

Chitradurga Spintex Limited

CHITRADURGA SPINTEX LIMITED
CHITRADURGA SPINTEX LIMITED



Annual Report
2011-12

Board Of Directors

Sri S. Rajasekharappa Chairman
Sri S. Vishwanath Managing Director
Sri S. Chandrashekar
Sri S.T. Thippeswamy
Sri S. Prasannakumar
Sri S. Thippeswamy

Auditors

M/s.H.M.V.Murthy & Co.,
Chartered Accountants,
BANGALORE-560 002.

Bankers

ICICI Bank

Works & Registered Office

Bangalore Road,
Siddapura Village,
Challakere-577 522
Karnataka State.

Share Transfer Agents

Canbank Computer Services Ltd.,
(A Subsidiary of Canara Bank)
#218, J.P.Royale, 1st Floor,
2nd Main, Sampige Road, (Near 14th Cross),
Malleswaram, Bangalore-560001
Ph:080-23469661, 23469662

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Chitradurga Spintex Limited

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Company will be held at the Registered Office at Bangalore Road, Siddapura Village, Challakere-577522, Chitradurga Dist. Karnataka, on 29th September 2012 at 11.00 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance sheet as on 31st March 2012 and the Profit and Loss Account for the year ending 31st March 2012 together with the reports of the Auditors and Directors thereon.
2. To appoint Auditors and fix their remuneration.

By order of the Board

S. Rajasekharappa
Chairman

Challakere, 27th August 2012

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy and vote instead of himself and proxy need not be a member of the Company. Proxies in order to be effective must be lodged with the Company at its registered office at least 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 25.09.2012 to 29.09.2012 (both days inclusive).
3. Members seeking any information with regard to Accounts are requested to write to the Company at least 7 days before the date of the meeting so as to enable the Management to keep information ready.
4. Members are requested to bring their Copies of Report and Attendance slip duly filled for attending the Meeting.

Directors' Report

Dear Shareholders,

Your directors have pleasure in presenting the Twenty First Annual Report of the Company together with audited financial statements and accounts for the year ended March 31, 2012.

Financial Highlights

Particulars	(Rupees in Lakhs)	
	2011-12	2010-11
Gross Revenue	0.64	5.78
PBITD	-7.45	0.85
Cash Profit from operations	-7.45	0.84
Net Profit/(-)Loss	-7.45	0.84

Operations:

Due to continued drought situation in the region and the reasons beyond the control of your directors your company has not undertaken any business, but with a view to curtail the mounting losses the Company has leased the godown facilities on rent basis to State Warehouse Corporation and to private parties. But due to continued drought situation even demand for godown is also less, hence building has been leased from Feb 2012 onwards, resulting less rental revenue during the year compared to previous year. The directors are under the process of exploring other avenues of diversifying into new areas of business

All remaining assets and liabilities are valued on a "Going Concern" basis. Though there is no business is undertaken, its net worth remains positive and considering the fact that the company has adequate resources to continue in operational existence for the foreseeable future and taking into account the management assessment of improvement in the economic condition in general they continue to adopt the going concern basis in preparing the annual report and accounts.

Dividend

In view of inadequacy of profits, your Directors are unable to recommend any dividend for the year under report.

Corporate Governance

A detailed report on Corporate Governance pursuant to the requirements of Clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the auditors of the Company, H.M.V. Murthy & Co., Chartered Accountants, confirming compliance of conditions of corporate governance as stipulated under the aforesaid Clause 49 is provided as annexure.

Management Discussion and Analysis Report

The management discussion and analysis of financial condition including the result of operation of the Company for the year under review as required under clause 49 of the listing agreement with the stock exchange is given as a separate statement in Annual Report.

Auditors:

The Statutory Auditors of the Company, M/s. H.M.V. Murthy & Co., Chartered Accountants, Bangalore, retire at the conclusion of the ensuing annual general meeting of the Company and have confirmed his willingness and eligibility for re-appointment and has also confirmed that his re-appointment, if made, will be within the limits under Section 224(1B) of the Companies Act, 1956.

Auditors' Report:

The Board has duly examined the statutory auditors' report to accounts which is self explanatory and clarifications wherever necessary, have been included in the Notes to Financial Statements of the Annual Report.

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Regarding Auditors comment on 'on going concern' the Director contend that the Company will be able to continue as going concern, though the company has not undertaken any business activity, its net worth remains positive and considering the fact that the company has adequate resources to continue in operational existence for the foreseeable future and taking into account the management assessment of improvement in the economic condition in general and as borne out by AAS16 issued by the council of the ICAI, they continue to adopt the going concern basis in preparing the annual report and accounts.

The huge accumulated losses suffered till closure of spinning activity by the company have been mainly on account of unstable and erratic market conditions which had affected adversely the entire industry rather than the operational performance of the company. Your directors, however, continue their efforts to improve the financial viability of the company and also take such steps as may be required under current laws and regulations in terms of disclosure and reporting required to be made to concerned statutory authorities.

Particulars of Employees

During the year there was no employee drawing remuneration beyond the limits prescribed under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Conservation Of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Disclosure in respect of conservation of energy as required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, as amended is given below.

Conservation Of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo are Nil during the year.

Directors' Responsibility Statement

Pursuant to the requirement under section 217(2 AA) of the Companies Act, 1956, with respect to the directors' responsibility statement it is hereby confirmed that:

- i. In the preparation of the annual accounts for the financial year ended March 31, 2012, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- 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 state of affairs of the Company as at March 31, 2012 and of the loss of the Company for the said period.
- 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; and
- iv. The Directors have prepared the annual accounts of the Company on a 'going concern basis'.

Acknowledgements

Your Directors wish to place on record their appreciation for the continued support and co-operation of the shareholders, Bankers, various regulatory and Government authorities and for the valuable contributions made by the employees of the Company.

On behalf of the Board of Directors
S. Rajasekharappa
Chairman

Challakere, 27th August 2012

Chitradurga Spintex Limited

Report on Corporate Governance

In accordance with Clause 49 of the Listing Agreement with the BSE Limited (BSE) and some of the best practices followed on Corporate Governance, the report containing the details of Corporate Governance systems and processes is as under.

Company's Governance Philosophy

The company is laying maximum emphasis on the effective system of corporate governance. The interaction between the Board, the Executives and other functionaries is so configured to have a distinctly demarcated role and improved corporate performance.

The Company's Corporate Philosophy is woven around its total commitment to the ethical practices in the constant quest to grow with profits and enhance Stakeholders value and align the interests of the Stakeholders, and society at large through adoption of best practice and standards.

Board of Directors

Composition of the Board

A majority of the Board, 3 out of 6, are independent directors and one is non-executive director. The Audit Committee and Shareholders' Grievance Committee comprise only independent directors and non-executive director. The Company has defined guidelines and established framework for the meeting of the Board and Board Committees.

To comply with the provisions of the Listing Agreement, other statutory provisions the Board of Directors of the Company comprises of six members, two of whom are executive directors, one is non-executive director and three are non-executive independent directors. The requisite information as per the requirements of Clause 49 of the Listing Agreement is provided in the following table:

Name of director	Category	Number of directorships', chairmanships & memberships'			Attendance	
		Director ships	Chairman ships	Member ships	Board Meeting	AGM
Sri S. Vishwanath	Executive –Promoter	-	-	-	5	Yes
Sri S. Rajasekharappa	Executive –Promoter	-	-	-	5	Yes
Sri S. Chandrasekhar	Non-Executive Promoter	-	1	2	5	Yes
Sri S.T. Thippeswamy	Non-Executive Independent	-	-	2	5	Yes
Sri S. Prasannakumar	Non-Executive Independent	-	1	2	5	Yes
Sri S. Thippeswamy	Non-Executive Independent	-	-	-	5	Yes

All the Independent Directors of the Company furnished a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent. All such declarations were placed before the Board.

No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956, except Sri S. Vishwanath, Sri S. Rajasekharappa, Sri S. Chandrasekhar, who are related to each other as brothers.

During the Financial Year 2011-2012, the Board of Directors met five times. The dates of the meetings were 27.04.2011, 29.07.2011, 27.08.2011, 29.10.2011 and 30.01.2012. None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company and none of the directors of the Company are receiving any remuneration or fee. The meetings are usually held at the Company's Registered Office at Siddapura Village, Bangalore Road, Challakere-577522, Karnataka.

Brief profile of Directors

S. Vishwanath (48) is a BE graduate in electronics has got over 21 years of experience in Textile industry and Edible Oil Industry. He is currently the Managing Director of the Company. He holds 316700 shares in the Company as on 31.03.2012

S. Rajasekharappa (62) is a BE graduate in Metallurgy and has over 21 years of experience in textile industry and Edible Oil Industry. He became industrialist in other fields like oil industry, having vast experience as businessman. He is currently the chairman of the board. He holds 216100 shares in the Company as on 31.03.2012

S. Chandrashekar (65) is a graduate in science and has over 40 years of experience in Textile & Edible Oil Industry. Currently is chairman of the shareholders / investors grievances committee. He holds 161000 shares in the Company as on 31.03.2012

S.T. Thippeswamy (71) is a graduate and has over 35 years of experience in Cotton business. He is currently a member of Audit Committee and the shareholders / investors grievance committee. He does not hold any shares in the Company as on 31.03.2012.

S. Prasannakumar (52) is a graduate and professionally he is businessman and has over 22 years of experience in trading activity especially he has got vast experience in cotton, oil and oil seeds trading. He does not hold any shares in the Company as of 31.03.2012. He is chairman of the audit committee.

S. Thippeswamy (51) is a graduate and professionally he is businessman and has over 17 years of experience in trading activity. He does not hold any shares in the Company as of 31.03.2012.

Audit Committee

The Audit Committee comprises of three members, all of whom are non-executive. The Chairman of the Audit Committee, Mr. S. Prasannakumar has sound financial knowledge as well as many years of experience in general management and trading. The majority of the audit committee members, including the chairman have accounting and financial management expertise.

Key responsibilities of the audit committee

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are true and accurate and provide sufficient information. The determination of audit fees of statutory auditors, and approval of payment to statutory auditors for any other services rendered by them.

Reviewing, with the management, annual financial statements before submission to the Board for approval, with particular reference to matters required to be included in the directors' responsibility statement, changes if any in accounting policies, major accounting entries, significant adjustments made in the financial statements arising out of audit findings, compliance with listing and other legal requirements relating to financial statements, approval of all related party transactions, qualifications in the draft audit report. Reviewing with the management the quarterly financial statements before submission to the Board for approval. Reviewing with the management, performance of statutory auditors, and adequacy of the internal control systems.

Reviewing, management discussions and analysis of financial condition and results of operations, statement of related party transactions, quarterly compliance certificates confirming compliance with laws and regulations, including any exemptions to these compliances, such other function as may be assigned by the board of directors from time to time or as may stipulated under any law, rule or regulation including the listing agreement and the Companies Act, 1956.

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Meetings, attendance and composition of Audit Committee

During the Financial Year 2011-2012, the audit committee met five times i.e., on 27.04.2011, 29.07.2011, 27.08.2011, 29.10.2011 and 30.01.2012. The composition of Audit Committee and attendance of members is as follows.

Name	Category	Number of meetings attended
S. Prasannakumar-Chairman	Independent director	5
S. Chandrasekhar	Independent director	5
S.T. Thippeswamy	Independent director	5

Investors Grievances Committee:

Investors Grievance Committee of the Company consists of three members. The Committee specifically looks into the redressal of complaints of investors such as transfer or credit of the shares to demat accounts, non receipt of notices/annual reports etc. During the financial year, the Committee met twice on 26.08.2011 & 29.01.2012. The composition of the committee and attendance of members at the meetings held during the financial year 2011-2012 are given below.

Name	Category	Number of meetings attended
S. Chandrasekhar - Chairman	Non-executive director	2
S. T. Thippeswamy	Independent director	2
S. Prasannakumar	Independent director	2

Nature of complaints and redressal status

Type of complaint	No. of complaints		
	Received	Redressed	Pending
Non receipt of share certificate	-	-	-
Complaint regarding Demat/Remat	-	-	-

Dedicated e-mail for Investor Grievance

For the convenience of our investors, the Company has designated an exclusive e-mail ID i.e., grdspintex@gmail.com. All investors are requested to avail this facility.

Compliance Officer

D.M. Shivanandaswamy, Chief Compliance Officer, is the Compliance Officer for complying with the requirements of the Listing Agreement with the stock exchange and requirements of Securities Laws.

General Body Meetings

The Company held its last three Annual General Meetings as under:

Year	Venue	Date & Time	Special Resolution passed
2008-2009	Registered Office	30.09.2009 at 11.00 a.m	None
2009-2010	Registered Office	30.09.2010 at 11.00 a.m..	None
2010-2011	Registered Office	29.09.2011 at 11.00 a.m	None

Postal ballot

No special resolutions were put through postal ballot during the year as there were no resolutions which were required to be passed through postal ballot.

Disclosers

No penalty or stricture has been imposed on the Company by the stock exchanges or SEBI or any other statutory authority, on any matter related to the capital markets, during the last 3 years.

Related party transactions

The details of all significant transactions with related parties are periodically placed before the audit committee. The Company has not entered into any related party transactions during the year.

Disclosure of Accounting Treatment

The financial statements are prepared on accrual basis of accounting and complied with all the applicable accounting standards except accounting of gratuity which will be accounted on payment basis.

Code of Conduct

The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Managing Director of the Company (i.e., the CEO within the meaning of clause 49-V of the listing agreement) is given below.

"It is hereby declared that the Company has obtained from all members of the board and senior management affirmation that they have complied with the code of conduct for directors and senior management of the Company for the year 2011-12."

S. Vishwanath
Managing Director

CEO and CFO certification

A certificate required under Clause 49(V) of the Listing Agreement duly signed by the CEO was placed before the Board.

Compliance with the mandatory requirements of Clause 49 of the Listing Agreement

The Company has complied with all the mandatory requirements of corporate governance as stipulated under the Listing Agreement and obtained a certificate affirming the compliances from H.M.V. Murthy & Co., Chartered Accountants, the statutory auditors of the Company and the same is attached to the Directors' report.

Means of Communication

The Company's quarterly financial results are published in the leading Kannada and English news papers and are displayed on the Company's website www.spintex.co.in. There has been no presentation to analysts and official news releases during the year.

General Shareholders Information

21st Annual General Meeting

Date & Time: 29.09.2012 at 11.00 A.M.

Venue: Chitradurga Spintex Limited, Bangalore Road, Siddapur Village,
Challakere-577 522. Karnataka

Financial Calendar (Tentative Schedules, subject to change)

Results for First Quarter - July 2012, Second Quarter - October 2012, Third Quarter - January 2013, Fourth Quarter- April 2013

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Stock market data for the period April 1, 2011 to March 31, 2012

Month	High	Low	Volume (Nos)
April 2011	7.40	5.97	40317
May 2011	6.20	3.00	6024
June 2011	4.63	2.72	16045
July 2011	4.40	2.83	57094
August 2011	3.00	2.25	7718
September 2011	3.58	2.59	6166
October 2011	5.00	3.75	21686
November 2011	3.93	2.67	3065
December 2011	2.54	2.09	18305
January 2012	2.60	2.21	1573
February 2012	3.10	2.40	6578
March 2012	3.36	2.90	5514

Listing on Stock Exchanges:

BSE Limited (BSE)

P.J. Tower, Dalal Street, Mumbai-400001.

Scrip Code: 521244

Payment of Listing Fee: Annual listing fee for the year 2012-13 has been paid by the Company to BSE.

Payment of Depository Fees: Annual Custody / Issuer fee for the year 2012-13 has been paid by the Company to NSDL and CDSL.

Registrars and Transfer Agents:

Canbank Computer Services Limited

#218, J.P.Royale, 1st Floor, 2nd Main, Sampige Road, (Near 14th Cross), Malleswaram, Bangalore-560001.

Ph: 080-23469661, 23469662, email:canbankrta@ccsl.co.in, Web site:www.canbankrta.com

Share Transfer System

Transfer of the equity shares of the Company which are in electronic format is done through the depositories without any involvement of the Company. Transfer of shares in physical form is normally processed within fifteen days from the date of receipt, provided the documents are complete in all respects. All transfers are first processed by the transfer agent and are submitted to the Company for approval thereafter. The authorized official of the Company approve the transfer and the shares are returned to the shareholder.

Pursuant to Clause 47(c) of the Listing Agreement, we obtain certificate from a practicing Company Secretary on half yearly basis to the effect that all the transfers are completed in the statutorily stipulated period. A copy of the certificate so received is submitted to stock exchange where the shares of the Company are listed

Dematerialization of shares and liquidity

The Company's shares are traded in dematerialized form and are available for trading with the both the depository ie, NSDL and CDSL. The equity shares of the Company are frequently traded at the Bombay Stock Exchange Ltd, ISIN for the Company's shares is INE676G01016

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Distribution of share as on 31.03.2012

Sl No.	Category	No. of shares	% age of holding
1	Indian promoters and promoters group	1909500	41.42
2	Mutual Funds	90900	1.97
3	Bodies Corporate	186664	4.05
4	NRIs/OCBs	382650	8.30
5	Indian public and others	2040586	44.26
	Total shareholding	4610300	100.00

Outstanding GDRs/ADRs/warrants/options

There are no GDRs/ADRs/Warrants or any convertible instruments, which are pending for conversion into equity shares.

Communication addresses

Correspondence relating to shares

Canbank Computer Services Ltd.,

#218, J.P.Royale, 1st Floor, 2nd Main, Sampige Road, (Near 14th Cross), Malleswaram, Bangalore-560001

Any other Correspondence:

Chitradurga Spintex Limited,

PB No.9, Bangalore Road, Challakere-577 522, Karnataka

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

Auditors' Certificate to the members of Chitradurga Spintex Limited, on compliance of the conditions of corporate governance for the year ended 31st March 2012 under clause 49 of the listing agreement with stock exchange.

We have examined the compliance of conditions of corporate governance by M/s. Chitradurga Spintex Ltd., for the year ended on 31st March 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement.

As required by the guidance note by the Institute of Chartered Accountants of India, we state that, as on 31st March 2012 there were no Investor grievances remaining unattended/pending for a period exceeding one month, and as explained to us by the management, the Compliance Officer has reported to the shareholders/investors Grievance Committee regularly on the status of such grievances.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For H.M.V.MURTHY & CO.,
Chartered Accountants,

[H.M.Vrushabhendramurthy]
Proprietor.

BANGALORE, 27th August 2012

Management Discussion and Analysis Report

Overview

Due to continued drought situation in the region and the reasons beyond the control of your directors your company has not undertaken any business, but with a view to curtail the mounting losses the Company has leased the godown facilities on rent basis to State Warehouse Corporation and to private parties. But due to continued drought situation even demand for godown is also less, hence building has been leased from Feb 2012 onwards, resulting less rental revenue during the year compared to previous year. The directors are under the process of exploring other avenues of diversifying into new areas of business

All remaining assets and liabilities are valued on a "Going Concern" basis. Though there is no business is undertaken, its net worth remains positive and considering the fact that the company has adequate resources to continue in operational existence for the foreseeable future and taking into account the management assessment of improvement in the economic condition in general they continue to adopt the going concern basis in preparing the annual report and accounts.

Financial performance & review

The company has made a loss of Rs.7.45 lakhs includes loss on sale of fixed assets which amounts to Rs.3.11 lacs during current financial year as against profit of Rs.0.84 lakhs during previous year.

Segment wise performance

As there is no particular operational activity segment wise performance is not applicable.

Outlook

Due to change in the business activity from spinning to other activity forecasting outlook is not wise since any particular business not yet started. The directors are under the process of exploring other avenues of diversifying into new areas of business

Risk Management

Your Company has No specific risks other than normal business problems which are explained above.

Internal Controls

The Company has adequate internal control procedures and has well defined business processes to ensure the efficiency and effectiveness of the efforts that go in managing various assets and interests of the company.

Subsidiaries

Your Company has no subsidiary company's

Auditors' Report

**To the Members of
Chitradurga Spintex Limited**

- I. We have audited the attached Balance Sheet as at 31st March 2012, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date of the Company for the year ended on that date annexed thereto. 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.
- II. 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 misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- III. 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 a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
- VI. Further to our comments in the annexure referred to in paragraph 3 above, we report that:

1. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our Audit.
2. In our opinion proper Books of Accounts as required by law have been kept by the Company so far as appears from our examination of the books.
3. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement are in agreement with the Books of Account.
4. In our Opinion, the balance sheet, Statement of Profit and Loss and Cash Flow Statement dealt by this report complied with accounting standards mentioned under sub section (3C) of section 211 of the Companies Act 1956, subject to the observation referred to in Para below.

In our opinion, the accounting of gratuity on payment basis as per policy is contrary to generally accepted Accounting Standards issued by The Institute of Chartered Accountants of India. The effect of the same on Statement of Profit & Loss is unascertained.

5. Based on written representation made by the Directors of the company and according to the information and explanation given to us, in our opinion the directors of the company are not prima facie disqualified from being appointed as Directors U/s 274(1)(g) of "the Act".
6. *We draw the attention to the fact that the Company is having a Accumulated loss of Rs.415.48 as at the year ended 31.03.2012 which is more than 50% of its networth, the company has to be treated as sick as per the provisions of the SICA, 1985. The company not yet started any particular business as stated in postal ballot on 30.10.2008 and as the company has sold substantial portion of the plant and machinery and there are no revenue generation for a period of 10 months during the year., along with other matters set out in the notes of the financial statement, the substantial doubt will arise whether company will be able to continue AS GOING CONCERN. Subject to the above and regarding contingent liability, and read with other notes thereon, in our opinion and to the best of our knowledge and according to the explanations given to us, the said accounts and read together with the Significant Accounting Policies and notes thereon, give the information required by the Companies Act. 1956, in the manner so required and also give true and fair view.*

- 1) In the case of Balance Sheet of the State of Affairs of the Company as at 31st March 2012, and
- 2) In the case of Statement of Profit and Loss of the loss of the Company for the year ended on that date.
- 3) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For H.M.V. MURTHY & CO.,
Chartered Accountants

(H.M.Vrushabhendra Murthy)
Proprietor.
M.No.26432

ANNEXURE TO AUDITOR'S REPORT

Referred to in Paragraph 3 of our Report of even date.

- (1) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets have been physically verified by the management as per phased programme of verification. In our opinion, the frequency of verification is reasonable having regard to the size of Company and the nature of its assets. The Discrepancies reported on such verification were not material and have been properly dealt with in the books of accounts.
(c) There is substantial disposal of fixed assets during the year to have an impact on the operations of the company and affects its going concern concept.
- (2) As the Company does not hold any inventories for the year, the paragraph 4(1) and 4 (ii) of the companies (Auditor's Report) order, (as amended) is not applicable to the company
- (3) (a) The company has not granted any loans, secured or unsecured to companies, firm or other parties covered in the register maintained under section 301 of the Act.
(b) The company has not accepted/repaid any loans during the year from parties listed in the register maintained under section 301 of the companies act, 1956. The year end balance of loan taken from such parties is NIL.
- (4) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been observed in the internal controls.
- (5) (a) Based on the audit procedure applied by us and according to the information and explanation provided by the management, we are of the opinion that all transaction that need to be entered into the register in pursuance of section 301 of the Act have been entered.
(b) During the year company has not made any transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies act, 1956 and exceeding the value of Rs. Five lakhs.
- (6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the companies Act, 1956 and the rules framed there under.
- (7) The Company has no internal audit system.
- (8) (a) According to the information and explanation given to us, the company is generally regular in depositing with appropriate authorities undisputed dues including Provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
(b) According to the information and explanation given to us, there are no undisputed amounts payable in respect of income tax, Sales tax, Wealth tax, Customs duty, Excise duty and Cess outstanding as at the year end, for a period of more than six months from the date they become payable.
(c) According to the information and explanation given to us, there are no dues of Sales tax, Income tax, Custom duty, Wealth tax, Excise duty of Cess outstanding on account on any dispute except Entry Tax of Rs.3.91 Lakhs for the year 1992 -93.
- (9) *The Company has accumulated loss of Rs.415.48 lakhs as at the end of the financial year which is more than fifty per cent of its net worth and it has incurred cash loss of Rs. 7.45 Lakhs in the current year and not incurred a cash loss immediately preceding the financial year.*

- (10) According to information and explanation given to us and the records examined by us, there are no term loans availed by the company, hence comments on this clause does not arise.
- (11) In our opinion and according to information and explanation given to us, 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.
- (12) In our opinion and according to the information and explanation given to us, the nature of the activities of the Company does not attract any special statute applicable to Chit Fund and Nidhi /Mutual benefit fund/societies.
- (13) The Company does not deal or trade in shares, securities, debentures and other investments.
- (14) According to the information and explanations given to us and the records examined by us, the Company has not given any guarantees for loans taken by others from banks or financial institutions, the terms and conditions whereof are prima facie prejudicial to the interest of the Company.
- (15) As informed to us the company has not availed any term loans, hence comments on this clause does not arise. The term loans were applied by the Company for the purpose for which they were obtained.
- (16) On the basis of an overall examination of the balance sheet and cash flows of the Company and the information and explanation given to us, we report that the Company has not utilized funds raised on short term basis for long term investments and vice versa.
- (17) The Company has not made any preferential allotment of shares to parties or companies covered under section 301 of the Act.
- (18) The company has not issued any debentures.
- (19) The Company has not raised any money through a public issue during the year.
- (20) In our opinion and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

For H.M.V. MURTHY & CO.,
Chartered Accountants

(H.M.Vrushabhendra Murthy)
Proprietor.
M.No.26432

Place:Bangalore
Date: 27th August, 2012

Chitradurga Spintex Limited

Balance Sheet as at 31 March, 2012

	Note No.	As at 31 March, 2012	As at 31 March, 2011
		Rs.	Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	2	46,103,000	46,103,000
Reserves and Surplus	3	-39,548,430	-38,788,294
Current liabilities			
Trade Payables	4	58,076	119,117
Other Current Liabilities	5	32,327	12,932
Short-Term Provisions	6	118,532	8,800
TOTAL		6,763,505	7,455,555.
ASSETS			
Non-current assets			
Fixed Assets			
Tangible Assets	7	6,057,417	6,568,633
Non-Current Investments	8	11,000	11,000
Current Assets			
Trade Receivables	9	61,345	44,802
Cash and Cash Equivalents	10	487,564	664,305
Short-Term Loans and Advances	11	146,179	166,815
TOTAL		6,763,505	7,455,555

Notes to Accounts & Significant Accounting Policies

The Note Nos. 1 to 18 form an integral part of these Financial Statements

As per our report of even date

for H.M.V. Murthy & Co.,
Chartered Accountants

H.M. Vrushabhendra Murthy

Bangalore
August 27, 2012

For and on behalf of the Board of Directors

S. Rajasekhara ppa
Chairman

S. Vishwanath
Managing Director

S. Chandrashekar
Director

Challakere
August 27, 2012

Chitradurga Spintex Limited

Statement of Profit & Loss for the year ending 31.03.2012

	Note No.	As at 31 March, 2012	As at 31 March, 2011
		Rs.	Rs.
REVENUE FROM OPERATIONS			
Other Income	12	63,900	578,210
Total Revenue		63,900	578,210
EXPENSES			
Employee Benefits Expenses	13	125,004	125,790
Finance Costs	14	959	772
Other Expenses	15	683,073	367,739
Total Expenses		809,036	494,301
Profit / (Loss) Before Tax		-745,136	83,909
Tax Expense:			
Current Tax		-	-
Deferred Tax		-	-
Profit / (Loss) for the year		-745,136	83,909
Earnings per share (of Rs. 10/- each):			
(a) Basic		-0.16	0.02
(b) Diluted		-0.16	0.02

Notes to Accounts & Significant Accounting Policies

The Note Nos. 1 to 18 form an integral part of these Financial Statements

As per our report of even date

for H.M.V. Murthy & Co.,
Chartered Accountants

H.M. Vrushabhendra Murthy

Bangalore
August 27, 2012

For and on behalf of the Board of Directors

S. Rajasekharaappa
Chairman

S. Vishwanath
Managing Director

S. Chandrashekar
Director

Challakere
August 27, 2012

Chitradurga Spintex Limited

Cash Flow Statement for the year 2011-12

	2011-12	2010-11
	Rs.	Rs.
A. Cash flow from operating activities		
Net Profit / (Loss) before extraordinary items and tax	-745,136	83,909
<i>Adjustments for:</i>		
(Profit) / loss on sale / write off of assets	311,216	26,518
Finance costs	959	772
Rental income from operating leases	63,900	578,210
Operating profit / (loss) before working capital changes	-369,061	689,409
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Trade receivables	-16,543	382,070
Short-term loans and advances	20,636	-20,730
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Trade payables	-61,041	-2,259
Other current liabilities	19,395	-823,964
Short-term provisions	109,732	0
Cash flow from extraordinary items	-15,000	-3,021
Cash generated from operations	-311,882	221,505
Net income tax (paid) / refunds	0	
Net cash flow from / (used in) operating activities (A)	-311,882	221,505
B. Cash flow from investing activities		
Proceeds from sale of fixed assets	200,000	500,000
Rental income from operating leases	-63,900	-578,210
Net cash flow from / (used in) investing activities (B)	136,100	-78,210
C. Cash flow from financing activities		
Finance cost	-959	-772
Net cash flow from / (used in) financing activities (C)	-959	-772
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	-176,741	142,523
Cash and cash equivalents at the beginning of the year	664,305	521,782
Cash and cash equivalents at the end of the year	487,564	664,305

As per our report of even date

for H.M.V. Murthy & Co.,
Chartered Accountants

H.M. Vrushabhendra Murthy

Bangalore
August 27, 2012

For and on behalf of the Board of Directors

S. Rajasekhara ppa S. Vishwanath
Chairman Managing Director

S. Chandrashekar
Director

Challakere
August 27, 2012

1. Significant Accounting Policies

Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements are prepared under the historical cost convention, income and expenditure are accounted on accrual basis except gratuity which will be accounted on payment basis. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

Use of estimates

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are materialised.

Tangible Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date.

Depreciation and Amortisation

Depreciation on fixed assets was provided to the extent of depreciable amount on Straight-Line method (SLM) on pro-rata basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 up to 31.12.2008 being on which date the spinning activity was stopped.

Foreign currency transactions and translations

There were no foreign currency transactions during the year (previous year Nil).

Government grants, subsidies and export incentives

Government grants in the nature of promoters' contribution like investment subsidy, where no repayment is ordinarily expected in respect thereof, are treated as capital reserve.

Investments

Long-term investments are stated at cost of acquisition. Provision for diminution in the value is made only if such a decline is other than temporary.

Revenue recognition

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. There is no revenue from operations during the year since the company has not undertaken any business.

Pursuant to approval of the members through postal ballot on 30.10.2008, the Company has amended the main objects of the Company accordingly Company has stopped the spinning activity from 31.12.2008.

Other income

The main source of other income is from rental income by leasing existing building of the company which is recognized on accrual basis.

Employee benefits

Short term employee benefits are recognized as an expense in the profit and loss account of the year in which the related service is rendered, which includes salary to staff, provident fund contribution and contribution to the Employees State Insurance.

Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax by number of equity shares outstanding during the year.

Taxes on income

As the Company has no taxable income for the A.Y. 2012-2013, no tax provision is made. Taking into account the consideration of prudence, no asset or liability is anticipated on account of deferred tax.

Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

Provisions and contingencies

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

Chitradurga Spintex Limited

The previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year presentation.

		As at 31 March, 2012	As at 31 March, 2011
		Rs.	Rs.
2	SHARE CAPITAL		
	Authorised Share Capital		
	5000000 Equity Shares of Rs. 10 each	50,000,000	50,000,000
	Issued, Subscribed and Paid up		
	4610300 Equity Shares of Rs. 10 each	46,103,000	46,103,000
	TOTAL	46,103,000	46,103,000
2.1	The details of Shareholders holding more than 5% Shares		
	Name of the Shareholder	As at 31 March, 2012	As at 31 March, 2011
		No. of Shares	No. of Shares
		% held	% held
	S. Vishwanath	316700	316700
		6.87	6.87
3	RESERVES AND SURPLUS		
	State Government Subsidy		2,000,000
	Profit and Loss Account		2,000,000
	As per last Balance Sheet	-40,788,294	-40,869,182
	Add Loss for the year	-745,136	83,909
	Sub Total	-41,533,430	-40,785,273
	Add/(Less) Prior Period Adjustment	15,000	3,021
	TOTAL	-41,548,430	-40,788,294
4	TRADE PAYABLES		
	Micro, Small and Medium Enterprises		58,076
	TOTAL	58,076	119,117
5	OTHER CURRENT LIABILITIES		
	Advance for Rent lease		15,000
	Other Statutory Dues		17,327
	TOTAL	32,327	12,932
6	SHORT TERM PROVISIONS		
	Provisions for Employees Expenses		8,800
	Others		109,732
	TOTAL	118,532	8,800

Chitradurga Spintex Limited

7 FIXED ASSETS

Tangible assets

Particulars	Gross Block		Depreciation Block			Net Block	
	As at	Deletion	As at	Deletion	As at	As at	As at
	01.04.2011		31.03.2012		31.03.2012	31.03.2012	31.03.2011
	Rs.		Rs.		Rs.	Rs.	Rs.
Free hold Land	125,375		125,375		-	125,375	125,375
Building	10,891,495		10,891,495		5,209,393	5,682,102	5,682,102
Plant & Machinery	4,315,426	2,983,835	1,331,591	2,472,619	1,083,594	247,997	759,213
Furniture & Fittings	38,012		38,012		36,069	1,943	1,943
Total	15,370,308	2,983,835	12,386,473	2,472,619	6,329,056	6,057,417	6,568,633
Previous year	17,853,679	2,483,371	15,370,308	1,956,853	8,801,675	6,568,633	7,095,151

8 NON CURRENT INVESTMENTS

In Equity Shares - Quoted Fully paid up

800 G.R. Cables Ltd. 8,000 8,000

In Government Securities - Unquoted

6 years National Saving Certificate 3,000 3,000

TOTAL 11,000 11,000

Aggregate amount of quoted investments 8,000 8,000

Market Value of quoted investments 560 900

Aggregate amount of unquoted investments 3,000 3,000

9 TRADE RECEIVABLES

(Unsecured and considered good)

Over Six months 5,000 5,000

Others 56,345 39,802

TOTAL 61,345 44,802

10 CASH AND BANK BALANCES

Balance with Banks 135,368 279,201

Cash on Hand 352,196 385,104

TOTAL 487,564 664,305

11 SHORT TERM LOANS AND ADVANCES

(Unsecured and considered good)

Security Deposits * 4,900 6,900

Other Advances ** 58,913 80,104

Balance With Revenu Authorities- TDS 82,366 79,811

TOTAL 146,179 166,815

* Security Deposit Includes Mobile Deposit, Telephone Deposit

** Includes Loans to Employees, Interest Accrued on NSC, Sales Tax Receivables

12 OTHER INCOME

Interest - 51,227

Rent Income 63,900 526,983

TOTAL 63,900 578,210

Chitradurga Spintex Limited

13 EMPLOYEES BENEFITS EXPENSE

Salary	105,600	105,600
Contribution to Provident Fund	14,388	14,388
Contribution to Employees State Insurance	5,016	5,016
Staff Welfare Expenses	-	786
TOTAL	<u>125,004</u>	<u>125,790</u>

13.1 As per Accounting Standard 15 "Employee benefits", the disclosures as defined in the AS are given below:

Defined Contribution Plans

Contribution to Defined Contribution Plans, recognised as expense for the year is Nil (Previous year Nil)

14 FINANCE COST

Bank Transaction Charges	959	772
TOTAL	<u>959</u>	<u>772</u>

15 OTHER EXPENSES

Establishment Expenses		
Advertisement - News paper publication	49,260	43,908
Filing Fee	1,000	2,000
Folio Maintenance Charges	80,642	71,639
Insurance	21,191	4,252
Loss on sale of assets	311,216	26,518
Professional Charges	20,000	9,000
Payment to auditors	56,180	56,310
Postage & Telephones	49,590	64,635
Printing and stationery	30,276	29,311
Rates and taxes	48,463	28,543
Repair & Maintenance	1,180	6,560
Subscription and membership	-	2,250
Travelling & Conveyance	14,075	22,813
TOTAL	<u>683,073</u>	<u>367,739</u>

15.1 PAYMENT TO AUDITORS AS:

As Auditor

Statutory Audit Fees	30,337	29,781
Tax Audit Fees	5,618	5,515
Certification	20,225	17,978
Out of pocket Expenses	-	3,036
TOTAL	<u>56,180</u>	<u>56,310</u>

16 RELATED PARTY DISCLOSURES:

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below:

16.1 List of related parties where control exists and related parties with whom transactions have taken place and relationships:

Name of the Related Party	Relationship
Sri S. Vishwanath	Executive Director
Sri S. Rajasekharappa	Executive Director
Sri S. Chandrashekar	Non Executive Director
	The company in which the relatives of key management
	M/s.. Chitradurga Sunflower Oil Complex (P) Ltd. personnel's are interested

Chitradurga Spintex Limited

16.2 Transactions during the year with related parties Nil (Previous year Nil)

17 As per Accounting Standard (AS) 17 on "Segment Reporting": as there is no particular operational activity, segment wise performance is not applicable.

18 **CONTINENT LIABILITIES & COMMITMENTS**

Claims against the company / disputed liabilities not acknowledged as debts Rs. in lacs	3.91	3.91
TOTAL	<u>3.91</u>	<u>3.91</u>

The Company has received a suo moto notice under KTEG Act from Commissioner of Commercial Taxes, Bangalore, in respect of assessment year 92-93, demanding to pay tax of Rs.3.91 Laksh on plant and machinery which were bought by the company during the AY 92-93. However Company has filed objections/application to rectify the order which is due consideration with the said authority

As per our report of even date
for H.M.V. Murthy & Co.,
Chartered Accountants

H.M. Vrushabhendra Murthy

Bangalore
August 27, 2012

For and on behalf of the Board of Directors
S. Rajasekharappa S. Vishwanath
Chairman Managing Director

S. Chandrashekar
Director

Challakere
August 27, 2012

ANNEXURE –A
Regarding capacity and quantitative report

Not applicable since there is no particular operation and substantial portion of plant and machinery were sold and there is no trading activity during the year.

Balance Sheet abstract and Company's general business profile

Registration details

Registration No.	0811467	State Code	08
Balance Sheet date	31.03.2012		

Capital raised during the year (Amount in Rs.)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

Position of mobilisation and deployment of funds (Amount in Rs.)

Total Liabilities	6,763,505	Total Assets	6,763,505
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Sources of Funds

Paid up capital	46,103,000
Reserves & Surplus	-39,548,430

Application of Funds

Net Fixed Assets	6,057,417	Investments	11,000
Net Current Assets	3,269	Miscellaneous Expenditure	-

Performance of Company (Amount in Rs.)

Turnover	63,900	Total Expenditure	809,036
Profit before Tax	(745,136)	Profit after Tax	(745,136)
EPS	-0.16	Dividend Rate %	Nil

Generic names of three principal products/services of Company (as per monetary terms)

Item Code No.	NA
Product description	NA

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Chitradurga Spintex Ltd.,
P.B.No.9, Bangalore Road,
Challakere-577522
Karnataka.

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