

HOSFINAS FINANCIALS

BALANCE SHEET AS AT MARCH 31, 2008

	Schedule Reference	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	70,000,000	70,000,000
Reserves and Surplus	2	119,234,778	107,836,535
LOAN FUNDS			
Secured Loans	3	411,741,782	226,350,401
Unsecured Loans	4	714,680,852	397,424,217
DEFERRED TAX LIABILITY		799,272	1,216,712
		1,316,456,684	802,827,865
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	17,343,123	15,612,832
Less : Depreciation		5,546,036	4,433,668
Net Block		11,797,087	11,179,164
INVESTMENTS	6	870,800	870,800
LOAN ASSETS	7	1,205,900,196	764,566,940
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	8	233,367	853,986
Cash & Bank Balances	9	104,799,972	21,971,061
Other Loans & Advances	10	12,704,782	17,639,079
Total Current Assets		117,738,121	40,464,126
LESS: CURRENT LIABILITIES AND PROVISIONS	11	19,849,520	14,253,165
NET CURRENT ASSETS		97,888,601	26,210,961
		1,316,456,684	802,827,865
Significant Accounting Policies and Notes	17		

As per our report of even date attached
For CHATURVEDI & CO.
Chartered Accountants

PANKAJ CHATURVEDI
Partner
Membership No. 91239

Place : Lucknow
Date : July 31, 2008

FOR AND ON BEHALF OF THE BOARD

O. P. SRIVASTAVA Director
S. P. GHOSH Director
D. J. BAGCHI Chief Executive Officer
& Company Secretary

Schedules annexed to and forming part of the Balance Sheet

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
30,000,000 Equity Shares of Rs.10/- each	300,000,000	300,000,000
20,000,000 Preference Shares of Rs.10/- each	200,000,000	200,000,000
	500,000,000	500,000,000
Issued, Subscribed and Paid up		
7,000,000 Equity Shares of Rs.10/- each, fully paidup	70,000,000	70,000,000
SCHEDULE 2		
RESERVES AND SURPLUS		
Special Reserve created and maintained in terms of Section 36(1)(viii) of The Income Tax Act, 1961		
Balance as per Last Balance sheet	34,025,970	31,092,289
Add: Transferred from Profit and Loss Account	5,971,897	2,933,681
	39,997,867	34,025,970
General Reserve	501,605	501,605
Capital Reserve	152,000	152,000
Securities Premium Account	50,000,000	50,000,000
Profit and Loss Account	28,583,306	23,156,960
	119,234,778	107,836,535
SCHEDULE 3		
SECURED LOANS		
Term Loans		
From Banks	366,204,981	171,334,981
From Others	45,500,000	54,250,000
Interest accrued & due	36,801	765,420
	411,741,782	226,350,401
Notes		
1. The Term Loans from Andhra Bank and Sahara Infrastructure & Housing Ltd. (formerly Gora Projects Ltd.) are secured by Negative Lien on assets refinanced by them individually. Further, the term loan of Andhra Bank is also, secured by immovable properties of third parties and personal guarantee of a director and his relatives. Repayable within one year is Rs. 7,128,000/- (Previous year Rs.8,878,000/-)		
2. Term Loan from The Bank of Rajasthan Ltd is secured by Negative Lien over the specific assets created by the utilisation of the said loan and immovable assets of a group company. Repayable within one year is Rs.72,860,000/- (Previous year Rs.37,144,000/-)		
SCHEDULE 4		
UNSECURED LOANS		
9% Unsecured Non-Convertible Debentures	80,000,000	80,000,000
Loan from Body Corporate	593,105,797	296,543,797
Interest accrued & due	41,575,055	20,880,420
	714,680,852	397,424,217

Schedules annexed to and forming part of the Balance Sheet

SCHEDULE 5
FIXED ASSETS

Description	Gross Block			As at Mar. 31, 2008	Upto Apr 1, 2007	Depreciation			Net Block	
	As at Apr 1, 2007	Additions	Sale/ Adjustment			Upto For the year	On Sale/ Adjustment	Upto Mar 31 2008	As at Mar. 31, 2008	As at Mar. 31, 2007
Building	5745548	—	—	5745548	870181	93652	—	963833	4781715	4875367
Computers	3041709	472977	—	3514686	1034099	553278	—	1587377	1927309	2007610
Solar Plant	3020000	—	—	3020000	1246137	143450	—	1389587	1630413	1773863
Furniture & Fixtures	2009871	275415	—	2285286	891809	132348	—	1024157	1261129	1118062
Air Conditioners	201570	47400	—	248970	26142	11046	—	37188	211782	175428
Office Equipment	305606	88335	—	393941	30229	17326	—	47555	346386	275377
Electrical fittings	258604	58365	—	316969	24501	14942	—	39443	277526	234103
Vehicles	1029924	787799	—	1817723	310569	146327	—	456896	1360827	719355
Total	15612832	1730291	—	17343123	4433667	1112369	—	5546036	11797087	11179164
Previous year	14182411	1430421	—	15612832	3500926	932742	—	4433668	11179164	10681485

SCHEDULE 6
INVESTMENTS
(Non-trade, Unquoted, Long Term Government Securities)

Unquoted

11.43% GOI Stock

597,200

Quoted

Equity Shares

Indian Overseas Bank Limited
(11,400 Equity Shares face value of Rs.10/- each,
Market Value Rs.1,540,140/-, Previous Year Rs. 1,174,200/-)

273,600

870,800

SCHEDULE 7
LOAN ASSETS

Housing Loans

Standard

Sub-standard

Less: Provision for Non Performing Assets

Sub-standard

Doubtful

Other Loans

Standard

Less: General Provision

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
11.43% GOI Stock	597,200	597,200
Quoted Equity Shares		
Indian Overseas Bank Limited (11,400 Equity Shares face value of Rs.10/- each, Market Value Rs.1,540,140/-, Previous Year Rs. 1,174,200/-)	273,600	273,600
	870,800	870,800
Housing Loans		
Standard	1,056,240,022	741,446,340
Sub-standard	14,208,048	13,784,175
Less: Provision for Non Performing Assets		
Sub-standard	886,765	1,100,970
Doubtful	1,338,112	616,759
Other Loans		
Standard	138,229,923	11,065,219
Less: General Provision	552,920	11,065
	1,205,900,196	764,566,940

Schedules annexed to and forming part of the Balance Sheet

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 8		
SUNDRY DEBTORS		
Outstanding for a period exceeding six months *	-	-
Other Debts	233,367	853,986
(*Interest Unrecognised Rs.1,626,303/-, Previous Year Rs.956,056/-)	<u>233,367</u>	<u>853,986</u>
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash in hand	65,895	95,817
Balance with Scheduled Banks		
– In Current Accounts	24,684,077	21,825,244
– In Term/Fixed Deposits Accounts	80,050,000	50,000
	<u>104,799,972</u>	<u>21,971,061</u>
SCHEDULE 10		
LOANS AND ADVANCES		
Installments due from Borrowers - Principal	1,928,805	683,624
Less: Provision for		
– Sub-standard Assets	22,284	13,086
– Doubtful Assets	98,694	45,332
	<u>1,807,827</u>	<u>625,206</u>
Refundable Deposits	786,170	1,094,495
Other Advances	2,360,531	8,914,501
Interest Receivable	363,336	8,414
Self Assessment Tax Paid	2,186,582	5,168,610
Advance Income Tax	2,585,000	-
Advance Fringe Benefit Tax	314,562	150,222
Tax Deducted at Source	2,300,774	1,677,631
	<u>12,704,782</u>	<u>17,639,079</u>

Schedules annexed to and forming part of the Balance Sheet

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 11		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	850,983	1,086,739
Other Current Liabilities	8,988,351	4,601,080
Advances from Customers	2,293,242	232,388
Investor Education and Protection Fund will be Credited with following amounts :		
Unclaimed Deposits *	113,480	113,480
Interest on Unclaimed Deposits	40,851	40,851
	<u>12,286,907</u>	<u>6,074,538</u>
Provisions		
For Taxation	6,481,009	7,639,567
For Fringe Benefit Tax	345,511	149,908
For Gratuity	400,601	209,265
For Leave Encashment	335,492	179,887
	<u>7,562,613</u>	<u>8,178,627</u>
	<u>19,849,520</u>	<u>14,253,165</u>

*There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. METHOD OF ACCOUNTING

The financial statements are based on historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) comprising of mandatory accounting standards issued by the Institute of Chartered Accountants of India, the directions issued by the National Housing Bank (NHB) and the provision of the Companies Act, 1956.

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

2. REVENUE RECOGNITION

Interest Income/ Fees on housing loans is accounted for on accrual basis, other than on Non Performing Assets, which is accounted for on cash basis in accordance with the NHB Guidelines.

Repayment of housing loans is generally by way of Equated Monthly Installments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, Pre-EMIs interest is receivable every month. Interest on loans is computed on a monthly rest basis.

Dividend is accounted on accrual basis when the right to receive the dividend is established.

3. PROVISIONS ON HOUSING LOANS

Housing Loans are classified, into performing and non-performing assets, and non-performing assets are further classified in to sub standard, doubtful and loss assets based on criteria stipulated by NHB.

4. FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

5. DEPRECIATION

Depreciation on fixed assets is charged on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The depreciation is calculated on pro-data basis for the assets acquired during the year.

6. INVESTMENTS

Investments that are readily realisable and 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 value. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Cost such as brokerage, commission etc., pertaining to investment, paid at the time of acquisition, are included in investment cost.

7. TAXES ON INCOME

Tax expense for the year comprises of the current and deferred tax. Current taxes are measured at the current rates of tax in accordance with the provisions of the Income Tax Act 1961.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to the timing differences that results between taxable profits and profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses under tax laws to the extent there is virtual certainty that sufficient future taxable income will be available against such deferred tax assets can be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Profit & Loss Account in the year of change.

8. EARNINGS PER SHARE (EPS)

Basic earnings per share are calculated by dividing the net earnings after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted earning per share, the number of shares comprises the weighted average shares considered for deriving basic earning per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares.

The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

9. EMPLOYEE BENEFITS

The Company's contribution to the Provident Fund is deposited with Government administered provident fund and the same has been charged to Profit and Loss Account.

Provision for Gratuity has been made on the basis actuarial valuation carried out by an actuary in accordance with Accounting Standard (AS) 15 (Revised) "Employee Benefits" issued by the Institute of Chartered Accountants of India.

Liability for Leave encashment is provided on the balance leave of eligible employees as at the date of Balance Sheet, in accordance with company's policy.

10. PROVISIONS AND CONTINGENCIES

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate

can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised and are disclosed by way of a note to the accounts.

B. NOTES ON ACCOUNTS

1. Housing Loans and installments due from borrowers are secured or partly secured by
 - a. Equitable Mortgage of property and/or
 - b. Assignment of Life Insurance Policies and/or
 - c. Personal Guarantee of borrowers and/or
 - d. Undertaking to create a security.
2. In the opinion of the Board of Directors the Current Assets, Loans and Advances are approximately of the value stated above, if realized in the ordinary course of the business.

3. Earning Per Share (Basic and Diluted) :

Particulars	Year ended	Year ended
	March 31, 2008	March 31, 2007
Weighted average no of Equity Shares outstanding as on last day of the Financial Year (No.)	7,000,000	7,000,000
Net Profit (Rs.)	11,398,243	5,540,460
Basic and Diluted Earnings per Share (Rs.)	1.63	0.79
Face Value of Equity Shares (Rs.)	10	10

4. Auditor's Remuneration:

(Rupees)

Particulars	Year ended	Year ended
	March 31, 2008	March 31, 2007
Statutory Audit Fee	44,944	34,571
Tax Audit Fee	11,236	11,224
Certification and Other Charges	57,291	16,836
	113,471	62,631

5. The major components of deferred tax assets / liabilities are given below:

Component	(Rupees)	
	As at March 31, 2008	As at March 31, 2007
Deferred Tax Liabilities		
Depreciation (A)	2,034,764	1,949,277
Deferred Tax Assets		
Retirement Benefits	250,198	130,989
Provision for doubtful debts / loans	985,294	601,576
(B)	1,235,492	732,564
Net Deferred Tax (A) - (B)	799,272	1,216,713

6. Segment Information

The Company's main business is to provide loans for the purchase or construction of residential houses. All other activities of the Company are related to the main business. As such there are no separate reportable segments, as per the Accounting Standard on 'Segment Reporting' (AS 17), issued by the Institute of Chartered Accountants of India.

7. Related Party Disclosures

List of Related Parties

- a. Major shareholder having control over the company
 - Sahara India Corp Investment Limited
 - Sahara Prime City Limited (formerly Sahara India Investment Corporation Limited)
 - Sahara India Finance & Investment Limited
- B. Key Management Personnel
 - Shri D. J. Bagchi, Chief Executive Officer, Company Secretary & Manager
- C. Companies under common control
 - Sahara India Commercial Corporation Limited
 - Sahara India Life Insurance Company Limited
 - Sahara Infrastructure & Housing Limited (formerly Gora Projects Limited)

8. Disclosure of Related Party Transactions between the company and related parties for the year ended March 31, 2008. (Rupees)

Sl. No	Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
1	Rent Paid Sahara India Commercial Corporation Limited.	238,248	216,000
2	Interest Paid Sahara India Commercial Corporation Sahara India Life Insurance Company Limited Sahara Infrastructure and Housing Limited (formerly Gora Projects Limited)	28,266,217 1,677,398 3,500,816	18,346,523 1,312,329 3,981,754
3	Loan Outstanding Sahara India Commercial Corporation Limited Sahara India Life Insurance Company Limited Sahara Infrastructure & Housing Limited (formerly Gora Projects Limited)	593,105,797 - 45,500,000	271,543,797 25,000,000 54,250,000

9. Sundry creditors do not include amount payable to Small Scale Industrial Undertakings (SSIs) or to Micro, Small and Medium Enterprises as at March 31, 2008.

10. Employee Benefit Plan:

Gratuity Plan

Funded status of the Gratuity Plan and the amount recognised as required by AS 15 is set out below : (Rupees)

Particulars	As at March 31, 2008
Change in Benefit Obligation	
Liability at the beginning of the year	209,265
Interest Cost	35,500
Current Service Cost	162,435
Actuarial (gain)/loss on obligations	(6,599)
Liability at the end of the year	400,601
Amount recognized in the Balance Sheet	
Liability at the end of the year	400,601
Fair value of plan assets at the end of the year	-
Difference	400,601
Amount recognized in the Balance Sheet	400,601
Expenses recognized in the Income Statement	
Current service cost	162,435
Interest cost	35,500
Expected return on plan assets	-
Net Actuarial (gain)/loss to be recognized	(6,599)
Expense recognized in the Profit and Loss Account	191,336
Balance Sheet Reconciliation	
Opening Net Liability	209,265
Expense as above	191,336
Employers Contribution	-
Amount Recognised in the Balance Sheet	400,601
Assumptions	
Discount rate	7.50%
Rate of return on plan assets	-

11. Managerial Remuneration

Schedule - 14, Staff Expenses include Managerial Remuneration of Rs. 2,280,514 (Previous Year Rs. 1,337,868).

Particulars	For the Year Ended March 31, 2008	For the year ended March 31, 2007
Salary	2,121,312	1,128,466
Company's Contribution to Provident Fund	33,149	32,256
Perquisites	126,341	177,146
Total	2,280,514	1,337,868

12. Expenditure in Foreign Currency : Foreign Traveling Rs. 198,960/-

13. The balances in Sundry Debtors, Sundry Creditors and Advances are, however, subject to confirmations and adjustments, if any. Such adjustments, in the opinion of the management, are not likely to be material.

14. Previous year figures have been regrouped and reclassified wherever necessary to conform to current year's classification.

For CHATURVEDI & CO.
Chartered Accountants

PANKAJ CHATURVEDI
Partner
Membership No.91239

Place : Lucknow
Date : July 31, 2008

FOR AND ON BEHALF OF THE BOARD

O. P. SRIVASTAVA Director
S. P. GHOSH Director
D. J. BAGCHI Chief Executive Officer
& Company Secretary