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future estimated undiscounted cash flows expected from an asset are less than its carrying value. An impairment charge is measured as the difference between an asset's carrying amount and fair value with the difference recorded in operating costs and expenses in the statement of operations. Fair values are determined by a variety of valuation methods, including appraisals, sales prices of similar assets and present value techniques. There were no impairments recognized during the years ended December 31, 2014 and 2013.

**Revenue recognition**

The Company's revenues are obtained through the sale of energy pursuant to terms of a power purchase agreement ("PPA") or other contractual arrangements which has a remaining life of 22 years as of December 31, 2014. The PPA is accounted for as operating leases, has no minimum lease payments and all of the rental income under these lease is recorded as income when the electricity is delivered. The contingent rental income recognized in the years ended December 31, 2014 and 2013 was INR 360,452,144 and INR 316,481,557 respectively.

**Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We ignore the future originating temporary differences and schedule the existing temporary differences when they originate and reverse on a first-in-first-out basis when determining the tax rate expected to apply for purposes of measuring deferred taxes. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in operations in the period that includes the enactment date. Valuation allowances are established when management determines that it is more likely than not that some portion, or all of the deferred tax asset, will not be realized.

Deferred income taxes arise primarily because of differences in the bases of assets or liabilities between financial statement accounting and tax accounting which are known as temporary differences. We record the tax effect of these temporary differences as deferred tax assets (generally items that can be used as a tax deduction or credit in future periods) and deferred tax liabilities (generally items for which we receive a tax deduction, but have not yet been recorded in the statement of operations).

The Company intends to account for dividend distribution tax in equity in the year in which a dividend is declared.

We regularly review our deferred tax assets for realizability, taking into consideration all available evidence, both positive and negative, including historical pre-tax and taxable income, projected future pre-tax and taxable income and the expected timing of the reversals of existing temporary differences. In arriving at these judgments, the weight given to the potential effect of all positive and negative evidence is commensurate with the extent to which it can be objectively verified.

We believe our tax positions are in compliance with applicable tax laws and regulations. Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. We believe that our liabilities for unrecognized tax benefits, including related interest, are adequate in relation to the potential for additional tax assessments. There is a

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