1. **Nature of Operations**

DLF Limited ('DLF' or the 'Company'), a public limited company, together with its subsidiaries, joint ventures and associates (collectively referred to as the 'Group) is engaged primarily in the business of colonization and realestate development. The operations of the Group span all aspects of real estate development, from the identification and acquisition of land, to planning, execution construction and marketing of projects. The Group is also engaged in the business of generation and transmission of power, provision of maintenance services, hospitality and recreational activities.

2. **Principles of consolidation**

The Consolidated Financial Statements include the financial statements of DLF Limited, its subsidiaries, joint ventures and associates. The Consolidated Financial Statements of the Group have been prepared in accordance with Accounting Standard AS-21 'Consolidated Financial Statements', AS-23 'Accounting for investments in Associates in Consolidated Financial Statements' and AS-27 'Financial Reporting of Interests in Joint Ventures', as applicable issued by the Institute of Chartered Accountants of India ('ICAI').

Consolidated financial statements normally include consolidated balance sheet, consolidated statement of profit and loss, Consolidated statement of cash flows and notes to the Consolidated financial statements and explanatory statements that form an integral part thereof. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries, which are more than 50 per cent owned or controlled and partnership firms where the Company's share in the profit sharing ratio is more than 50 per cent as at March 31, 2008. Investments in entities that were not more than 50 per cent owned or controlled and partnership firms where the profit sharing ratio was not more than 50 per cent as at March 31, 2008 have been accounted for in accordance with the provisions of Accounting Standard 13 'Accounting for Investments', or Accounting standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements', or Accounting Standard-27 'Financial Reporting of Interests in Joint Ventures', issued by the IcAI, as applicable.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the present company and its share in the post-acquisition increase in the relevant reserves of the entity to be consolidated. Financial interest in joint ventures has been accounted for under the proportionate consolidation method.

Minority interest represents the amount of equity attributable to minority shareholders/partners at the date on witch investment in a subsidiary/firm is made and its share of movements in equity since that date. Any excess consideration received from minority shareholders of subsidiaries/minority partners of partnership firms over the amount of equity attributable to the minority on the date of investment is reflected under reserves and Surplus.

3. Basis of accounting

The Consolidated Financial Statements are prepared under historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards prescribed in the Companies (Accounting standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (!) (a) of Section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act').

4. Use of estimates

The preparation of Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of the Consolidated Financial Statements and the results of operations for the reporting periods. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognized in the current and future periods.

5. Fixed assets Capital work-in-progress and depreciation/ amortization

Fixed assets (gross block) are stated at historical cost.

Capital work-in-progress represents expenditure incurred in respect of capital projects under development and is carried at cost. Cost includes land, related acquisition expenses, construction costs, borrowing costs capitalized and other direct expenditure and advances to contractors and others.

Depreciation on Fixed assets (including buildings and related equipment rented out and included under current assets as stocks) is provided on a straight line method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, or based on the estimated useful lives of assets (as mentioned below), whichever is higher, as applicable:

Description	Estimated useful life
Leasehold land	Over the effective life of the lease
Buildings	42-58 Years
Plant and machinery	4-20 Years
Computers and software	2-6 Years
Furniture and fixtures	2-10 Years
Office equipment	8-20 Years
Vehicles	2-10 Years

Intangibles-Software	3-5 Years

Depreciation in respect of assets relating to the power supply division of one of the subsidiary companies of the Group is provided on the straight line method in terms of the Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S.O. 266 (E) dated March 29, 1994, from the year immediately following the year of commissioning of the assets in accordance with the clarification issued by the Central Electricity Authority as per the accounting policy specified under the Electricity (Supply) Annual Accounts Rules, 1985.

6. Intangibles

Software

Software are stated at cost less accumulated amortization.

Goodwill

Goodwill reflects the excess of cost of acquisition over the book value of net assets acquired on the date of the acquisition.

7. Investments

Current investments are stated at lower of cost and fair value. Long-term investments are stated at cost and provision for diminution in their value, other than temporary, is made in the financial statements.

Profit/ loss on sale of investments is computed with reference to the average cost of investment.

8. Stocks

Stocks are valued as under:

i) Land and plots (including land under agreements to purchase) other than area transferred to constructed properties at the commencement of construction are valued at cost, approximate average cost or as revalued on conversion to stock, as applicable. Costs include land (including development rights), estimated internal development costs and external development charges.

ii) Constructed properties other than SEZ projects, includes the cost of land (including development rights and land under agreements to purchase), internal development costs, external development charges, construction costs, development/ construction materials and is valued at cost or estimated cost, as applicable.

For SEZ projects, constructed properties includes the internal development costs external development charges, construction costs, development/ construction materials, and is valued at cost or estimated cost, as applicable.

iii) Earnest money and part payments under agreements to purchase land/ development rights/ constructed properties represents amounts paid by the Company to acquire irrevocable and exclusive licenses and development rights in identified land and constructed properties, the acquisition of which is at an advanced stage.

iv) Cost of construction/development material is valued at lower of cost or net realizable value.

v) Rented buildings and equipments related to these buildings is valued at cost less depreciation.

vi) In respect of power supply division of one of the subsidiary companies, material & components and stores & spares are valued at lower of cost or net realizable value. The cost is determined on the basis of moving weighted average. Loose tools are valued at depreciated value. Depreciation has been provided on a straight line method at the rate of ten per cent per annum.

vii) Stocks for maintenance and recreational facilities are valued at cost or net realizable value, whichever is lower. Cost of inventories is ascertained on weighted average basis.

9. Revenue recognition.

(i) Revenue from constructed properties

Revenue from constructed properties other than SEZ projects, is recognized on the ‘percentage of completion method’. Total sale consideration as per the agreements to sell constructed properties entered into is recognized as revenue based on the percentage of actual project costs incurred thereon to total estimated project cost, subject to such actual cost incurred being 30 per cent or more of the total estimated project cost. Project cost includes cost of land, cost of development rights, estimated construction and development cost of such properties. The estimates of the saleable area and costs are reviewed periodically and effect of any changes in such estimates is recognized in the period such changes are determined. However, when the total project cost is estimated to exceed total revenues from the project, the loss is recognized immediately.

For SEZ projects, revenue from development charges is recognized on the ‘percentage of completion method’. The total development charges as per the Co-Developer agreement entered into is recognized as revenue based on the percentage of actual project cost incurred thereon to total estimated project cost subject to such actual cost incurred being 30% or more of the total estimated project cost. The project cost includes estimated construction and development cost of such project excluding cost of land which is not sold/ transferred. Revenue from lease of land pertaining to such projects is recognized in accordance with the terms of the Co-Developer agreements on accrual basis.

(ii) Sale of land and plots

Sale of land and plots (including development rights) is recognized in the financial year in which the agreement to sell is executed. Where the Company has any substantial obligations, revenue is recognized on ‘percentage of completion method’ as per 9 (i) above.

(iii)Construction Contracts

Revenue from cost plus contracts is recognized with respect to the recoverable costs incurred during the period plus the margin in accordance with the agreement.

(iv)Power Supply

a. Revenue from power supply together with claims made on customers is recognized in terms of power purchase agreements entered into the with customers.

b. Revenue from energy systems development contracts is recognized on percentage of completion method and accounted for inclusive of excise duty recovered, where applicable. Accordingly, revenue is recognized when cost incurred (including appropriate portion of allocable overheads) on the contract is estimated at 30 percent or more, on the total cost to be incurred (including all foreseeable losses and an appropriate portion of allocable overheads) for the completion of contract, wherever applicable.

c. Revenue from wind mill power projects is recognized on the basis of actual power sold (net of reactive energy consumed), as per the terms of the relevant power purchase agreements entered into with respective parties.

v) Hospitality services and Recreational facility income

a) Subscription and non refundable membership fee is recognized on proportionate basis over the period of the subscription/ membership.
b) Revenue from food and beverage is recorded net of sales tax/value added tax and discounts.
c) Sales of merchandise are stated net of goods sold on consignment basis as agents.

d. Revenue from hotel operations and related services is recognized net of discounts and sales related taxes in the period in which the services are rendered.
e. Income from golf operations, course capitation, sponsorship etc, is fixed and recognized as per the agreement with the parties, as and when services are rendered.
f. Sale of cinema tickets is stated net of discounts.

vi) Others

a. Revenue from design and consultancy services is recognized on percentage of completion method to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.
b. Revenue in respect of maintenance services is recognized on an accrual basis, in accordance with the terms of the respective contract.
c. Dividend income in recorded when the right to receive the dividend is established.
d. Rent and licence fees, service receipts and interest from customers under agreements to sell is accounted for on an accrual basis except in cases where ultimate collection is considered doubtful.
e. Income from interest is accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest.
f. Share of profit/ loss from firms in which the company is a partner is accounted for in the financial year ending on (or before) the date of balance sheet.

10. Cost of revenues

I) Cost of constructed properties other than SEZ projects, includes cost of land (including cost of development rights/land under agreements to purchase), estimated internal development costs, external development charges cost of development rights, construction costs and development/ construction materials, which is charged to the profit and loss account based on the percentage of revenue recognized as per accounting policy 9 (i) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

For SEZ projects, cost of constructed properties includes estimated internal development costs, external development charges, construction costs and development/ construction materials (excluding cost of land which is not sold/transferred), which is charged to the profit and loss account based on the percentage of revenue recognized as per accounting policy 9 (i) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

II) Cost of land plots includes land (including development rights), acquisition cost, estimated internal development costs and external development charges, which is charged to the profit and loss account based on the percentage of land/ plotted area in respect of which revenue is recognized as per accounting policy (ii) above to the saleable total land/ plotted area of the scheme, in consonance with the concept of matching cost and revenue. Final adjustment is made on completion of the applicable scheme.

11. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

12. Taxation

Provision for tax comprises current income-tax, deferred tax and fringe benefit tax determined and computed at the individual entity level. Current income-tax is determined in respect of taxable income with deferred tax being determined as the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period (s). Such deferred tax is quantified using rates and laws enacted or substantively enacted as at the end of the financial year.

13. Foreign currency transactions

Indian Rupee is the reporting currency of the Group. Reporting currencies of certain non-integral overseas subsidiaries are different from the reporting currency of the Group. The translation of local currencies into Indian Rupee is performed for assets and liabilities (excluding share capital, opening reserves and surplus), using the exchange rate as at the balance sheet date, for revenues, costs and expenses using weighted average exchange rate during the reporting period. Share capital, opening reserves and surplus and carried at historical cost. Resultant currency translation exchange gain/ loss is carried as foreign currency translation reserve under reserves and surplus. Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Income and expenditure items of integral foreign operation is translated at the yearly average exchange rate of the respective foreign currencies. Monetary items at the balance sheet date are translated using the rates prevailing on the balance sheet date. Non-monetary assets are recorded at the rates prevailing on the date of transaction.

Transactions in foreign currency and non monetary assets are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the year- end exchange rate.

The exchange differences arising on such conversion and on settlement of the transactions, are recognized in the profit and the loss account.

14. **Employee Benefits**.

Expenses and liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15- “Employee Benefits (Revised 2005)” issued by the ICAI.

i) Provident fund

The Company make contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952, which is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

ii) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognized in the balance sheet in respect of gratuity is the present value of the defined benefit/ obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit/ obligation is calculated at or near the balance sheet date by an independent actuary using the projects unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss account in the year to which such gains or losses relate.

For certain consolidating entities, contributions made to an approved gratuity fund (funded by contributions to LIC under its group gratuity scheme) are charged to revenue on accrual basis.

iii) Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognized on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

iv) Superannuation benefit

Superannuation is in the nature of a defined benefit plan. For certain consolidating entities, contributions made towards superannuation fund (funded by payments of Life Insurance Corporation of India under its Group Superannuation Scheme) are charged to revenue on accrual basis.

v) Other short term benefits

Expense in respect of other short term benefits is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

15. Leases

Assets given under operating leases are included under fixed assets or current assets as appropriate. Lease income is recognized in the profit and loss account on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the profit and loss account.

16. Employee Stock Option Plan

The accounting value of stock options is determined on the basis of 'intrinsic value' representing the excess of the market price on the date of the grant over the exercise price of the shares granted under the 'Employees Stock Option Scheme' of the parent Company, and is amortised as 'Deferred employees compensation' on a straight line basis over the vesting period in accordance with the SEBI (Employees stock option scheme and Employees stock purchase scheme) Guidelines, 1999 and guidance not 18 'Share Based payments' issued by the ICAI.

17. Impairment

Goodwill

Goodwill is tested for impairment on an annual basis. If on testing, any impairment exists, the carrying amount of Goodwill is reduced to the extent of any impairment loss and such loss is recognized in the profit and loss account.

Other assets

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

18. Contingent Liabilities and Provisions

Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Group not acknowledged as debts are treated as contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Group makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been made as a contingent liability in the Consolidated Financial Statements.

19. Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

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.

18 During the year, the DLF Info-City Chennai Developers Limited (one of the subsidiary companies) filed a petition for merger of GKS Housing Limited and Roadtech Constructions P5rivate Limited (the "Transferor Companies") before the respective Hon'ble High Courts within the jurisdiction of respective registered offices were situated. The High Court of Chennai has approved/ sanctioned the merger vide its order 1st day of February, 2008, however, the formal order from High Court of Chandigarh is still awaited and accordingly, no effect thereto has been taken in these financial statements.

19. During the year, one of the subsidiary companies namely DLF Home Developers Limited converted its long term Investments amounting to Rs. 750.68 lacs into stock. Further these investments were sold for Rs. 39,152.14 lacs and corresponding cost of these investments was written off in the profit and loss account.