

## **BHARAT BHARI UDYOG NIGAM LTD.**

### **SCHEDULE – 22**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) ACCOUNTING CONVENTION:**

1. The Company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis except as otherwise stated.
2. The Accounts Statements are prepared in compliance with the accepted accounting principles, the applicable Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 and relevant provisions of the Companies Act, 1956.

##### **(b) REVENUE RECOGNITION:**

- 1.1 Revenue is recognised as Sales based on significant risks and rewards of ownership being transferred in favour of the customer and/or on completion of contracts and are net of returns, discount etc.
- 1.2 Revenue arising on construction contracts is recognized in compliance with Accounting Standards (AS) -7.
2. Service Charge is recovered from the operating subsidiary companies, based on their turnover including other income, value added and manpower as per their previous year's audited accounts, balancing the attributable expenses incurred by the company.
3. Interest accrued on Government fund on account of the subsidiary companies has been passed on to the respective subsidiary companies directly.
4. All claims being certain are recognised as Revenue.

##### **(c) FIXED ASSETS:**

1. Fixed Assets are stated at cost of acquisition, related expenditure including taxes, duties etc. and subsequent improvement thereto. Interest incurred during construction/installation period on borrowing to finance fixed assets is capitalised.
2. Depreciation is provided on written down value method at the rates which are in conformity with Schedule XIV to the Companies Act, 1956. Except for items for which 100% depreciation rates are applicable, depreciation on assets added/disposed off during the year has been provided on pro-rata basis with reference to the month of addition/deletion.

##### **(d) INVESTMENT:**

Long term investments in subsidiaries and other erstwhile subsidiaries are carried at cost.

##### **(e) FOREIGN CURRENCY TRANSLATION:**

Transactions in Foreign Currency outstanding at the Balance Sheet date are restated at the exchange rate prevailing at the Balance Sheet date and the resultant translation differences, if any, arising thereof are dealt with in Profit & Loss Account except those relating to acquisition of fixed assets which are adjusted to its carrying amount.

- (f) The inventories are valued at lower of cost and net realisation value. The cost comprises expenditure in the normal course of business in bringing such inventories to their present location.

**(g) RETIREMENT BENEFITS:**

1. The Company has covered its liability on account of gratuity payable to its employees under the Company's gratuity scheme, through a "Group Gratuity-cum-Life Assurance Policy" administered by Life Insurance Corporation of India (LIC). LIC's valuation, has been considered for provision in respect of gratuity liability and the accrued liability for the year has been appropriately dealt with in the Profit & Loss Account, except for the employees who have retained lien with their parent organisations if any. In their case, liabilities are provided as per the advice of their respective parent organisations.
2. The leave encashment on unutilised leave by employees at year end are provided for based on independent actuarial valuation.
3. In respect of all employees, the Provident Fund contributions are made to Government administered Provident Fund (RPFC) towards which the company has no further obligation beyond its contributions. Such contributions are charged to Profit & Loss Account as incurred.
4. AS15(revised 2005) provides for deferment of termination benefits. Accordingly, the compensation paid under Voluntary Retirement Scheme is amortised over a period of five years in accordance with the relevant provisions of the Income Tax Act, 1961.

**(h) Prior Period and Extraordinary items** and variations in Accounting Policies having material impact on the financial affairs of the Company are disclosed.

**(i) Impairment of assets** are reviewed at each Balance Sheet date and are recognised whenever the carrying amount of an asset exceeds its recoverable amount.

**(j) PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes on Accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.

**(k) MATERIAL EVENTS:**

Material events occurring after the Balance Sheet date are taken into cognizance.

In terms of our Report of even date.  
For D. N. MUKHERJEE & CO.  
CHARTERED ACCOUNTANTS

On behalf of the Board of Directors

(CA. S. K. BASU)  
Partner  
Membership No.015016

( PRAMOD KUMAR )  
Chairman & Managing Director

(S. K. DAS)  
Director (Finance)

(S.N.MUKHERJEE)  
Company Secretary

Place: Kolkata.  
Date :

**BHARAT BHARI UDYOG NIGAM LTD.****SCHEDULE – 21  
NOTES ON ACCOUNTS**

	Current Year Rs./lakhs	Previous Year Rs./lakhs
1.(a) Capital commitment – Estimated amount of contracts remaining to be executed	Nil	Nil
(b) Contingent liability not provided for as under:- Claims not acknowledged as debt:		
i) Bank guarantees/LCs (unexpired)	291.35	59.49
ii) <u>Guarantees issued by the Company</u>		
(a) in favour of Canara Bank for financial assistance availed of by The Braithwaite Burn and Jessop Construction Co. Ltd., a wholly owned subsidiary of the Company, as collateral security.	5390.00	5390.00
(b) In favour of United Bank of India for financial assistance availed of by Braithwaite & Co. Ltd., a wholly owned subsidiary of the Company.	500.00	500.00
(c) Guarantee in favour of National Thermal Power Corporation Ltd. for Supply & Erection/Transportation Contract of wagons at its Rihand Super Thermal Power Project awarded to Burn Standard Company Ltd., a wholly owned subsidiary of the Company.	1979.70	1979.70
2. The Company's proposal to increase its authorised share capital to Rs. 500.00 crores is under consideration of the Govt. of India and consequent compliance of statutory formalities.		
3. Consequent to Capital Restructuring Schemes sanctioned by Board for Industrial and Financial Reconstruction (BIFR) in respect of Braithwaite & Co. Ltd. (BCL), Bharat Brakes & Valves Ltd. (BBVL), RBL Ltd. (RBL) and Burn Standard Co. Ltd. (BSCL) and pursuant to approval of the Government of India for financial restructuring allowing conversion of loan & interest in respect of Burn Standard Co. Ltd.(BSCL), Braithwaite & Co. Ltd.(BCL) and The Braithwaite Burn and Jessop Construction Co. Ltd.(BBJ) and pending completion of formalities -		
(a) Rs. 297.56 lakhs (Rs. 297.56 lakhs), Rs. 1388.00 lakhs (Rs. 1388.00 lakhs) and Rs. 7326.80 lakhs (Rs. 7326.80 lakhs) for BBVL (subsidiary of BSCL), BBJ and BCL respectively have been shown as 'Restructuring Equity Share Deposit'.		
(b) Rs. 2494.48 lakhs (Rs. 2494.48 lakhs) and Rs. 1000.00 lakhs (Rs. 1000.00 lakhs) for BSCL and BBJ respectively have been kept as 'Restructuring Debenture Deposit'.		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
<p>4. Pursuant to financial restructuring of BCL and consequent decrease in the value of investment and such reduction in the amount of investment included in 'Advances' (Schedule -11) with corresponding reduction in equity capital in the books of the Company remained unadjusted pending approvals from concerned Ministries of Govt. of India. The accounting effect will be considered in the books after compliance of all formalities.</p> <p>5.(a) In line with Accounting Standard (AS)-13, issued by The Institute of Chartered Accountants of India, long term investments in shares of subsidiary companies/erstwhile subsidiary companies are carried at cost. The Company has not provided for any diminution, if any, in the value of such long term investments in subsidiary companies/erstwhile subsidiary companies (except 5(b) below), since in the opinion of the Management, diminution in value is temporary in nature considering the inherent value and nature of these investments, the investees' assets and expected future cash flows from such investments.</p> <p>(b) In case of long term investments in certain erstwhile subsidiaries, as detailed below, where winding up proceedings have commenced, no diminution in value of such investment has been considered. After completion of settlement by the Official Liquidator towards amount returnable to contributories, any resultant financial effect shall be dealt with in accordance with Government of India directive(s). The dates of order for liquidation are – Weighbird (India) Ltd. [08.04.2003], Bharat Brakes And Valves Ltd. [17.06.2003], RBL Ltd. [22.07.2003] and Bharat Process And Mechanical Engineers Ltd. [27.07.2004].</p> <p>6. Other receivables under 'Other Current Assets' include Rs. 7.72 lakhs (Rs. 7.72 lakhs) towards interest payable on ways &amp; means advance by BPMEL to Bharat Wagon &amp; Engineering Co. Ltd. (BWEL).</p> <p>7. Loans and Advances include Rs. 3544.03 lakhs (Rs. 3544.03 lakhs) against debentures for which certificates are yet to be received on conversion of unsecured GOI loans etc. in respect of BBJ, BSCL, BBVL &amp; RBL consequent upon financial restructuring vis-à-vis Government of India's approval etc.</p>		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
<p>8. Consequent to Government of India's clearance vide letter no. 17(12)/2000-PE.III dated 26.08.2003 and in terms of the Share Purchase Agreement executed by and amongst the Company, Jessop &amp; Co. Ltd. (Jessop) and Indo-Wagon Engineering Ltd., 72% (i.e. 68134428) equity shares of Jessop were transferred by the Company in favour of Indo-Wagon Engineering Ltd. on 29.08.2003. As a result of the above transfer of shareholding, Jessop ceased to be a subsidiary of the Company and a 'Government company' within the meaning of Section 617 of the Companies Act, 1956 w.e.f. 29.08.2003. Government's decision to sell the shares of Jessop was challenged in appropriate Courts of law viz. Hon'ble Supreme Court of India and the Hon'ble High Court at Calcutta. The matter before the Hon'ble Supreme Court of India has since been disposed of. However, the matter before the Hon'ble High Court at Calcutta was pending as on 31.03.2008. Pending disposal of the matter in the High Court, the entire sale proceeds of Rs. 1818.00 lakhs (Rs. 1818.00 lakhs) have been included in 'Other Liabilities' under Current Liabilities and the related net expenditure together with cost of investment amounting to Rs.7065.07 lakhs (Rs. 7063.20 lakhs) has been included in 'Other Receivables' under Other Current Assets. The resultant accounting effect will be considered in the books of the Company after final adjudication.</p> <p>9. During the year 2005-06, Jessop applied to Board for Industrial and Financial Reconstruction (BIFR) for de-rating (reducing) the nominal value of its equity shares from Rs. 10 to Re. 1. Vide directions issued on 31.08.2005, BIFR permitted Jessop to proceed with reduction of their equity share capital in terms of the provisions under Sections 100, 101, 102 &amp; 103 of the Companies Act, 1956.</p> <p>The Company preferred an appeal under Section 25 of the Sick Industrial Companies (Special Provisions) Act, 1985 before the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) against the aforesaid direction of BIFR. The Company also filed applications impleading itself in two other appeals preferred before AAIFR against the aforesaid direction of BIFR. While one of the appeals was earlier withdrawn, AAIFR has vide order dated 28.02.2008 dismissed the other appeals.</p> <p>The Company has referred the dispute to arbitration as provided in the Shareholders Agreement entered into by the Company with Indo-Wagon Engineering Ltd. The Company has initiated for filing writ petition in the High Court at Calcutta challenging AAIFR's order which is under process. The resultant accounting effect will be considered in the books after final adjudication.</p> <p>10. Expenses relating to disinvestment for certain subsidiaries amounting to Rs. 40.50 lakhs (Rs. 40.50 lakhs) have been retained in the books (included in Other Current Assets – Schedule - 10) for reimbursement by Government of India (GOI).</p>		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
<p>11. In accordance with Accounting Standard (AS) –1, issued by The Institute of Chartered Accountants of India and in line with prudent accounting principles and pursuant to consistent practice, interest on account of Government of India loans released to certain subsidiaries through the company, presently under winding up, has not been accounted for since corresponding realisation of interest from such subsidiaries by the Company is uncertain.</p> <p>12. Subsidiary funds-in-transit comprise of various Government funds receivable by the subsidiaries.</p> <p>13. Year-end net deferred tax assets arising mainly out of unabsorbed tax depreciation, carried forward tax losses etc., have not been recognised in these accounts as a measure of prudence in keeping with Accounting Standard (AS) –22, issued by the Institute of Chartered Accountants of India (ICAI).</p> <p>14. Pursuant to Govt. of India approval no.6(7)/2005-PE.III dated 03.07.2008 on the measures for financial restructuring of the Company's subsidiary Bharat Wagon &amp; Engineering Co. Ltd. (BWEL), the resultant impact in the Accounts of the Company have been reflected as under:</p> <p>a) The disbursement of Rs.2683.00 lakhs by Government of India as Non Plan fund in the form of Equity to BWEL and subsequent reduction of Equity.</p> <p>b) Conversion of Plan &amp; Non Plan Loans of Rs.7815.06 lakhs (in Company's books) to Equity Share Capital pending allotment and then its subsequent reduction.</p> <p>c) The reduction of Rs.950.00 lakhs towards the equity holding of BWEL as below:</p> <p>i) reduction of investments by Rs.775.35 lakhs (Schedule-6)</p> <p>ii) reduction of Advances for equity under Loans &amp; Advances by Rs.174.65 lakhs (Schedule – 11).</p> <p>d) Such reduction as in (c) above aggregating to Rs.950 lakhs has been included in Advances under Loans &amp; Advances (Schedule-11) as restructuring adjustment for subsequent writing off with corresponding write down of the Company's equity capital (including pending allotment) pending compliance of statutory formalities.</p> <p>e) The amount of the company's investment in BWEL shares so reduced as above to Rs.223.89 lakhs is subject to transfer to Ministry of Railways after compliance of relevant formalities.</p> <p>f) The amount of Rs.2683.00 lakh receivable from Deptt. of Heavy Industry, Govt. of India on account of restructuring has been included in Advances recoverable in cash or in kind or for value to be received under Loans &amp; Advances</p>		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
(Schedule-11) with corresponding credit to Subsidiary Funds-in-transit under Current Liabilities (Schedule – 12).		
g) Consequent to waiver of interest (incl. penal interest) of Rs.4594.51 lakhs on GOI loan, the related interest appearing in the books of the company as receivable from BWEL and payable to Government of India has been reversed.		
h) No interest on GOI loan in respect of BWEL has been considered in the Accounts w.e.f. 01.04.2007 as approved by Govt. of India.		
15. Remuneration of Director -		
Salaries and Allowances	3.43	4.53
Contribution to provident fund	0.35	0.54
(Recoveries for accommodation and personal use of motor cars by director were made as per the terms of appointment.)		
16. The market price of quoted investments in equity shares of Jessop & Co. Ltd. as on 31 <sup>st</sup> March, 2008 is not available. However, the latest available market price as on 01.09.2005 was Rs.6.00 per share.		
17. During the financial year 2005-06, an amount of Rs. 82.72 lakhs was refunded to Jessop on account of Service Charges recovered in respect of the period October 2001 to August 2003. Action has been initiated to recover the amount, as directed by the Board of Directors, complying with the necessary formalities.		
18. Confirmation of balances are awaited from certain parties.		
19. Related Party Disclosures (as identified by the management and where transactions exist during the year 2007-08).		
(i) <u>Related Party Relationship.</u>		
a) Key Management Personnel		
Shri Kallol Dutta, Chairman & Managing Director(Actg) Shri Swapan Kr. Das, Director(Finance) Shri Manas Roy, Director(Technical)(Actg)		
(ii) Transaction with related parties		
Remuneration paid to whole time Director	Refer note 15 of Schedule 21	
20. (a) The name of the Small Scale Industrial Undertakings (based on the information provided by suppliers) to whom the Company owes sums exceeding Rs.1 lakh outstanding for more than 30 days – NIL		
(b) Tax deducted at source on interest earned amounting to Rs.1.73 lacs (Nil).		

21. Expenditure in foreign currency: (Rs./lakhs)

ITEMS	2007-08		2006-07	
Travelling : Director	Nil		4.01	
Others	Nil	Nil	<u>3.29</u>	7.30
TOTAL		Nil		7.30

22. Earnings in foreign currency: (Rs./lakhs)

	2007-08	2006-07
Export Sales (FOB)	396.59	Nil
TOTAL	396.59	Nil

23. Balance due from Directors: (Rs. Lakhs)

	2007-08	2006-07
As at year-end	Nil	2.77
Maximum during the year	Nil	2.77

24. Additional information pursuant to the provisions of paragraph 3 of Part II of Schedule VI of the Companies Act, 1956.

a) Particulars in respect of Purchases:

Items	Unit	Quantity		Value (Rs./ Lakhs)	
		2007-08	2006-07	2007-08	2006-07
Flat Wagon	Nos.	2	26	13.26	303.69
TOTAL	Nos.	2	26	13.26	303.69

b) Particulars in respect of Sales:

Items	Unit	Quantity		Value (Rs. /Lakhs)	
		2007-08	2006-07	2007-08	2006-07
Flat Wagon	Nos.	28	Nil	396.59	Nil
TOTAL	Nos.	28	Nil	396.59	Nil

25. (a) The figures in parenthesis represent those for the previous year.

(b) Previous year's figures have been regrouped/rearranged wherever necessary.

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Signatures to Schedules 1 to 21.

In terms of our Report of even date.  
For D. N. MUKHERJEE & CO.  
CHARTERED ACCOUNTANTS

On behalf of the Board of Directors

(CA. S. K. BASU)  
Partner  
Membership No.015016

( PRAMOD KUMAR )  
Chairman & Managing Director

(S. K. DAS)  
Director (Finance)

(S.N.MUKHERJEE)  
Company Secretary

Place: Kolkata.  
Date :