SCHEDULE 21 (Contd.)

b) Lease transactions entered into on or after April 1, 2001:

i) Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

ii) Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

iii) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

(Also refer to the policy on Depreciation and Amortisation below)

10. Depreciation and Amortisation:

Depreciation is charged in the accounts on the following basis:

i) Depreciation is provided on the straight-line basis at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for the following:

a) Motor Cars at 14.14 % per annum except for Motor Cars given to the employees.

b) Motor Cars given to the employees as per the Company's Scheme is depreciated over the Scheme period.

c) Personal Computers and Laptops given to the employees as per the Company's Scheme at 31 % per annum.

d) Roads, Culverts, Walls, Buildings etc., within factory premises are depreciated at 3.34 %

ii) Assets acquired up to September 30, 1987, are depreciated at the rates prevailing at the time of acquisition.

iii) The value of leasehold land and mining lease is amortised over the period of the lease.

iv) Assets not owned by the Company are amortised over a period of five years or the period specified in the agreement.

v) Expenditure incurred on Jetty is amortised over the period of the relevant agreement such that the cumulative amortisation is not less than the cumulative rebate availed by the Company.

vi) Depreciation on additions / deductions is calculated pro-rata from / to the month of addition / deduction.

11. Impairment of Assets:

The carrying amount of assets are reviewed at each Balance Sheet date if there is an indication of impairment based on the internal and external factors.

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable amount. An impairment loss, if any, is charged to the Profit and Loss Account in the year in which the asset is identified as impaired. Reversal of impairment loss recognised in prior years is recorded when there is an indication that impairment losses recognised for the asset no longer exists or has decreased.

12. Employee Benefits:

(i) Defined Contribution Plan

Contributions to defined contribution plan are recognised as expense in the Profit and Loss Account, as they are incurred.