केन्द्रीय भण्डारण निगम
(भारत सरकार का उपक्रम)
CENTRAL WAREHOUSING CORPORATION
(A Govt. of India Undertaking)
जन-जन के लिए भण्डारण/Warehousing for Everyone

CWC/IndAS/2023-24/Circulars **Dated: 19-12-2023**

Ind-AS FINANCIAL STATEMENTS
CIRCULAR # 9

Sub: Significant Accounting Policies to be followed w.e.f. FY 2023-24.

1. Based on the approval given by the Board of Directors in its 387th meeting held on 05.12.2023, the significant Accounting Policies to be followed by Corporation in preparation of its Annual Accounts have been revised in compliances to the Indian Accounting Standards applicable on the Corporation w.e.f FY 2023-24.

2. The amended Accounting Policies to be followed w.e.f. FY 2023-24 are enclosed as Annexure –I for compliance.

(RR Aggarwal)
GGM(Fin.)

Distribution to:
1. All Regional Managers of CWC.
2. All DGMs/AGMs/Managers/ (Sr.) Asstt. Managers in-charge of the Finance, of all ROs.

Copy for information to:
1. All GM/DGM/AGMs/Managers/(Sr.) Asstt. Managers/Accountants in Finance, Accounts & Internal Audit Cadre at CWC, Corporate Office, New Delhi.
2. PS to Dir. (Fin.), CWC, CO, New Delhi.
3. PS to MD, CWC, CO, New Delhi
4. GGM (Systems), CWC, CO, New Delhi to place this Circular on CWC’s Website.

SIGNIFICANT ACCOUNTING POLICIES

1. Corporate Information

The Central Warehousing Corporation is established under "The Warehousing Corporations Act, 1962" under the Ministry of Consumer Affairs, Food & Public Distribution, Government of India, having its head office at 4/1 Siri Institutional Area, August Kranti Marg, New Delhi, India with the aim to provide reliable, cost-effective, value-added, integrated warehousing and logistics solutions in a socially responsible and environment friendly manner.

2. Basis of Preparation

a) Statement of compliance

The financial statements have been prepared in accordance with Rule 45 of Central Warehousing Corporation Rules, 1963 and Indian Accounting Standards (Ind AS) notified by the Central Government under section 133 of the Companies Act, 2013 as Companies (Indian Accounting Standards) rules, 2015 as amended from time to time.

For all periods up to and including the year ended 31st March 2023, the Corporation prepared its financial statements in accordance with the accounting standards notified by Institute of Chartered Accountants of India to the extent applicable. These financial statements for the year ended 31st March 2024 are the Corporation's first IndAS financial Statements.

b) Basis of Measurement

The financial statements of the Corporation have been prepared as a going concern on accrual basis of accounting. The Corporation has adopted historical cost basis except financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the assets or liability at the measurement date. Fair value for measurement and/or disclosure purpose is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 116 and measurements that have some similarities to fair value but are not fair value such as Net Realisable Value in Ind AS-2 or values in use Ind AS 36.

c) Use of estimates and judgment

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of income and expenses.

Estimates and underlying assumptions are reviewed on a periodic basis and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Future results could differ due to changes in these estimates and difference between the actual result and the estimates are recognised in the period in which the results are known materialized.

In order to enhance understanding of the financial statements, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as under:

· **Property, Plant and Equipment (PPE) and Intangible Assets**: The useful life and residual values are reviewed at each year end along with depreciation method. The useful life and residual values is based on historical experiences as well as anticipation of future events. The estimate of useful life and residual values may be different on account of change in business environment and change in technology etc. which could have a material impact on the financial statement.

· **Provisions:** Provisions are determined based on estimation to settle the obligation at balance sheet date. However, the actual future outcome may be different from this judgement.

SIGNIFICANT ACCOUNTING POLICIES

·**Contingent Liabilities/Assets**: Contingent Liabilities/Assets are disclosed based on judgement of management and are reviewed based on changes in facts and legal aspects at each balance sheet date for adjustment to reflect current management estimate.

·**Impairment review**: PPE (Including CWIP) and Intangible Assets with definite life are reviewed for impairment wherever events or circumstances indicate that their carrying values may not be recoverable. The recoverable amount is determined based on judgement and assumptions of technical experts.

·**Recognition of Deferred Tax Assets**: Deferred Tax Asset is recognized based on the assessment of probability of future taxable income against which such deferred tax assets can be utilized.

·**Defined Benefit obligation:** Employee benefit obligation are measured on the basis of actuarial assumptions which include mortality and withdrawal rates as well as assumptions concerning future development in discount rates, the rates of salary increase and inflation rate. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses.

d) **Functional and presentation Currency**

All financial information presented in Indian rupees (INR) which is the functional currency of the Corporation. All values are rounded to the nearest lakhs except otherwise stated. Since amount has been presented in Lakhs, therefore any discrepancies in the totals are due to rounding off and would not need rectification.

e) **Current and Non-Current Classification**

All the assets and liabilities have been classified as current or non-current as per the Corporation's normal operating cycle and other criteria set out in Schedule-III of the Companies Act,2013 and Ind AS-1.

i. The Corporation classifies an asset as current asset when:
- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

ii. A liability is classified as current when –
- it expects to settle the liability in its normal operating cycle
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period;
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current

iii. The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Corporation has ascertained its normal operating cycle as twelve months for the purpose of Current/non-current classification of Assets and liabilities.

SIGNIFICANT ACCOUNTING POLICIES

3. Property, Plant and Equipment (PPE) including Capital-Work-in Progress (CWIP)

a) Property, plant and equipment is recognised if it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

b) Property, plant and equipment are stated at cost (which includes capitalised borrowing costs), less accumulated depreciation and any accumulated impairment losses. However, fully depreciated asset is retained at residual value.

c) Cost of property, plant and equipment comprises its purchase price or construction cost, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable of bringing them into the location and condition necessary for it to be capable of operating in the manner intended by management.

d) Significant components of warehouse & godowns i.e., Roof (Pre-coated Galvalume Steel Sheets or equivalent), Roads (Cement Concrete) and Floor (Cement Concrete) are capitalized and depreciated separately.

e) Capitalisation of godowns is based on certificate of storage-worthiness and depreciation is charged from the date from which godowns is certified to be storage worthy.

f) In respectof assets due for capitalization, where final bills/claims are to be received/passed, the capitalisation is based onthe engineering estimates. Final adjustments, for costs and depreciation are made retrospectively in the year ofascertainment of actual cost and finalisation of claim.

g) Capital work in progress includes the cost of Property Plant and Equipment that are not yet ready for their intended use.

h) The expenditure incurred on survey, evaluation & investigation of projects, is booked under Capital Work-in Progress. However, at any stage, if management decides to abandon a project the expenditure incurred thereonis charged to the Statement of Profit & Loss at that stage.

i) Actual expenditure incurred in connection with the acquisition of land is capitalized along with the stamp duty payable at the prevailing rate. The necessary adjustment for the difference in the stamp duty paid and already capitalized is made in the year of payment/execution of title deed.

j) Interest on compensation for acquisition (under land acquisition proceedings) is charged to Profit & Loss account.

k) Expenditure on risk and cost contracts (Civil) in excess of security deposit available is charged to capital work or repair work, as the case may be pending its recovery.

l) Pursuant to arbitration award in a civil contract, the compensation paid/payable of a revenue nature like interest, loss of profit etc. is charged to revenue and compensation paid/payable of a capital nature is to be capitalized.

Depreciation

m) Depreciation on Property, Plant and Equipment is calculated using straight line method over the useful life prescribed under Schedule-II of Companies Act,2013 except the cases as mentioned below at sl. No 1 and 5 where the useful life is based on technical evaluation.

	Fixed Assets	Useful Life (In years) (As adopted by Corporation)	Residual Value (%)	Useful Life As per Schedule-II
1	Non-Convertible Plinths	5	5	Not Available
2	HBL Sheets	4	5	Not Available
3	Disinfestation Equipment	4	5	Not Available
4	Wooden Crates	6	5	Not Available

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5	PCC Blocks	8	5	Not Available

n) The residual value of Property, Plant and Equipment is estimated at 5% of Cost except Railside Warehouse Complex (i.e Warehouses & Godowns and ancillaries, Container Yards, Roof (pre-coated galvalume steel sheets), Floor- Cement Concrete, Road - Cement Concrete (CC) and Water Installations at RWC)

o) The residual value, useful life and depreciation method are reviewed at each financial year end and significant changes, if any, from previous estimates are accounted for.

p) The Property, Plant and Equipment having value upto ₹ 500/- are charged to Revenue. Property, Plant and Equipment having value more than ₹ 500/- and upto ₹ 5,000/- are capitalized and depreciation thereon is charged @ 100% leaving a nominal value of ₹ 1/- for each such asset.

q) Depreciation is charged on additions / deletions on pro-rata monthly basis including the month of addition / deletion. In case of transfer of any Property, Plant and Equipment from one unit to another, depreciation/amortization is charged in the books of the transferor unit upto the month of transfer. The transferee unit shall charge depreciation from the subsequent month.

r) An item of property, plant and Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and Equipment is determined as the difference between the sale proceeds and the carrying amount of the property, plant and Equipment and is recognised in profit or loss.

s) Keeping in view the life and also technical certification, the warehouses/buildings and other assets constructed on leasehold land is amortised as per normal useful life mentioned in the accounting policy no.6 (m) is charged, irrespective of the period of 'right to use'. In case the land on right to use basis is taken back, compensation received on handing over of such warehouse/building and other assets constructed is adjusted against their written down value and profit or loss, if any, in the transaction is accounted for in the books accordingly.

4. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether: (i) the contract involves the use of an identified asset (ii) the Corporation has substantially all the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

a) As a Lessee:

The Corporation Recognizes a right-of- use asset and a lease liability at the lease commencement date. The right of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use -asset or the end of the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as

those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method; it is remeasured when there is a change in future leases payments from a change in an index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right -of-use asset, or is recorded in the profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporations presents right-of-use asset that do not meet the definition of Investment property under the "Right of use Assets" and lease liabilities in "financial liabilities" in the Balance Sheet.

Short term Lease and Leases of low value assets.

The Corporation has elected not to recognize right-of-use asset and lease liabilities for short term leases that have lease term of 12 months or less and leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b) As a Lessor

When the Corporation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all the risk and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease. As part of the assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Corporation applies Ind AS-115 "Revenue from contract with customers" to allocate the consideration in the contract. The Corporation recognizes lease payments received under operating lease as income on a straight-line basis over the lease term except where lease payment are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increase

5. Investment properties

- **a.** Investment property comprises completed property, property under construction and property held under finance lease that is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.
- **b.** Investment Properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.
- **c.** The Corporation depreciates building component of investment property over its useful life.
- **d.** Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period in which the property is de-recognised.

6. Intangible Assets

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a) An intangible Asset is recognized where it is probable that the future economic benefits attributable to the assets will flow to the Corporation and cost of the asset can be measured reliability. Intangible assets are stated at historical cost less accumulated amortization and impairment loss, if any.

b) The license fee / registration fee paid to the Indian Railways for container rail transportation is capitalized as an 'Intangible Asset' and amortized over the period of 20 years i.e. the period for which permission given by Railways, from the year of starting the operations.

c) Software which is not an integral part of related hardware is treated as an intangible asset and amortized over a period of 3 years.

d) The cost of license for Private Freight Terminals is amortized over a period of 10 years.

e) Intangible Assets having value upto ₹ 500/- are charged to Revenue. Intangible Assets having value more than 500/- and upto ₹ 5,000/- are capitalized and amortised @ 100%.

f) Amortisation is charged on additions / deletions on pro-rata monthly basis including the month of addition / deletion. In case of transfer of any Intangible Assets from one unit to another, amortization is charged in the books of the transferor unit upto the month of transfer. The transferee unit shall charge depreciation from the subsequent month.

g) An Intangible Assets is derecognised when no future economic benefits are expected from their use or upon their disposal. Gain & losses on disposal of an item of Intangible assets are determined by comparing the proceeds from disposal with the carrying amount of intangible assets and recognised in statement of profit & loss.

7. Investment

a. **Investment in Subsidiaries and Associates:** Investments in subsidiaries and associates are accounted for at cost less impairment loss, if any, in separate financial statements.

b. Joint Arrangement: Investment in joint arrangement are classified as either joint operation or joint ventures. The classification depends on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement.

i) **Joint Operations:** Corporation recognizes its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets liabilities revenue and expenses.

ii) **Joint Venture:** Investments in Joint Venture are accounted for at cost less impairment loss, if any, in separate financial statements.

8. Non-current Assets (or disposal groups) held for Sale

a. Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The sale is considered highly probable only when the asset or disposal group is available for immediate sale in its present condition, it is unlikely that the sale will be withdrawn and sale is expected within one year from the date of the classification.

b. Non-current assets (Disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. Difference between carrying amount and fair value is

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recognised in statement of profit and loss. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately in the Balance sheet.

c. If the criteria stated by IND AS 105 "Non-current Assets Held for Sale and Discontinued Operations" are no longer met, the disposal group ceases to be classified as held for sale. Non-current asset that ceases to be classified as held for sale are measured at the lower of:

   (i) its carrying amount before the asset was classified as held for sale, adjusted for depreciation that would have been recognized had that asset not been classified as held for sale, and

   (ii) its recoverable amount at the date when the disposal group ceases to be classified as held for sale.

9. Impairment of Non-financial Assets

a) At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

b) Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

c) If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

d) At each reporting date Corporation assesses the estimate amount of impairment loss. The impairment loss recognized in prior accounting period(s) is reversed if there has been a change in the estimate of recoverable amount and such losses either no longer exists or has decreased. Reversal of impaired loss is recognized in the Statement of Profit & Loss.

10. **Inventory**

a) Inventory consisting Chemicals and Stores in hand i.e., Polythene Covers and Dunnage etc. are valued at lower of cost on first in first out basis and net realizable value.

b) The procurement stock is valued at lower of cost and net realisable value. Cost being worked out on first in first out basis.

c) Cost of Consumables: The cost of black polythene films, multi-layered cross laminated covers, bamboo mats, PVC floor dunnage and polythene covers and other such consumables is charged to revenue in the year of its issue for use.

d) Cost comprises of all cost of purchase, duties and taxes (Other than those subsequently recoverable by the enterprise from the taxing authorities), freight inward and other expenditure directly attributable to the acquisition net of trade discount, rebates, duty drawbacks & other similar items.

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11. Government Grants

Government Grants are recognized when there is a reasonable assurance that the same will be received and all conditions attached will be complied with.

a) Capital Grants relating to specific fixed assets are reduced from the gross value of the respective assets.
b) Grant related to revenue expenditure are adjusted against the related expenses.

c) The unutilised portion of grant is shown as liability.

12. Dividend and Unclaimed Dividend

a) Dividend

Dividend paid/payable is recognized in the year in which the related dividends are approved by shareholders or board of directors as appropriate.

b) Unclaimed Dividend

i) The dividend warrants which are not encashed are shown as liability under the head "Unclaimed Dividend".

ii) "Unclaimed Dividend" remains unclaimed for a period of 7 years from the date they became due for payment is transferred to the 'Reserve Fund maintained Under Section 30(1) of the Warehousing Corporations Act,1962'.

13. Liabilities/ Provisions

a) **Provisions:** Provisions are recognized in respect of liabilities which can be measured only by using a substantial degree of estimates when:

i) The Corporation has a present obligation as a result of a past event.

ii) Probable outflow of resources embodying economic benefits will be required to settle the obligation; and

iii) The amount of the obligation can be reliably estimated. Provisions are reviewed at each Balance Sheet date.

b) **Discounting of Provisions**: Provision which expected to be settled beyond 12 months are measured at the present value by using pretax discount rate that reflects the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expenses.

c) **Liabilities/Income** accruing due to decisions after the date of approval of accounts having retrospective effect are accounted for under the relevant direct head of account.

d) Property tax, unless contested, is accounted for on the basis of demand received and information available.

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14. Contingent Liabilities and contingent Assets

a) Contingent Liabilities: Contingent Liabilities are disclosed when:

i. there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the Company or

ii. A present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

b) **Contingent Assets:** Contingent assets is disclosed where an inflow of economic benefits is probable.

c) Contingent Liability and Contingent Assets are reviewed at each Reporting date.

d) In case of legal proceedings, the awards against the Corporation unless contested are accounted for. However, amounts awarded in favour of Corporation are accounted at the time of realization, owing to uncertainty of their collection.

e) Accounting of claims against contractors / parties: Claims against contractors/parties are accounted when there is a reasonable certainty of recovery.

15. Revenue Recognition

A. Basic principle for Revenue Recognition

Corporation Recognises revenue from contracts with customers based on five-step criteria as set out in Ind AS-115

ii. Identification of the contracts with a customer: - A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

iii. Identification of the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

iv. Determination of the transaction price: The transaction price is the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer excluding amounts collected on behalf of third parties.

v. Allocation of the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation the Corporation allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Corporation expects to be entitled in exchange for satisfying each performance obligation.

vi. Recognition of revenue when or as the Corporation satisfies a performance obligation.

B. Income from services rendered by Corporation is recognized as follow:

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i. Warehousing Income:

a) Warehousing Charges in domestic cargo/container are recognized on accrual basis.

b) Warehousing Charges in EXIM cargo/container are recognized at the time of release of cargo to the customer.

c) The Storage charges payable by FCI are decided by the administrative ministry i.e. Ministry of "Consumer Affairs, Food & Public Distribution (CAF& PD)". Revenue in this respect is initially recognised at the estimated storage charges received or receivable, in the year in which service is delivered, as per the methodology, policies and principals adopted for deciding the last approved storage charges. Adjustment for difference in storage charges decided by the administrative ministry and estimated by Corporation is made in the year in which the decision of administrative ministry is received. Same accounting treatment is carried for Revenue from Storage services provided to other govt. agencies where the facility of storage charges decided by ministry is extended.

ii. Marketing Facilitation Income (Handling and Transportation)

Marketing Facilitation Income and charges for incidental services and related expenses are accounted for on satisfaction of performance obligation i.e., delivery of cargo/container to the destination after providing all incidental services required in the course of primary obligation of transportation and loading & unloading etc. to make the container/cargo ready for delivery.

iii. Rail Freight Income

Rail freight income and charges for incidental services and related expenses are accounted for on satisfaction of performance obligation i.e., transportation of container to the destination terminal/port/customer's premises (in case of chassis delivery) after providing all incidental services required in the course of primary obligation of transportation like loading & unloading etc. to make the container/cargo ready for delivery.

iv. Terminal Access charges

a) Terminal Access charges (TAC) and charges for incidental services like demurrage/wharfage etc. and related expenses for domestic cargo/container at Private Freight Terminal and CFS/ICDs are recognized on accrual basis.

b) Terminal Access charges (TAC) and charges for incidental services like demurrage/wharfage etc. and related expenses on EXIM cargo/container at Private Freight Terminal and CFS/ICDs are recognized at the time of release of containers.

v. Revenue in respect of time barred bonds/ long standing cargo is recognised on realization out of the sale proceeds.

vi. Performance obligation is considered as satisfied Over the period for all other services rendered by the Corporation.

C. Sale of Goods:

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i. Revenue from sale of goods is measured at the amount of transaction price (net of variable consideration, trade discount and volume rebates) allocated to that performance obligation. Revenue is recognized when the company satisfies a performance obligation by transferring the promised goods to a customer and the customer obtains the control of the same and it is probable that the company will collect the consideration to which it is entitled in exchange for the goods that is transferred to the customer.

ii. Where the corporation controls the promised good before transferring the good to a customer and/or satisfies the other conditions to act a principal shall accounts for the full amount of consideration as revenue. If the transaction indicates that the sale of goods is on agent basis, corporation recognise revenue up to the amount of any fee or commission to which it expects to be entitled in exchange for arranging goods for customer.

iii. Corporation evaluates whether it is acting as a principal or agent in its revenue arrangements based on the following criteria:

a) who has the primary responsibility for providing the goods or services to the customer or for fulfilling the order.

b) who has inventory risk before or after the customer order, during shipping or on return;

c) who has latitude in establishing prices, either directly or indirectly.

d) who bears the customer's credit risk for the amount receivable from the customer

D. Income from sale of empties and waste (like old newspapers) are accounted for on realization basis.

E. Interest Income

i) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the interest rate applicable using Effective Interest rate Method.

ii) Interest on delayed realisation from customers and Interest on income tax refunds are accounted for, when there is significant certainty that the interest is realisable.

F. Dividend Income: Dividend will be recognized when the entities right to receive payment is established, economic benefit will flow to the entity and amount can be measured reliably.

16. Employee Benefits

a. Short Term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by the employees, is recognized as an expense during the period when the employees rendered those services.

b. Long Term Employee Benefit Plan

The obligation for long-term employee benefits such as long-term compensated absences (Earned Leave/ half pay leave), and LTC is recognized in the same manner as in the case of defined benefit plans as mentioned in (c)(ii) below, except actuarial gain or loss on remeasurement is recognised in Profit and loss. Liability for leave benefit funds is not netted against right of reimbursement corresponding to liability. Further, expenses arising on leave benefits is presented net off income on corresponding right of reimbursement.

c. Post Employment

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i) Defined Contribution Plan

Contribution to defined contribution plans such as Provident Fund, Pension Fund and Post Retirement Medical Benefit Scheme for retired employees are charged to the Statement of Profit & Loss as and when accrued.

ii) Defined Benefit Plan

Gratuity is post-employment defined benefit plan. The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less fair value of plan assets. The defined benefit obligation is calculated by an independent actuary using projected unit credit (PUC) method.

• The Corporation has set up a separate Gratuity Trust for managing Gratuity Fund.

• The Corporation recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability.

• Gain or loss through re-measurements of net defined benefit liability/(asset) is recognized in Other Comprehensive Income.

• Service cost and net interest cost/(income) on the net defined benefit liability/(asset) are recognized in Statement of Profit and Loss.

d. Re-measurements recognised in Other Comprehensive Income (Related to post-employment benefits) comprising actuarial gains or losses that are not reclassified to profit or loss from Other Comprehensive Income in subsequent periods.

e. Ex-Gratia payment on death of employee in service is recognised as and when event occurs.

f. The termination benefits (including expenditure on Voluntary retirement) are accounted for in the year they are incurred.

17. Borrowing Cost

a) Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

b) Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

c) All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

18. Insurance Claims

a) The insurance claim from the insurer company is recognized in the year the claim occurs based on the facts of each case.

b) The difference, if any, on settlement of insurance claim is accounted for at the time of acceptance of survey report by the Corporation.

SIGNIFICANT ACCOUNTING POLICIES

19. Prior period adjustment

a) Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated unless it is impracticable, in which case, the comparative information is adjusted to apply the new accounting policy prospectively from the earliest date practicable".

b) A prior period error will be considered to be material:

   i) In case of errors of income/expense noticed during the year, the individual error where amount exceeds half percent (0.5%) of the Revenue from Operations of the preceding financial year.

   ii) In case of errors of Assets / Liabilities, noticed during the year, the individual error where amount exceeds one percent (1%) of the total assets of preceding to the financial year.

20. Prepaid Expenses

Prepaid expenses having value of Rs 5,00,000/- and below for each item are recognized in the current year.

21. Taxes on Income

Income Tax Expense comprises of the current tax and deferred tax.

a) <u>Current Tax</u>

   i. Provision for current tax is based on the taxable profit for the year and computed in accordance with tax rates and tax laws that are enacted or substantively enacted at the reporting date.

   ii. Current Tax related to OCI Items is recognized in Other Comprehensive Income (OCI).

b) <u>Deferred Tax</u>

   i. Deferred tax assets and liabilities are recognized for temporary differences which is computed using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

   ii. Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax base of assets and liabilities.

   iii. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

   iv. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

   v. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

SIGNIFICANT ACCOUNTING POLICIES

vi. Deferred tax related to OCI Item are recognized in Other Comprehensive Income (OCI).

22. Earnings Per Share

a) Basic earnings per share is 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. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

b) 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.

23. Statement of Cash flow

a) Cash flows are reported at Enterprise level using indirect method, prescribed in Ind AS -7 "Statement of Cash Flows" whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Corporation are segregated based on the available information. Statement of cash Flow is not prepared at unit level.

b) For the purposes of the Statement of Cash flow, cash and cash equivalents include cash in hand, cash at banks and demand deposits with banks, other short term highly liquid deposits with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

24. Foreign Currency Transactions

a) **Functional currency**: The functional currency of the Corporation is the Indian Rupee.

b) **Initial Recognition**

Transactions in foreign currencies are translated into the functional currencies of Corporation at the exchange rates prevailing on the dates of the transactions.

c) **Subsequent Recognition**

i) Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date.

(ii) Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

iii) Foreign currency exchange differences are recognised in profit or loss.

25. Segment reporting

The Corporation's segmental reporting is in accordance with Ind AS 108 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker.

SIGNIFICANT ACCOUNTING POLICIES

26. Fair Value Measurement

a) Initial Recognition:

Financial Assets and Liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial Instruments are initially recognized at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instruments (other than financial instrument at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities as appropriate, on initial recognition. However, Financial Assets (trade receivables) that do not contain a significant financing component are measured at transaction price.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit and losses are recognised immediately in profit and loss.

b) Subsequent measurement:

Financial Assets

Financial assets are classified in following categories:

i. At Amortised Cost
Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Fair Value through Other Comprehensive Income
Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii. At Fair Value through Profit and Loss
Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

Financial Liabilities

Financial liabilities are classified in following categories:

i. Financial liabilities at Amortized Cost
Financial liabilities at amortised cost represented by trade and other payables, security deposits and retention money etc. are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method.

ii. Financial liabilities at Fair Value Through Profit & Loss (FVTPL)
The Corporation has not designated any financial liabilities at FVTPL.

SIGNIFICANT ACCOUNTING POLICIES

c) De-recognition:

Financial Asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all risks and rewards of the ownership of the asset.

Financial Liability
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

d) Impairment of financial assets:

Corporation applies expected credit loss (ECL) model for measurement and recognition of impairment loss. The Corporation follows 'simplified approach' for recognition of impairment loss allowance on trade receivable. The application of simplified approach does not require the Corporation to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Corporation assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVTOCI debt instruments. The impairment methodology applies on whether there has been significant increase in credit risk.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/expense in the statement of profit and loss.

e) Offsetting of financial instruments:

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Corporation has a legally enforceable right to set off the amount and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.