N.B.I.INDUSTRIAL FINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

NOTE-1

SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

i. The financial statements are prepared under the historical cost convention and in accordance with the accounting principles generally accepted in India and comply with the accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules 2006, relevant provisions of the Companies Act, 1956 and other guidelines issued by the Reserve Bank of India (RBI) as applicable to a Non- Banking Finance Company.

ii. (a) During the year ended 31st March, 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the company for preparation and presentation of financial statements. The adoption of revised Schedule VI does not impact the recognition and measurement principles followed for preparation of the financial statements. However, it has significant impact on the presentation and disclosures made in financial statements.

(b) Pursuant to applicability of Revised Schedule VI on presentation of financial statements for the financial year ended March 31, 2012; the Company has classified all its assets / liabilities into current / non-current based on the time frame of 12 months from the date of financial statements. Accordingly, assets/liabilities expected to be realized /settled within 12 months from the date of financial statements are classified as current and other assets/ liabilities are classified as non- current.

b) Fixed Assets and Depreciation:

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Depreciation on fixed assets is provided on the written down value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

c) Investments

Investments 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 market/fair value category- wise basis. Long-term investments are carried at cost. Provision for diminution in value of long term investments, other than temporary, shall be made.

d) Recognition of Income and Expenditure

Revenues/Incomes and Costs/Expenditure are generally accounted on accrual basis, as they are earned or incurred. Dividend income is recognized when the right to receive is established. Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

e) Accounting for Taxes on Income:

Provision for current tax is made in accordance with the Income tax laws prevailing for the relevant assessment year.

Deferred Tax for timing difference between tax profits and book profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet Date. Deferred tax assets are recognized to the extent there is reasonably certainty that these assets can be realized in future. Deferred tax assets are reviewed as at each Balance Sheet date to re- assess realization.