



Madhukar Hegde & Co
Chartered Accountants

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**AUDIT REPORT OF KARNATAKA STATE SOUHARDA FEDERAL
CO-OPERATIVE LTD., BANGALORE FOR THE YEAR ENDING
31ST MARCH 2009.**

1. Name and address of the Organisation:

Karnataka State Souharda Federal Co-operative Ltd., # 132, K H Road, Bangalore-27.

2. Registration Number and Date:

RSR:SOU/ACT/136/Regn:051/2001-02 dated 04.01.2002 (The Registrar of Karnataka Souharda Co-operatives Bangalore).

3. Names and Designation of Executives:

a) Sri. Vishwanath C Hiremath	:	President
b) Sri. Sateeshchandra S R	:	Vice-President
c) Sri. Narayana Hegde	:	Managing Director

4. Period of Audit:

01.04.2008 to 31.03.2009

5. Compliance Report:

The Souharda Federal Co-operative has submitted compliance report for the last year audit report.

6. Membership:

The total number of banks and Cooperatives registered under Souharda Act as on 31.03.2009 was 1130 whereas it was 957 as on 31.03.2008.

Following is the details of member co-operatives for the last three years.

Sl.No	Particulars	31.03.2007	31.03.2008	31.03.2009
1	Banks	19	19	19
2	Credit Co-operatives	468	574	692
3	Housing Co-operatives	5	5	5
4	Thriffs	139	145	148
5	Others	173	214	266
	Total	804	957	1130

The membership of the federal co-operative has gone up by 173 during the year 2008-09. The growth in membership during the year was about 18.08% when compared to last year.

7. Physical verification of cash:

We have verified the cash maintained at the Federal Co-operative during the course of our audit and found that the physical cash agreed with the book balance.

8. Borrowings:

Government Loan:

The Government of Karnataka, vide G O No. CMW176 CLM, 2003, Bangalore, dated 31.10.2003, has sanctioned interest free loan of Rs.10,00,000/- to the Federal Co-operative towards initial establishment cost. A floating charge has been created on the assets (both movable and immovable) against the above said loan. The same has been received by the federal co-operative on 6.3.2004. As per the terms of sanction, the same requires to be repaid in 10 equal annual instalments of Rs.1,00,000/-. The Federal Co-operative has repaid fifth instalment of Rs.1,00,000/- in the month of October 2008.

9. Co-operative Education Fund 2%:

The Federal co-operative has collected 2% Education Fund from member co-operatives on behalf of Karnataka State Co-operative Federation. The part amount has already been remitted to the federation and the remaining balance yet to be remitted, as on 31.03.2009 was Rs.8431096.05. The same has been shown as liability in the balance sheet of Federal co-operative. The opening balance in this account as on 01.04.2008 was Rs.4989586.65. This has been shown as payable under liabilities side.

The following are the details of the same

Mahamandala	Rs.2041718.17
2% Education Fund 2006-07	Rs.3073421.24
2% Education Fund 2007-08	Rs.3315956.64
Total	Rs.8431096.05

It is advised to remit the same to Mahamandala.

10. Education Fund 1%:

The Federal co-operative had accumulated balance of education fund 1% of Rs.6078475.52 as on 01.04.2008. During the year it has received Rs.3867812.49 towards 1% education fund from member co-operatives. Out of the total amount, an amount of Rs.1914167.62 has been transferred to income account and remaining balance of Rs.8032120.39 has been shown as liability in the balance sheet as on 31.03.2009.

The following are the details of the same.

Education Fund 2005-06	Rs.1573068.77
1% Education Fund 2006-07	Rs.2999255.38
1% Education Fund 2007-08	Rs.3459796.24

Total	Rs.8032120.39

11. Government Grants and Loans:

The Federal Co-operative had availed interest free loan of Rs.10,00,000/-, from State Government during the year 2003-04 and has repaid fifth instalment of Rs.100,000/- during the year and the balance outstanding as on 31.3.2009 was Rs.500,000/-.

12. Provision for expenses:

The following provisions have been made as on 31.3.2008.

- Provision for FBT Rs.3460.00
- Audit Fee Rs.55150.00
- Provision for Expenses Rs.50000.00

Provision for FBT:

The Federal Co-operative has made provision of Rs.3460/- towards fringe benefit tax payable as on 31.03.2009. It is advised to remit fringe benefit tax in advance as per the provisions of Income Tax Act, 1961.

Audit Fee:

The Federal Co-operative has made provision of Rs.55150/- including service tax and other expenses for the statutory audit for the year 2008-09.

Provision for Expenses:

The Federal Co-operative has made adhoc provision of Rs.50000/- towards general expenses including additional salary payable to acting Managing Director.

13. Bank Reconciliation and Balance Confirmation:-

The reconciliation statements for all the bank accounts have been prepared and they are in order. Confirmations of balances as on 31.03.2009 obtained from all banks.

14. Investments:

The Federal co-operative held the following investments as on 31.03.2009.

Particulars	Cost (Rs)	Maturity (Rs)	Date of Maturity
0% IDFC 2026	2,50,000/-	10,00,000/-	17.01.2026
0% IIBI 2028 Bonds	15,00,000/-	60,00,000/-	08.09.2028
Investment in SIFS Ltd	5,60,000/-	----	-----

Investments in IDFC Bonds:

The Federal co-operative has invested in 0% IDFC bonds to the extent of Rs.250000/-. As per the FIMMDA valuation the market price as on 31.03.2009 was Rs.253800/-, whereas the market price as on 31.03.2008 was Rs.235000/- and hence excess provision of Rs.15000/- created during 2007-08 reversed during the year and balance amount of Rs.3800/- recognised as income during the year.

Investments in IIBI 2028 Bonds:

The market value of 0% IIBI 2028 bonds as per FIMMDA as on 31.03.2009 was Rs.1360800/- whereas the market price of the same as on 31.03.08 was Rs.1260000/- and hence excess provision of Rs.100800/- created during 2007-08 reversed during the year.

Investments in SIFS:

The Federal Co-operative has invested Rs.5,60,000/- in Souharda Integrated Financial Services Ltd during 2007-08.

It is advised to collect the audited balance sheet of the company as on 31.03.2009.

It is advised to invest the funds in high yielding securities with in the provisions of K S S Act, 1997.

15. Fixed Deposits:

- The Federal co-operative has invested Rs.25,13,230/- in fixed deposits with Shushruthi Co-op Bank as on 31.03.2009.
- Investment in ING Vysya Bank Fixed Deposits was Rs.5670160.21 as on 31.03.2009

16. Fixed Assets:

Following are the details of fixed assets held as on 31.03.2009. (Amount in Rupees)

Computer	44110.00	
Computer-Software	11216.00	
Computer- Education	1151265.00	
Furniture & Fixtures	297331.00	
Office Equipment	110300.00	
Vehicle	697286.00	

Total	2311508.00	
Less: Depreciation	<u>534248.00</u>	17,77,260.00

The Federal Co-operative has purchased 25 Laptops during the year.

17. Staff Advances:

Following are the details of advances outstanding as on 31.03.2009.

Salary Advance- Bhavan Rao	Rs.31166.00
Salary Advance- Shobha	Rs.20000.00

18. Other Advances:

Following are the details of other advances as on 31.03.2009. (Amount in Rupees)

Advance- SAP (K)	1601692.76
Suspense Vinivinc	263196.00

Advance- SAP (K):

The Federal co-operative has promoted SAP (K) during the year 2006-07 for the benefit of member co-operatives. It had paid Rs.973232.76 as advance up to 31.03.2008. During the year it has given further advance of Rs.628460/- and the balance recoverable as on 31.03.2009 was Rs.1601692.76

It is advised to recover the amount paid to the above institution at the earliest.

Suspense Vinivinc:

The Federal co-operative had spent Rs. 223046/- in connection with the administration of Vinivinc Souharda Co-operative Ltd up to 31.03.2008 and during the year it had incurred Rs.40150/- towards legal expenses and liquidator's salary and the balance amount recoverable as on 31.03.2009 was Rs.263196.

It is advised to recover the same at the earliest.

19. Other Assets:

Following are the details of other assets held on 31.03.2009.

	Amount (Rs)	
Rent Deposit	150,000.00	
Internet Deposit	3,400.00	
KSCUBF	25,000.00	
TDS Due	107,592.00	
Coffee Machine Deposit	5,000.00	
Telephone Deposit	<u>6,000.00</u>	2,96,992.00

KSUBF:

The Federal Co-operative has conducted Sahakari Saphaha at Hospet jointly with Mahamandala and Karnataka State Co-operative Urban Bank's Federation. The KSCUBF has to pay Rs.25000/- as its share for the above said programme and the same has been shown as receivable as on 31.03.2009.

It is advised to collect the same at the earliest.

TDS Due:

The following are the details of TDS Due as on 31.03.2009

TDS for the year 2007-08	Rs. 28765.00
TDS for the year 2008-09	Rs. 78827.00
Total	Rs.107592.00

20. Board of Directors:

The election to the present board of directors was held during March 2006. The total number of directors of the Federal Co-operative as on 31.03.2009 was 24 including one special invitee. The present board took charge from 01.04.2006 and has tenure up to 31.03.2011. The list of directors and their attendance at board meetings has been annexed to this report.

21. Board Meetings:

On our verification of minutes of the meetings we found that seven board meetings were held during the year 2008-09. The meetings were held as per the provisions of byelaw of the Federal Co-operative. It is stated that none of the directors was absent for three consecutive meetings without leave of absence.

22. Board Meeting and Chairman Expenses:

Following expenses were incurred towards board meetings and chairman expenses during the year 2008-09.

Board Meeting Allowances	Rs. 698509.00
Materials and Management	Rs. 101501.00
Travelling Expenses	Rs. 87411.00
Chairman's Quarter Rent	Rs. 52800.36
Honorarium to Chairman	Rs. 120000.00
Chairman's Vehicle Expenses	Rs. 208043.00

Total	Rs.1268264.36

23. Education Fund Income/ Expenses:

As per the bye laws of the federal co-operative, 1% of education fund has been recognised as income only to the extent of the expenditure incurred towards education purposes and the remaining amount is shown as liability. The amount transferred to education fund income during the year was Rs.1914167.62. Hence there is no surplus or shortage in education fund group.

24. Workshops:

The Federal co-operative has organised 7 promotional workshops and 8 other workshops covering various aspects during the year for the benefit of member co-operatives.

25. Dead Stock Register:

The Federal Co-operative has maintained the register for fixed assets and entries have been incorporated for the purchases made during the year. However, we have noticed that some of the purchases made during earlier years have not been incorporated in this. It is advised to maintain the register systematically by allocating separate page for each block of asset.

26. Vehicle Log Book:

It is observed that the Federal Co-operative has maintained logbook for the maintenance of Vehicle.

27. Fringe Benefit Tax:

The Federal Co-operative has made provision for the fringe benefit tax as per the provisions of Income Tax Act to the extent of Rs.3460/- as on 31.03.2009. It is advised to remit FBT in advance as per the provisions of Income Tax Act.

28. E-TDS:

It was observed that the Federal co-operative has filed E-TDS returns on quarterly basis as per the provisions of the Income Tax Act and returns have been filed up to 31.03.2009.

29. Budget vs Actual:

On our scrutiny of the budget for the year 2008-09 and actual expenses incurred during the year, we have observed that some of the expenditures have exceeded the budget and the same needs to be ratified by the general body.

30. Defaulters:

The Federal Co-operative has prepared list of defaulters as on 31.03.2009 and as per the list prepared 473 member co-operatives have defaulted in payment of fees and other funds. The list of the same has been enclosed to this report.

Place: Bangalore
Date: 10.05.2009.

For Madhukar Hegde & Co
Chartered Accountants

(Madhukar G Hegde)
Proprietor

MADHUKAR HEGDE & CO
CHARTERED ACCOUNTANTS

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To,
The Members,
Karnataka State Souharda Federal Co-operative Ltd.,
Bangalore.

We have audited the attached balance sheet of Karnataka State Souharda Federal Co-Operative Ltd., Bangalore as at 31st March, 2009 and Income & Expenditure account for the period ended on that date. These financial statements are the responsibility of the Management of the Federal Co-operative. Our responsibility is to express an opinion on these financial statements based on our Audit.

We have conducted the Audit in accordance with the Audit Standards generally accepted in India. Those standards require that we plan and perform the Audit to obtain the reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on text basis, evidence supporting the evidence 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 financial statements presentation, we believe that our Audit provides reasonable basis for our opinion.

Balance Sheet and Income & Expenditure Account have been drawn up in prescribed forms under the Karnataka Souharda Sahakari Act, 1997, and are in conformity with the generally accepted Accounting Principles in India.

To the best of our knowledge and according to information & explanation given to us and as shown by the books of the co-operative and read together with the accounting policies, 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 audit.
2. In our opinion, proper books of account as required by law have been kept by the federal co-operative so far as it appears from our examination.
3. The Balance sheet and Income and Expenditure account dealt with by this report are in agreement with the books of account and are drawn up in conformity with the law.

4. the transaction of the federal co-operative, which have come to our notice, have been within the competence of the federal co-operative,

5. Subject to :

Notes forming part of the accounts and our comments & observations contained in the audit memorandum.

We report that in our opinion and to the best of our information and according to the explanation given to us, the accounts give a true and fair view.

- a) In the cases of Balance sheet, the state of affairs of the Federal Co-operative as at 31st March, 2009 and
- b) In case of Income & Expenditure Account, of the excess of income over expenditure for the year ended on that date.

For Madhukar Hedge & Co.,
Chartered Accountants

Place : Bangalore
Date : 10.05.2009

Madhukar G Hegde
Proprietor.

Karnataka State Souharda Federal Co-Operative Ltd. #132, K.H.Road, Bangalore - 560 027. Balance Sheet as at 31st March 2009							
31-03-2008	Liabilities	Sch.	31-03-2009	31-03-2008	Assets	Sch.	31-03-2009
	General Fund			1,144,197.00	Fixed Assets	3	1,777,260.00
23,692.92	Opening Balance 46963.53						
23,270.61	Add: Surplus for the year 20124.47		67,088.00	5,937,131.29	Investments	4	10,357,990.21
	Borrowings				Current Assets Loans and Advances		
600,000.00	Loan from State Government		500,000.00	5,422.00	Cash in Hand		5,700.00
	Current Liabilities and Provisions			3,169,418.65	Cash at Bank	5	2,784,917.47
11,088,624.17	Co-op. Education Fund	1	16,463,216.44	1,292,417.76	Loans and Advances	6	1,916,054.76
44,328.00	Audit Fee Payable		55,150.00	252,225.00	Other Assets	7	296,992.00
240.00	Professional Tax Payable		-				
20,656.00	Provision for Expenses	2	53,460.00				
11,800,811.70	Total		17,138,914.44	11,800,811.70	Total		17,138,914.44

Note: Figures have been regrouped for previous year where necessary.

For Karnataka State Souharda Federal Co-Operative Ltd.

President

Managing Director

CERTIFICATE: Certified that we have audited the accounts of the Karnataka State Souharda Federal Co-Operative Ltd., Bangalore for the year 2008-09 as produced for the audit by the Managing Director and other staff of the Federal and obtained information and clarification during course of audit. In our opinion and to the best of our knowledge the above Balance Sheet exhibits true and fair view of the financial position of the Federal subject to the remarks narrated in the Audit Report.

For Madhukar Hegde & Co.
Chartered Accountants

(Madhukar G. Hegde)
Proprietor

Place: Bangalore
Date : 10-05-2009

Karnataka State Souharda Federal Co-Operative Ltd.
#132, K.H.Road, Bangalore - 560 027.

Income and Expenditure Account for the year ending 31st March 2008

31-03-2008	Particulars	Sch	31-03-2009	31-03-2008	Particulars	Sch.	31-03-2009
717,907.00	Board Meeting/ Directors Expenses	8	1,060,221.36	2,156,635.00	Annual Membership Fee	18	2,806,243.00
172,340.00	Office Expenses	9	208,534.65	270.00	Other Income	19	-
733,362.00	Salary	10	598,430.00	300,461.94	Interest Income		-
137,499.33	Telephone, Courier & Postage	11	144,014.52	1,883,751.11	Education Fund Income	20	2,776,727.39
83,466.00	Vehicle Expenses	12	208,043.00				
74,809.00	Printing and Stationery		131,016.00				
8,128.00	Travelling Expenses	13	7,954.00				
52,350.00	Rent, Electricity, Water	14	59,400.00				
129,129.00	General Body Expenses		96,127.00				
76,965.00	Professional Charges	15	92,327.00				
248,141.00	Depreciation	16	180,051.00				
1,883,751.11	Education Fund Expenses	17	2,776,727.39				
23,270.61	Excess of Income over Expenditure		20,124.47				
4,341,118.05	Total		5,582,970.39	4,341,118.05			5,582,970.39

Note: 1% Education fund transferred to Education fund income account to the extent of expenditure incurred towards the said objectives and remaining balance shown as liability.

For Karnataka State Souharda Federal Co-Operative Ltd.,

For Madhukar Hegde & Co.
Chartered Accountants

President

Managing Director

(Madhukar G. Hegde)
Proprietor

Place: Bangalore
Date : 10-05-2009

Schedules for Balance Sheet and Income and Expenditure Account for the year ending 31-03-2008

1 Co-Operative Education Fund			10 Salary		
Education Fund 2005-06	1,573,068.77		Salary	593,850.00	
1% Education Fund 2006-07	2,999,255.38		Driver Daily Allowance	4,580.00	598,430.00
1% Education Fund 2007-08	3,459,796.24		11 Telephone, Courier & Postage		
Mahamandala	2,041,718.17		Telephone Charges	60,496.52	
2% Education Fund 2006-07	3,073,421.24		Postage	83,518.00	144,014.52
2% Education Fund 2007-08	3,315,956.64	16,463,216.44	12 Vehicle Expenses		
2 Provisions			Petrol Expenses	106,354.00	
Provision for Expenses	50,000.00		Vehicle Expenses- Admin	101,689.00	208,043.00
Fringe Benefit Tax	3,460.00	53,460.00	13 Travelling Expenses		
3 Fixed Assets			Travelling Expenses	6,266.00	
Computer	44,110.00		Local Conveyance	1,688.00	7,954.00
Computer-Software	11,216.00		14 Rent, Electricity, Water		
Computer- Education	1,151,265.00		Office Rent	59,400.00	59,400.00
Furniture and Fixtures	297,331.00		15 Professional Charges		
Office Equipments	110,300.00		Legal Expenses	37,177.00	
Vehicle	697,286.00		Audit Fees	55,150.00	92,327.00
	2,311,508.00		17 Education Fund Expenses		
Less: Depreciation	534,248.00	1,777,260.00	Sahakara Saphaha Expenses	13,102.00	
4 Investments			Books and Periodicals	6,240.00	
Investment in SIFS Ltd	560,000.00		C A Meeting Expenses	157,552.00	
0% IIBI 2028 Bonds	1,500,000.00		Computer Maintenance- Edu	13,904.00	
0% IDFC 2026	253,800.00		Depreciation- Education	354,197.00	
FD with Shushruthi Bank	2,513,230.00		Local Conveyance- Education	2,360.00	
FD with ING Vysya Bank	5,670,160.21		Office Expenditure- Education	24,194.00	
	10,497,190.21		Office Rent- Education	59,400.00	
Less: Provision for investments	139,200.00	10,357,990.21	Postage- Education	51,188.00	
5 Cash at Bank			Printing and Stationary	236,439.00	
Canara Bank, Shantinagar	2,258,146.52		Professional Charges- Edun	22,000.00	
ING Vysya Bank SB A/c	440,672.72		Promotional Expenses	25,000.00	
ING Vysya Reserve A/c	76,363.25		Publicity	40,360.00	
Shushruti Bank C/A -36	9,734.98	2,784,917.47	Public Relation	53,796.00	
6 Loans and Advances			Salary- Education	332,026.00	
Salary Advance - Shobha	20,000.00		Samalochana Sabhe Expenses	62,067.00	
Salary Advance - Bhavan Rao	31,166.00		Samavesha Expenses	947,959.00	
Suspense- Vinivinc	263,196.00		Telephone, Telex- Edun	37,167.89	
SAP (K)	1,601,692.76	1,916,054.76	Workshop Expenses	337,775.50	2,776,727.39
7 Other Assets			18 Annual Membership Fee		
Rent Deposit	150,000.00		Annual Fee- 2004-05	1,000.00	
Internet Deposit	3,400.00		Annual Fee- 2005-06	250.00	
KSUBF	25,000.00		Annual Fee- 2006-07	17,250.00	
TDS Due	107,592.00		Annual Fee- 2007-08	258,000.00	
Telephone Deposit	6,000.00		Annual Fee- 2007-08	2,529,743.00	2,806,243.00
Coffee Machine Deposit	5,000.00	296,992.00	19 Other Income		
8 Board Meeting/ Directors Expenses				-	-
Board Meeting Allowances	698,509.00		21 Education Fund Income		
Board Meeting Expenses	101,501.00		Education 1% transfer	1,914,167.62	
Chairman's Quarter Rent	52,800.36		Other receipts	29261.14	
Travelling Expenses - Director	87,411.00		ING Vysya Interest Income	407134.63	
Honourarium to Chairman 07-08	120,000.00	1,060,221.36	Canara Interest Income	267044.00	
9 Office Expenses/ Other Expenses			Interest on Investment	3800.00	
Fringe Benefit Tax	26,620.00		Interest Income	17520.00	
Bank Charges	1,255.15		Write back of excess provision	115800.00	
Computer Maintainance	47,028.00		Workshop Delegation Fee	22000.00	2776727.39
New India Assurance Co.Ltd.,	4,067.00				
Office Maintainance	41,258.50				
Loss on Sale of Assets	6,400.00				
Provisions & Contingencies	50,000.00				
Inspection Expenses	31,906.00	208,534.65			

**KARNATAKA STATE SOUHARDA FEDERAL CO OPERATIVE LTD.,
132, K H ROAD, BANGALORE-27.**

Schedule for Fixed Assets and Depreciation as on 31.03.2009 - 16

Name of the Asset	WDV as on	Additions made		Deletion	Gross Block as on 31.3.2008	Depreciation		WDV as on
	31-03-2008	Before Oct-3	After Oct-3			Rate	Amount (Rs)	31-03-2009
Computer	41760.00	-	2,350.00	-	44110.00	60%	25761.00	18349.00
Computer Software	11216.00	-	-	-	11216.00	60%	6730.00	4486.00
Furniture & Fixtures	264825.00	-	32,506.00	-	297331.00	10%	28108.00	269223.00
Office Equipment	99720.00	-	22,480.00	11,900.00	110300.00	15%	14859.00	95441.00
Vehicle	697286.00	-	-	-	697286.00	15%	104593.00	592693.00
Total	1114807.00	-	57,336.00	11,900.00	1160243.00		180051.00	980192.00
Computer-Education Fund	29,390.00	-	1,121,875.00	-	1151265.00	60%	354197.00	797068.00
TOTAL	1144197.00	-	1179211.00	11900.00	2311508.00		534248.00	1777260.00

Notes on Accounts:

1) Basis of accounting:

The accounts are prepared under the historical cost convention on accrual basis as a going concern except as stated in note No.2. The bank follows accounting policies consistently in accordance with the provisions of Karnataka State Souharda Act 1997.

2) Revenue recognition:

Income was recognised on mercantile basis and expenditure on accrual basis.

3. Depreciation on Fixed Assets:

Depreciation has been charged as per the Income Tax Act on all assets as on 31.03.2009.

4. Investments:

Investments are shown at market value as on 31.03.2009.

5) Estimated Amount of commitment for capital expenditure not provided – Nil
Previous year – Nil

6) There are no contingent liabilities as on 31.03.2009.

For Madhukar Hegde & Co.
Chartered Accountants

For Karnataka State Souharda Federal Co-operative Ltd

(Madhukar. G Hegde)
Proprietor

President

Managing Director

Place: Bangalore
Date: 10/05/2009.