

GUJARAT INDUSTRIAL DEVELOPMENT CORPORATION

ANNEXURE - J

ACCOUNTING POLICIES FOLLOWED BY THE CORPORATION IN THE ACCOUNTING YEAR 2013-14.

1. Method of Accounting

A. Gujarat Industrial Development Corporation (hereinafter referred to as the GIDC or Corporation) is established under the Gujarat Industrial Development Act, 1962 (hereinafter referred to as the GID Act). In exercise of the powers conferred by Section 53 of GID Act, the Government of Gujarat has made rules called the Gujarat Industrial Development Rules, 1963, (hereinafter referred to as the GID Rules).

As a nodal agency of Government of Gujarat, for development of industrial estates in the State, the Corporation acquires land all over Gujarat for industrial purpose and develops industrial estates, constructs sheds and housing quarters and gives it to various industries after creating infrastructure facilities such as roads, streetlights, water supply, effluent disposal, storm water drainage etc. The land is given on lease basis for 99 years extendable for a further period of 99 years. The industrial sheds and quarters are sold by the corporation and a conveyance deed is executed.

Revenue from sale of sheds and quarters is recognized on receipt of full consideration/ execution of conveyance deed

Premium received on lease of land is refundable to allottees at the discretion of corporation / allottees on surrender / eviction of plot. Hence the amount of premium received is treated as capital receipt and included in the balance sheet as liability under the head "Premium price on lease of plots of industrial area."

B. The accounts of the Corporation are maintained in accordance with the Public Works Accounts Code, Bombay, in accordance with the powers conferred by Sub-Section (1) of the Section 25 of GID Rules. The Books of account at the Divisions and Regions of the Corporation are maintained on cash basis of accounting. However, the adjustments / provisions required to convert the accounts on accrual basis are made at Head Office.

C. The financial statements are prepared in accordance with the generally accepted accounting principles. The Corporation adopts accrual system of accounting unless otherwise stated. The financial statements are prepared in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India, except receipts of Transfer fees, Penalty, Penal Interest etc.

2. Accounting Convention:

The accounts are prepared under Historical Cost Convention and on accrual basis except otherwise stated.

3. Revenue Recognition:

All revenue is recognized on accrual basis except dividend income which is recognized on receipt basis. In view of uncertainty of realization, penal interest, transfer fees, N.U. Penalty etc. are accounted as and when received.

4. Capital Expenditure:

Land acquired by the corporation is recognized as asset, only when the possession is obtained by the corporation.

5. Investments:

Investments are long term and are carried at cost. Provision is made for diminution in value of such investment, which is other than of temporary nature.

6. Fixed Assets:

Fixed Assets are stated at the original cost including freight, duties taxes and other incidental expenses relating to acquisition and installation of fixed assets.

7. Depreciation:

Depreciation on fixed assets is provided on Straight Line Method at the rates decided by the Corporation. For calculating depreciation on cost of development expenditure, the same has been provided as per "Replacement & Renewal Fund Regulations". As per these regulations depreciation is to be calculated on opening balance and in addition to that, 50% of the amount of expenditure incurred on cost of development during the year is to be considered as per the average rate on different components of development expenditure as specified in the schedule attached to "Replacement & Renewal Fund Regulations."

The rates followed by the Corporation are as under :

Sr. No.	Particulars of the Assets For Fixed Assets per Annexure-A	Rate of Depreciation
1.	Scientific Instruments	5%
2.	Ordinary Tools and Plants	20%
3.	Vehicles	14%
4.	Furniture	5%
5.	Typewriting & Duplicating Machines	8%
6.	Telephone	25%
7.	Franking Machines & Other Instruments	15%
8.	Cycles	18%
9.	Tools & Plants	7.5%
10.	Staff Quarters/Building owned/used by the Corp.	3.5%
11.	Office Premises	3.5%
12.	Computers	16%
For Capital Expenditure on Infrastructure		
13.	Road	6.10%
14.	Water supply	3.5%
15.	Drainage	3.75%
16.	Amenities Building	3.14%
17.	Street Light	6.67%

8. Inventories:

Inventories are valued at cost, or net realizable value whichever is lower For this purpose cost is ascertained as per Specific Identification Method.

9. Employee Benefits:

A. Short term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, wages, other allowances and reimbursement of medical expenses etc. are recognized in the period in which employee renders the related services.

B. Post- Employment Benefits:

1. Defined contribution plan: The Corporation's contribution paid / payable during the year to provident fund is considered as defined contribution plan. The contribution paid / payable under this plan is recognized on accrual basis for the period in which the employee renders the services.

2. Defined Benefits Plan: The gratuity and leave salary are defined benefit plans. Gratuity scheme is managed by the trust. The present value of the obligation is determined, based on actuarial valuation using the Projected Unit Credit Method. Actuarial gains & losses are recognized in the Income & Expenditure A/c.

sd/-

(B. B. Gor)

Chief Accounts Officer

Gujarat Industrial Development Corporation.

Gandhinagar.

sd/-

(B. B. Swain)

Vice Chairman & Managing Director

Gujarat Industrial Development Corporation.

Gandhinagar.

GUJARAT INDUSTRIAL DEVELOPMENT CORPORATION

ANNEXURE - K

NOTES ON ACCOUNTS- ACCOUNTING YEAR 2013-14.

1. Contingent Liabilities:

- (a) Land acquired by the Corporation for which land owners have made reference to the court for inadequate compensation cannot be determined.
- (b) Estimated amount of contracts remaining to be executed on capital account not provided for is Rs. Nil.
- (c) Estimated amount of claims (Capital works) against Corporation supported by legal notices or lying in Arbitration, Tribunal or Court is Rs. 2652.92 lakhs (Previous year Rs. 1312.69 lakhs).

2. Income Tax :

The Corporation has received demand notices from the Income tax department (after considering order of Appellate Authority if any) for A.Y. 2009-10 to 2011-12 for aggregate of Rs.825 crores. Against this demand, the Corporation has made payment of Rs.400 crores. (This includes Rs. 266.82 crores refund adjusted of other Assessment Years). The Corporation has preferred appeals before the Hon'ble I.T.A.T., Ahmedabad, and Learned Commissioner of Income Tax (Appeals) -Gandhinagar as the case may be. Pending disposal of appeals, the amounts paid/adjusted has been included under the head "Loans and Advances" in the Balance Sheet and no provision is made in respect thereof.

The Corporation is established as a statutory entity under Gujarat Industrial Development Act, to carry out the functions enumerated in section 13 of GID Act. One of the main functions of GIDC is to promote and assist in the rapid and orderly establishment, growth and development of industries in the state of Gujarat. According to the corporation, the activity being carried out by it, is for charitable purpose of general public utility as defined in section 2 (15) of the Income Tax Act and therefore its income is exempt as a charitable institution under Section 11 of the Income Tax Act, 1961. Moreover the Corporation is also not carrying on any business of trading in land. This view is duly supported by directly applicable judgment of Hon'ble Supreme Court in case of Shri Ramtanu Co-Operative Housing Society Ltd V/s State of Maharashtra (1970) AIR 1970 SC 1771, which has been affirmatively followed by the Hon'ble Supreme Court in its judgment in case of Gujarat Industrial Development Corporation and Ors.V. CIT (227 ITR 414). The Hon'ble I.T.A.T., Ahmedabad upto A.Y. 2008-09, has accepted the character of the Corporation as charitable institution eligible for exemption under Section 11 of the Income Tax Act, 1961. The appeal of the Corporation for A.Y. 2009-10 is pending before the Hon'ble I.T.A.T., Ahmedabad. However, with effect from A.Y. 2009-10, the definition of 'charitable purpose' as given in Section 2(15) of the Act is amended. As per the first proviso inserted by Finance Act, 2008, with effect from A.Y. 2009-10 any activity in the nature of trade, commerce, or business or any activity of rendering any service in relation to any trade commerce or business for cess or fee or any other consideration shall not be regarded as 'charitable purpose'. Considering this amendment CIT, Gandhinagar has by order dated 10/12/2010 cancelled the registration with effect from 01.04.2009. Appeal against this order has been filed before ITAT. The ITAT vide its order dated 13/01/2012 has decided the matter in favour of the Corporation by directing to restore the registration u/s 12 AA of the Income Tax Act, 1961. Against said order, Income Tax Department has filed an appeal before the Hon'ble Gujarat High Court. The final outcome of the said appeal is pending.

The Corporation is discharging statutory obligation cast upon it by the Government of Gujarat as per the Rules and Regulations framed under the GID Act and, therefore, as per the decision delivered by Hon'ble Delhi High Court in the case of Bureau of Indian Standards [2013] 212 TAXMAN 210 (DELHI), the Corporation cannot be regarded as an entity carrying out trade, commerce or business and, consequently, there is no income tax liability provided in the financial statement as on 31st March, 2014

3. Service Tax:

Director General of Customs & Excise Intelligence (DGCEI), Ahmedabad, Zonal Unit had issued show-cause notice to GIDC for levying of Service Tax of Rs. 2.95 Crores together with interest and penalty on the ground that GIDC is liable to Service Tax under the category of "Maintenance & Repair Service" during the

period from 16.08.2005 to 30.09.2009. GIDC had preferred appeal before Commissioner of Service Tax, Ahmedabad and the matter was decided against the GIDC.

Against the order of Commissioner of Service Tax, appeal has been preferred before Hon'ble Customs Excise and Service Tax Appellate Tribunal (CESTAT), Ahmedabad along with request for stay of demand. Hon'ble CESTAT, Ahmedabad had granted the stay on the demand raised and directed GIDC to deposit the amount of Rs. 15/- lacs, which has been paid in F.Y. 2012-13.

Pending the order of CESTAT, Ahmedabad, the amount of Rs. 15 lacs paid is shown as "Advance" and no provision is made in respect of demand of Rs. 2.95 Crores.

4. Related Party Disclosure :

Gujarat Industrial Development Corporation is a wholly owned corporation of Government of Gujarat. Hence is a state controlled enterprise as defined in "Para 9" of Accounting Standard AS 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India. Thus no disclosure is required, keeping the spirit of the accounting standard in mind.

5. Segment Reporting :

Having regard to nature of activities of the corporation, it does not have reportable segment as defined in Accounting Standard AS-17 "Segment Reporting". Hence no disclosure is required in respect thereof.

6. Acquisition of Assets & Liabilities of Gujarat Growth Development Corporation Limited:

As per the agreement executed between GIDC & Gujarat Growth Development Corporation Limited (GGDCL) on 17/10/2008, and as per letter no. GGC/112002/965/I dtd. 22/07/2005 of GoG, the functions, activities, assets & Liabilities, activities & establishment of GGDCL are transferred with effect from 1/04/2006 to GIDC. Further income & expenses (except depreciation) during the period 01/04/2006 to 31/03/2014 and assets & liabilities as on 01/04/2006 are incorporated in the books of the corporation on the basis of unaudited accounts of GGDC.

7. Confirmation of balances :

The balance of Sundry Debtors, Debit/Credit Balance and Creditors are subject to confirmation and subsequent reconciliation, if any, at corporation level.

8. Non-Agriculture assessment:

In respect of Non-Agriculture Assessment charges, (NAA) the demand is raised by the Revenue Department for the period covering July to June every year. The Corporation makes the payments of NAA charges on receipt of demand every year and any amount remaining unpaid as on 31st March, is provided in the Books of Accounts. No amount had remained unpaid as on 31/03/2014 for which demand is received.

9. Employees Remuneration & Benefits:

Disclosure in respect of Gratuity and Leave encashment as required by Accounting Standard AS - 15 "Employees Benefits" is as under :-

Particulars	Gratuity Current Year (13-14)	Previous Year (12-13)	Leave Salary Current Year (13-14)	Previous Year (12-13)
a) Assumptions				
Discount Rate Current Period	8.90%	8.00%	8.90%	8.00%
Rate of Return on Plan Assets Current Period	9.00%	9.00%	---	---
Salary Escalation Current Period	7.00%	7.00%	7.00%	7.00%
b) Table showing change in benefit obligation				
Opening defined benefit obligation	446404337	418812263	279996589	259924895
Interest Cost	32072734	32655160	21710228	20901969
Current Service Cost	15530066	15837453	9090784	6495844
Past Service Cost	---	---	-1416351	---
Benefit Paid	-90990321	-45984293	-17237483	-13135389
Actuarial Loss/(gain) on Obligations	52875487	25083754	-2448601	5809270
Liability at the end of the period	455892303	446404337	289695166	279996589
c) Table showing change in Fair Value of Plan Assets				
Fair Value of Plan Assets at the beginning of the period	406517052	405992682	---	---
Expected Return on Plan Assets	35141898	-12522949	---	---

Particulars	Gratuity Current Year (13-14)	Previous Year (12-13)	Leave Salary Current Year (13-14)	Previous Year (12-13)
Contributions	58887285	18719581	---	---
Benefit Paid	-90990321	-45984293	---	---
d) Actuarial gain/(loss) on Plan Assets	3621508	6126667	---	---
Adjustment to fund	---	---	---	---
Fair Value of Plan Assets at the end of the period	413177422	406517052	---	---
Actual Gain/loss recognized				
Actuarial (gain)/loss on obligations	52875487	25083754	-2448601	5809270
Actuarial gain/(loss) on Plan Assets	3621508	6126667	0	0
Net Actuarial (gain)/loss recognized during the year	49253979	18957087	-2448601	5809270
e) Amount recognized in Balance Sheet				
Liability at the end of the period	455892303	446404337	289695166	279996589
Fair Value of Plan Asset at the end of the period	-413177422	-406517052	---	---
Amount recognized in the Balance Sheet	42714881	39887285	289695166	279996589
f) Expense recognized in the Income Statement				
Current Service cost	15530066	15837453	9090784	6495844
Adjustment to opening assets	---	12522949	-1416351	---
Interest cost	32072734	32655160	21710228	20901969
Expected return on Plan Asset	-35141898	-34185364	---	---
Net Actuarial Loss/(gain) to be recognized	49253979	18957087	-2448601	5809270
Expense recognized in Income & Expenditure Accounts	61714881	45787285	26936060	33207084

10. Amount recoverable on account of PL Account from Government :

The amount deposited in Personal Ledger Account (PL Account) of State Government before 2002 were taken over by the Treasury Office Gandhinagar as revenue receipts of the State Government. As this amount was recoverable from State Government by the Corporation it was shown as "Amount recoverable on account of PL Account from Government". Out of Rs. 90 crore of earlier years an amount of Rs.62.20 crore had been adjusted against payable amount of N.A. charges and subsidy amount. Remaining amount of Rs.27.80 crore is yet to be adjusted which has been shown under the head "Loans & Advances".

11. Dues from allottees of Plots/Sheds .:

GIDC is empowered under Gujarat Public Premises Act 1972 (GPP-Act) to recover the dues from the allottees as arrears of land revenue. In the light of powers available to GIDC under GPP Act as well as having regard to agreement entered into between GIDC and allottees as well as counter agreement executed with Industries Association all the dues from allottees of Plots/Sheds are considered as good and recoverable.

Previous year's figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year's figures.

12. Stock :

In respect of stock of Rs. 9.10 lakhs of damaged cement lying at various Sub-Division offices since 1991-92 onwards the examination of the matter is under progress and necessary provisions for write-off will be made on completion of examination and after obtaining approval of appropriate authority. Further in respect of stocks of Rs 29.38 lacks lying at various sub division offices since long and considered as unserviceable necessary provisions have been made in the accounts.

13. Infrastructure Up gradation Fund:

As decided in 446th meeting of Board of Directors of the Corporation which was held on 20-01-2010 a fund in the name of "Infrastructure Up gradation Fund" has been created against corporations' share towards Critical Infrastructure Project expenditure in various estates. Accordingly amount of Rs. 4436.55 lakhs (previous year Rs. 5834.42 lakhs) receivable from allottees during the year is adjusted against the expenditure account head "M & R - Corporation's Share for Critical Infrastructure"

14. Installments of premium on lease of plot and land for shed :

Installments of premium on lease of plot and land for shed include - installments due during the year, Capital receipts received as down payments during the year on fresh allotments and capital receipts received during the year in cases where allottees have made payment of balance capital amount.

15. Deposits on application for allotment of plots sheds etc :

Deposits on application for allotment of plots / sheds / housing quarters/ godowns / shops / canteens etc included under the head Current Liabilities and Provisions in balance sheet will be adjusted against the price at the time of allotment of plots / sheds etc.. In case applicant applies for refund or Corporation does not allot the required property to the applicant said deposit will become refundable.

16. Fixed deposits/N.S.C. taken as security deposit:

Fixed deposits / N.S.C. taken as security deposit from contractors /suppliers are in the name of concern party. The Corporation does not have beneficial interest in the said fixed deposit / N.S.C. and is a custodian thereof. Hence these are not accounted for in the books of accounts.

17. Implementation of Critical Infrastructure Project:

The corporation is the Nodal Agency for implementation of Critical Infrastructure Project (CIP) in various Industrial estates in Gujarat. During the year the corporation incurred the expenditure of Rs 74.38 crores in Critical Infrastructure Project. As per the Industrial Policy 2009 recoverable contribution is 60% to 50% from GoG in from of subsidies and from the beneficiaries (Industrial Association) contribution is 5% to 25% and remaining was the contribution of the corporation ranging 25% to 35%.

18. Previous year's figures:

Previous year's figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year's figures.

sd/-

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