

PTC INDIA LIMITED, ITS SUBSIDIARY AND ASSOCIATE

ACCOUNTING POLICIES

1. Group Companies

PTC India Limited (The Company) has two subsidiaries, and seven associate companies and one joint venture, all incorporated in India (The Group) as follows:

Sl.No.	Name of Company	Relationship	Percentage of ownership interest as on 31.12.08
1.	PTC India Financial Services Limited	Subsidiary	60%
2.	PTC Energy Ltd	Subsidiary	100%
3.	Barak Power Private Limited	Joint Venture	50%
4.	Athena Energy Ventures Private Limited	Associate	20%
5.	Krishna Godavari Power Utilities Limited	Associate	43.78%
6.	RS India Wind Energy Private Limited	Associate	37%
7.	Varam Bio Energy Private Limited	Associate	26%
8.	Indian Energy Exchange Limited	Associate	26%
9.	Teesta Urja Limited	Associate	33%
10.	Ind-Barath Powergencom Limited	Associate	26%

2. Basis of preparation of Accounts

- i. The consolidated financial statements of the group 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.
- ii. The financial statements of the parent company and the subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balance/transactions in full as per Accounting Standard-21 on Consolidated Financial Statements.
- iii. The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be. Goodwill arising on consolidation is amortized over a period of 5 years.
- iv. Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders. Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

- v. Investments in Associate are accounted for using the equity method as per Accounting Standard-23 on Accounting for Investments in Associates in Consolidated Financial Statements. All unrealized surplus and deficit on transactions between the group companies are eliminated.

3. **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 period 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.

4. **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.

5. **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-period 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.
- iv. Preliminary expenses and pre-operative expenses (net off of pre-operative incomes) shall be charged off to Profit & Loss Account in the year of commencement of business.

6. **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 period 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/period 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 group are accounted for on the basis of terms and conditions of deputation of the parent organizations.

7. **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.

8. **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.

9. **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. Securities held as stock for trade are valued at lower of cost or market value.
- iii. Equity stock futures are recognized at the end of the year/period 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.
- iv. Equity index/stock options are recognized at the end of the year/period 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.