SCHEDULE 20: SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of preparation of Accounts:**

The financial statements have been prepared to comply in all material respects with the notified accounting standards as per Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed below, are consistent with those used in the previous year.

2. **Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. **Fixed Assets**:

a) Fixed Assets are stated at historical cost less depreciation. Cost of acquisition is inclusive of taxes, Interest during construction, duties, freight, installation and allocated incidental expenditure during construction/acquisition attributable to bring the assets to their working condition for their intended use.

b) Intangible assets are recorded at their cost of acquisition.

c) In case of commissioned assets where final settlement of bills with contractors is yet to be effected, capitalization is done on provisional basis subject to necessary adjustments in the year of the final settlement.

d) Assets and systems common to more than one transmission system are capitalized on the basis of technical estimates and/or assessments.

4. **Depreciation:**

4.1 Depreciation on Fixed Assets is provided on straight line method in terms of rates specified in Schedule XIV of the Companies Act 1956 except that computers acquired are depreciated at the rate of 33.40% per annum. Further, as per the policy of the Company, the new vehicles purchased for the officers of the company shall be transferred to the said officers after 5 years at NIL value and therefore the depreciation on those vehicles is charged @ 18% instead of @ 9.50% as general rate applied to other vehicles.

4.2 Assets costing up to Rs. 5000/- are fully depreciated in the year in which they are put to use.

4.3 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of price adjustment, change in duties or similar factors, the unamortized balance of such assets is adjusted for such change and depreciated prospectively over the residual useful life determined on the basis of the rate of depreciation.

4.4 Computer software recognized as intangible asset is amortized on straight line method over a period of 3 years.

4.5 Depreciation charged on an asset shall cease from the year following the year in which:

i) the year's depreciation along with the depreciation charged in the previous year(s) becomes equal to 95 % of the cost of the asset, or

ii) the asset permanently ceases to be used by the Company whichever is earlier.

4.6 Leasehold Land & Buildings which are up to the lease of 30 years are amortized over the lease period. Leasehold land and buildings, whose lease period is yet to be finalized, are amortized over a period of 30 years.

4.7. In the case of ERP system, the cost of hardware is depreciated @ 33.40% and the software has been treated as intangible asset and is depreciated over a period of three years.

5a. Capital Work-in-Progress:

5.1 Treatment of Borrowing cost during construction:

Borrowing costs, attributable to qualifying assets, are capitalized to such assets, using the capitalization rate based on weighted average interest cost and the amount of interest earned on temporary investments out of such borrowings are credited to the capital work in progress on pro rata basis.

5.2 Incidental Expenditure during Construction (net) including corporate office expenses (allocated to the schemes pro-rata to the annual capital expenditure) for the year, is apportioned to Capital Work-in-Progress on the basis of accretions thereto.

5.3 Claims for price-variation / exchange rate variation in case of contracts are accounted for on acceptance.

5.4 The value of material issued to the contractor and not utilized at construction site is charged to Capital Work-in-Progress.

5.5 The Employees cost and Administrative & General expenses of Planning and Construction departments are allocated fully to capital works in progress (CWIP) on pro rata basis based on annual accretion in CWIP. The Employee cost and

Administrative & General expenses of Stores and Civil Departments of the Company are allocated both to capital works and repair and maintenance works (Revenue Expenses) on prorata basis based on annual accretion in CWIP and R&M works.

The Employee cost and Administrative & General expenses of Common Wealth Projects and ERP Projects are fully allocated to CWIP's pertaining to the Common Wealth Games and ERP. Similarly amount incurred on the foreign travel expenses by the employees of the Company in connection with the inspections for the projects have also been capitalized on pro-rata basis.

5b. **Deposit Works**: The Company in certain cases executes/supervise works of capital nature on behalf of other departments / organizations mainly for the purpose of facilitating their own works/projects and for which the Company receives advances (Deposits) from the said Departments/Organizations. The said advances/deposits are shown in the accounts net of the amount incurred on those capital deposit works.

6. Impairment

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use.

ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

iii) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

7. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

8. **Inventory valuation:**

i.) Inventories of stores and spare parts and loose tools in stock are valued at cost, on weighted average basis.

ii.) Construction Steel Scrap is valued at estimated realizable or book value whichever is less. Other Scrap is accounted for as and when sold.

9. **Revenue Recognition:**

a) Transmission Income is accounted based on the tariff rates approved by the Delhi Electricity Regulatory Commission/Appellate Tribunals and are accounted for in the year of order issued by the Commission/Appellate Tribunals.

b) Income on contracts for construction, technical services related to construction of assets, etc. other than deposit works, is accounted for on "Completed Contract " basis, and included in "Other Income". Expenditure incurred during pendency of contracts is carried forward as Work In Progress.

c) The incentives/disincentives are accounted for based on the norms notified/approved by the Delhi Electricity Regulatory Commission or agreements with the beneficiaries.

d) The surcharge on late payment/overdue sundry debtors for sale of energy is not treated accrued due to uncertainty of its realization and is, therefore, accounted for on receipt.

e) Warranty claims/liquidated damages are not treated accrued due to uncertainty of realization and are accounted for on receipt/ recovery from bills payable to suppliers/contractors.

f) Scrap other than construction steel scrap is accounted for in the accounts as and when sold.

g) Insurance claims are accounted for in the year of acceptance.

h) The income or expenditure as the case may be on account of revision in tariff is done on the basis of orders of DERC/CERC.

10. **Foreign Currency Translations**:

a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

c) Exchange Differences

Exchange differences arising on settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

11. **Retirement and other employee benefits:**

a) Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. However, the employees in the employment of the Company before the unbundling period are covered under the defined benefits plan to be paid by Pension Trust.

b) In respect of employees employed by the company i.e. other than DVB employees:

- Gratuity liability and Post employment Medical Benefit liability are defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

- Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

- Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

c) Payments made under the Voluntary Retirement Scheme are charged to the Profit and Loss account immediately.

12. **Taxes on Income:**

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

13. Earnings per Share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

14. Provisions:

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

15. Cash and Cash equivalents:

Cash and cash equivalents in the balance sheet comprise balance at bank, cash in hand and short-term investments with an original maturity of three months or less.

16. Debenture (Bonds) Redemption Reserve:

In terms of section 117C of Companies Act, 1956 and the SEBI Guidelines, Company creates Debenture (Bonds) Redemption Reserve at 50% of the amount of the Bonds issued each year over the period of bonds before the commencement of the redemption of the said Bonds.

17. Prior period and extraordinary items:

Prior Period and Extraordinary transactions are accounted in accordance with Accounting Standard-5.

18. Significant Events occurring after the Balance Sheet date:

Treatment of contingencies and significant events are in accordance with Accounting Standard-4.