

HOSFINAS FINANCIALS

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule Reference	For the Year Ended March 31, 2008 Rupees	For the Year Ended March 31, 2007 Rupees
INCOME			
Income from Operations	12	116,027,427	75,720,333
Other Income	13	6,016,544	4,849,598
		122,043,971	80,569,930
EXPENDITURE			
Staff Expenses	14	12,841,878	10,967,943
Operating & Other Expenses	15	12,375,774	12,152,345
Interest and other Financial Charges	16	81,429,980	49,115,194
Depreciation		1,112,369	932,742
		107,760,001	73,168,224
		14,283,970	7,401,706
PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS			
Less: Provision for Taxation			
- Current Tax		3,265,160	1,624,141
- Deferred Tax		(417,440)	(205,518)
- Fringe Benefit Tax		195,603	149,908
- Income Tax related to earlier years		(157,596)	292,715
		11,398,243	5,540,460
PROFIT/(LOSS) AFTER TAX			
Add Profit carried from earlier year		23,156,960	20,550,181
Profit available for appropriations		34,555,203	26,090,641
APPROPRIATIONS			
Special Reserve in terms of Section 36(1)(viii) of the Income Tax Act, 1961		5,971,897	2,933,681
Balance Carried to Balance Sheet		28,583,306	23,156,960
		34,555,203	26,090,641
Earning Per Share - Basic (Rs.)		1.63	0.79
Earning Per Share - Diluted (Rs.)		1.63	0.79
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 Profit & Loss Account

	For the Year Ended March 31, 2008 Rupees	For the Year Ended March 31, 2007 Rupees
SCHEDULE 12		
INCOME FROM OPERATIONS		
Interest Income	109,129,270	71,844,054
Fee Income	6,898,157	3,876,279
	116,027,427	75,720,333
SCHEDULE 13		
OTHER INCOME		
Dividend Income	34,200	29,640
Interest on Term Deposits with Banks	2,288,945	1,185,829
Interest from Others (Gross, Tax deducted at source Rs.922,926/-, Previous Year Rs.6,21,237/-)	1,994,794	853,937
Interest on GOI Stocks	57,012	-
Miscellaneous Income	1,641,593	2,780,191
	6,016,544	4,849,597
SCHEDULE 14		
STAFF EXPENSES		
Salaries & Bonus	12,107,762	10,268,703
Staff welfare	214,584	229,995
Contribution to Provident Fund & ESI	519,532	469,245
	12,841,878	10,967,943

Schedules annexed to and forming part of the Profit & Loss Account

	For the Year Ended March 31, 2008 Rupees	For the Year Ended March 31, 2007 Rupees
SCHEDULE 15		
OPERATING AND OTHER EXPENSES		
Rent	1,483,154	1,670,566
Travelling and Conveyance		
- Directors	40,035	46,413
- Others	1,696,713	1,111,974
Legal and Professional fee	2,566,399	2,678,944
Printing and Stationery	501,611	632,817
Communication charges	1,359,199	1,278,497
General expenses	861,796	670,550
Insurance	415,327	703,425
Repairs and Maintenance - Others	454,272	406,702
Rates, Taxes and Licences	92,702	136,861
Office maintenance	744,487	1,049,553
Vehicles maintenance	535,299	369,893
Advertisement and Publicity	207,377	360,037
Electricity Charges	192,369	393,660
Payment to Auditors		
- As Statutory Auditors	44,944	34,571
- As Tax Auditors	11,236	11,224
- Other Capacity	57,291	16,836
Provision for Non-Performing Assets	569,708	568,757
Provision for Loan Assets - General	541,855	11,065
	12,375,774	12,152,345
SCHEDULE 16		
INTEREST AND OTHER CHARGES		
Interest on		
Term Loans	41,510,114	20,798,122
Inter Corporate Deposit	29,943,615	19,658,852
Debentures	7,200,000	7,200,000
Upfront Fees	2,106,750	420,900
Bank and Other Charges	669,501	1,037,320
	81,429,980	49,115,194

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-rata 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

