obligation and the fair value of plan assets		
Fair value of plan assets at the end of the period	1577.90	1463.50
Present value of the defined benefit obligation at the end of the period	1801.20	1634.76
Asset/ (liability) recognized in the balance sheet	223.30	171.26
Expense for the year (Refer Note A (i) below)		
Current service cost	57.20	35.37
Interest cost on benefit obligation	89.98	89.98
Expected return on plan assets	(94.60)	(123.81)
Net actuarial (gain)/ loss recognized in the year	99.18	420.42
Net cost	151.76	421.96

23. As per the Hon'ble Karnataka High Court orders, the daily wage employees have been enrolled to Provident Fund during January 1995. The Company contributed to Provident Fund of earlier years (1976-77 to 1993-94). As per the above order the Company has remitted a sum of Rs.45.76 lakhs during November 1997. This includes a sum of Rs.21.47 lakhs recoverable from employees towards their contribution. During the year the Corporation has recovered Rs.Nil (Previous year Rs.Nil) from the employees of the Corporation. The total recovered as on date is Rs.18.42 lakhs (Previous Year Rs.18.42 lakhs) and the balance amount to be recovered is Rs.3.05 lakhs Previous Year Rs.3.05 lakhs).

24. For the year 2011-2012, Company has provided for the following Fee payable to the Statutory Auditors.

Particulars	2011-12	2010-11
Statutory Audit	90,000	90,000
Tax Audit	60,000	60,000
Service Tax	18,450	15,540
Total	1,68,450	1,65,540

25. Income from Mutual Funds:

The Company has started investment in debt based Mutual Fund from August 2010 with the permission of the Board. The Company has earned Rs.631.81 lakhs tax free dividend during the year ending March 2012.

26. Provision/write off of Bad Debt :

The Company is executing the works entrusted by the various Govt. Dept., and excess expenditure in execution of the works if any incurred over and above the funds received from the EA, the same is considered as receivable in the books of accounts during the year in which the final bill is accounted. Company makes efforts to get this excess expenditure from the EA's. However unrecovered expenses for a period more than 5 years shall be considered as doubtful debts and the provisions are made and as and when any amount is received against these the provision made will be reversed in the year in which such amount is received.

Accordingly during the year Rs. 638.56 lakhs was written off which pertains to the financial year 2005-06 (Rs. 185.26 lakhs of 2005-06 which was receivable from Davangere Municipal Corporation was already provided during 2010-11 as insisted by CAG). Rs. 858.20 lakhs pertains to FY 2003-04 though outstanding for a period of more than 5 years not provided for an classified as recoverable during the FY 2009-10 and efforts are made to recover the same.

The Sundry Debtors outstanding for more than six months Rs.2,099.37 lakhs includes Rs.2,086.80 Lakhs, receivable since the year 2003-04 and the same is not acknowledged by Contractee/EA's has been time barred as per the Limitation Act is not provided for in the books, since the company is expecting the same is recoverable in the near future. Year wise details of the same are as follows:

(Rs.in lakhs)

Year of accounting	Amount
2003-04	858.20
2004-05	254.62
2005-06	185.26
2006-07	235.86
2007-08	145.74
2008-09	407.12
Total	2,086.80

27. VAT/ Income Tax

- VAT Payable on the work-in-progress for the year is subject to reconciliation with the Annual returns filed in Form No: 240 with the VAT authorities. Hence, difference if any is not ascertained.
- The Company is showing the following Income Tax Payments as advance (including TDS) since Income Tax Authorities have not passed final assessment orders.

Financial Year	Amount
1994-95	39,50,200
1996-97	80,44,478

Assessment for the FY 2009-10 is under Scrutiny & for the FY 2010-11 is yet to be taken up.

28. a) The Company has written back certain vendor balances since 5 years amounting to Rs.62.39 lakhs during the year. Future claims if any shall be accounted as expenditure in the year in which such claims are paid.

b) In respect of consultancy Income on DSERT work which was completed during 2003, the Company is entitled to Consultancy Charges @ 3% of the Contract Value. As per the terms and conditions, 2% of contract value has already been recognized as income. In view of pending settlement of Final bills, the balance 1% is yet to be recognized.

c) During the year, the Company has recognized the deferred tax asset of Rs.865.17 lakhs (after setting off P.Y. D.T.A of Rs.388.24 lakhs).

29. BCM Hostel:

Company has not recognized a claim for Rs.182.71 lakhs (Including Rs.55.54 lakhs liquidated damages levied/ deducted & Rs.127.17 lakhs which is due towards extra work done by the company) in the books of accounts in the preceding previous years, in respect of construction of BCM Hostels for the Department of Backward Classes, Government of Karnataka. Out of the above, Rs.145.03 lakhs is received during the FY 2009-10 against this claim and efforts are in progress to recover the balance amount.

30. JABALPUR – Project:

The Corporation has undertaken Madana & Kund Distributory work at Sihora, Jabalpur (MP) on 28.02.2005. A sum of Rs.201.21 lakhs paid towards EMD, performance S.D., S.D. with EA, Additional S.D. with EA, have been forfeited by the Entrusting Authority due to non-completion of work in scheduled time. The matter has been referred to Arbitration. The necessary provision will be made in the year of settlement of Arbitration. The above sum has been grouped under Advance with Government and Public Bodies in Current Assets. A sum of Rs.511.51 lakhs being advance paid upto 31.03.2008 to associate contractors for execution of work. Out of the above advance amount, the accounting bills are prepared and submitted to Headquarter by the project executives and the same is under scrutiny. Further, the measurements should be certified by engineering team. After completion of above verification, bills submitted by the project executives will be accounted accordingly.

The Company has not considered Rs.5.24 crores as Income from executing the Kund Pipariya works at Jabalpur as the same has not been accepted/ approved by the NVDA and corresponding expenses also not being considered in absence of supporting documents from Project Office.

31. Inventory Shortages:

The inventory shortages which are determined Rs.197.22 lakhs (P.Y. Rs.51.43 lakhs) has been treated as expenditure during the year. Further, a total amount of Rs.723.40 lakhs on account of inventory shortages/ false claim/ advance amount mis-used/ bad quality of works, of preceding previous years (including current year). Accounts department has initiated action against the concerned employees, on receipt of the final recovery proceedings from Administration Department.

32. Contingent liabilities:

- Bank Guarantee are issued for Rs.618.52 lakhs (Previous Year Rs.576.42 lakhs) for company's Tender and other works.
- Claim against Company and not acknowledged as debt is Rs.40.00 lakhs and interest thereon (Previous year Rs.40.00 lakhs).
- The Corporation has not acknowledged claim of 12% KST amounting to Rs.424.57 lakhs demanded by various vendors on supply of bitumen to the Company since 2001-02. However in case of a vendor Rs.32.00 lakhs have been paid during the F.Y.2008-09 and this amount has been charged off during the same year.
- The Corporation has not acknowledged VAT demand of Rs 19.94 lakhs in respect of Davangere division and Rs 89.93 lakhs in respect of Bellary division.

33. **Details of Mutual Fund purchased and sold during the year and dividend received on the same :** (Rs.in.lakhs)

Sl. No	Mutual Fund with	Purchased & sold Amt.	Dividend received
1	LIC	79500	125.70
2	UTI	89700	227.62
3	SBI	80400	140.49
4	IDFC	40360	138.00
	TOTAL	289960	631.81

34. Previous year figures have been regrouped / reclassified wherever necessary to confirm to the current year's presentation in view of changes in schedule VI of the Company Act 1956..

For and on behalf of the board

As per our report attached
For Gnanoba & Bhat
Chartered accountants
Firm Reg No. 000939S

Sd/-
(Navin Nayak.K)
Partner
M.No. 205154

Place:- Bangalore

Date:- 19.12.2012

Sd/-
(H.G.Shivananda Murthy)
Managing Director

Sd/-
(Prabhakar H. Chini)
Director

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(Finance)