

SECTION 641 OF THE COMPANIES ACT, 1956 - SCHEDULES, FORMS AND RULES - POWER TO ALTER SCHEDULES - AMENDMENTS IN SCHEDULE XIV

NOTIFICATION [F. NO. 17/292/2011.CL-V], DATED 17-4-2012

In exercise of the powers conferred by sub-section (1) of section 641 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following further alterations in the Schedule XIV of the said Act, namely:-

In Schedule XIV to the Companies Act, 1956, after serial number IV relating to Ships and the entries relating thereto, the following serial number and entries shall be inserted, namely:-

"V- Intangible Assets

1. Intangible Assets (Toll Road) created under Build, Operate and Transfer, Build, Own, Operate and Transfer or any other form of Public Private Partnership Route.

$$\text{Amortization Rate} = \frac{\text{Amortization Amount} \times 100}{\text{Cost of Intangible Asset (A)}}$$

Amortization Amount =

$$\text{Cost of Intangible Asset (A)} \times \frac{\text{Actual Revenue for the year (B)}}{\text{Projected Revenue from Intangible Asset}}$$

(till the end of the concession period)
(C)

2. Meaning of particulars are as follows:-

Cost of Intangible Asset (A)	=	Cost incurred by the Company in accordance with the Accounting Standards.
Actual Revenue for the year (B)	=	Actual Revenue (Toll Charges) received during the accounting year.
Projected Revenue from Intangible Asset (C)	=	Total Projected Revenue from the Intangible Asset as provided to the Project Lender at the time of financial closure/agreement.

The amortization amount or rate should ensure that the whole of the cost of the intangible asset is amortized over the concession period.

Total Revenue shall be reviewed at the end of each financial year and the projected revenue shall be adjusted to reflect any changes in the estimate which will lead to the actual collection at the end of the concession period.

3. For Example:-

Cost of creation of Intangible Assets	:	Rs. 500/- crores
Total period of Agreement	:	20 years
Time use for creation of Intangible Assets	:	02 years
Intangible Assets to be amortized in	:	18 years

Let us assume that the Total revenue to be generated out of Intangible Assets over the Period would be Rs. 600 crores, in the following manner:-

Year No.	Revenue (In Rs. crores)	Remarks
Year 1	5	Actual
Year 2	7.5	Estimate*
Year 3	10	Estimate*
Year 4	12.5	Estimate*
Year 5	17.5	Estimate*
Year 6	20	Estimate*
Year 7	23	Estimate*
Year 8	27	Estimate*
Year 9	31	Estimate*
Year 10	34	Estimate*
Year 11	38	Estimate*
Year 12	41	Estimate*
Year 13	46	Estimate*
Year 14	50	Estimate*

Year 15	53	Estimate*
Year 16	57	Estimate*
Year 17	60	Estimate*
Year 18	67.5	Estimate*
Total	600	

'*' will be actual at the end of financial year.

Based on this the charge for first year would be Rs. 4.16 crore (approximately) (*i.e.* Rs. 5/Rs. 600 \times Rs. 500 crores) which would be charged to profit and loss and 0.83% (*i.e.* Rs. 4.16 crore/Rs. 500 crore \times 100) is the amortization rate for the first year."