

PTC India Limited

ACCOUNTING POLICIES

1. Basis of preparation of Accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

2. Fixed Assets

- i. Fixed Assets are stated at original cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses related to acquisition, installation and commissioning. Expenses incurred on tangible/intangible assets are carried forward as Capital Work In Progress at cost till the same are ready for use.
- ii. Depreciation is provided on Written Down Value method as per the rates and in the manner prescribed in the Schedule XIV to the Companies Act, 1956. Assets costing upto Rs. 5,000/- are fully depreciated in the year of capitalization.
- iii. Computer software recognized as intangible asset is amortised on straight line method on pro-rata basis over a year of three years.
- iv. Capital expenditure on assets not owned by the Company is reflected as distinct item in Capital work-in-progress till the period of completion and thereafter in the Fixed Assets and is amortised over a period of 3 years.
- v. No amortization is provided for in case of leasehold land on perpetual lease. Other Leasehold land are amortised over the lease period.

3. Revenue

- i. Revenue from sale of power is accounted for based on rates agreed with the beneficiaries, excluding service charges wherever separately indicated in the agreement.
- ii. Service charges include transaction fee charged under the contracts of purchase and supply of power.
- iii. Revenue in the form of Management and/or Success Fee for services rendered in relation to development work of Potential Power Projects is recognised when such fee is assured and determinable under the terms of the respective contract.
- iv. The surcharge on late/non-payment of dues by sundry debtors for sale of energy is not treated as accrued due to uncertainty of its realization and is, therefore, accounted for on receipt basis.
- v. Consultancy income is recognized proportionately with the degree of completion of services.

4. **Expenditure**

- i. Developmental expenditure incurred in relation to potential Power Projects up to 31st March, 2003 are being carried forward as Deferred Revenue Expenditure and is written off equally in five years beginning with the financial year 2003-04. Such expenditure inter-alia include payments to consultants, legal expenses, salaries and allowances to employees engaged in the developmental activities, other direct expenses and allocation of common expenses in proportion to the employee cost and is net of incidental revenue arising from sale of tender documents, processing fee, etc.
- ii. Prepaid and prior-year items up to Rs. 5000/- are accounted to natural heads of accounts.
- iii. Deferred revenue expenditure incurred up to 31st March 2003 is written off equally in five years beginning with the year of its incidence.

5. **Employee Benefits**

i. **Short Term Benefits**

Employee benefits (other than post employment benefits) which fall due wholly within twelve months after the end of the year in which the employees render the related service are recognized at the amount expected to be paid for it.

ii. **Post Employment Benefits**

Defined contribution plans

Liability in respect of defined contribution plans are accounted for to the extent of contributions paid/payable to the separate entity/trust/fund.

Defined Benefit plan

- (a) Liability in respect of defined benefit plans is accounted for on actuarial valuation basis at the year/year end.
 - (b) Actuarial gains and losses are recognized in the statement of profit & loss in the year of its occurrence.
- iii. Liability in respect of gratuity, leave encashment and provident fund of employees on deputation with the company are accounted for on the basis of terms and conditions of deputation of the parent organizations.

6. **Foreign Exchange**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Liability / receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year and gains / losses thereon are taken to the Profit & Loss Account.

7. **Employee Stock option based compensation**

The excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option plan is recognize as deferred stock compensation cost and amortized over the vesting period, on a straight line basis.

8. **Investments**

- i. Long term investments are carried at cost less provision, if any, for permanent diminution in the value of such investments. Short term investments are carried at lower of cost or fair value.
- ii. Equity stock futures are recognized at the end of the year/year in the books to the extent of initial/Mark to Market margin paid/received. Equity stock futures are carried at cost where they are used as an instrument for hedging and independent open positions of Equity stock futures are being carried at lower of cost or fair value.
- iii. Equity index/stock options are recognized at the end of the year/year in the books to the extent of premium paid. Equity index/stock options are carried at cost where they are used as an instrument for hedging and independent open positions of Equity index/stock options are being carried at lower of cost or fair value.