



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 Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, Pre-EMI (PEMI) 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 as per the NHB Guidelines, into performing and non-performing assets classified into 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 instalments 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 March 31, 2009	Year ended March 31, 2008
Weighted average number of Equity Shares outstanding as on last day of the Financial Year (No.)	7,000,000	7,000,000
Net Profit Rs.	17,556,199	11,398,242
Basic and Diluted Earnings per Share (Rs.)	2.51	1.63
Face Value of Equity Shares (Rs.)	10	10

4. Auditor's Remuneration :

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Statutory Audit Fee	44,120	44,944
Tax Audit Fee	11,030	11,236
Limited Review of Results	50,562	—
Certification Charges	56,180	57,291
	<u>161,892</u>	<u>113,471</u>



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

Component	As at March 31, 2009	As at March 31, 2008
Deferred Tax Liabilities		
Depreciation (A)	1,664,314	2,034,764
Deferred Tax Assets		
Retirement Benefits	309,610	250,198
Provision for doubtful debts/loans (B)	1,224,872	985,294
	1,534,482	1,235,492
Net Deferred Tax (A) – (B)	129,832	799,272

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 shareholders having control over the Company
 - Sahara India Corp Investment Limited
 - Sahara Prime City Limited (formerly Sahara India Investment Corporation Ltd.)
 - Sahara India Finance & Investment Limited
- b. Key Management Personnel
 - D. J. Bagchi, CEO & Co. Secretary/Manager (u/s 269 of The Companies Act, 1956)
- c. Companies under common control
 - Sahara India Commercial Corporation Limited
 - Sahara India Life Insurance Company Limited
 - Sahara Infrastructure & Housing Ltd. (formerly Gora Projects Limited)

8. Disclosure of Related Party Transactions between the Company and related parties for the year ended March 31, 2009

Sl. No.	Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008
1	Rent Paid		
	Sahara India Commercial Corporation Limited	1,711,976	238,248
2	Interest Paid		
	Sahara India Commercial Corporation Limited	53,511,409	28,266,217
	Sahara India Life Insurance Corporation Limited	1,519,728	1,677,398
	Sahara Infrastructure & Housing Ltd. (formerly Gora Projects Ltd.)	3,534,273	3,500,816
3	Loan Outstanding		
	Sahara India Commercial Corporation Limited	597,100,797	593,105,797
	Sahara Infrastructure & Housing Ltd. (formerly Gora Projects Limited)	—	45,500,000

9. Sundry creditors do not include amount payable to Small Scale Industrial Undertakings (SSIs) or to Micro, Small and Medium Enterprises as at 31st March, 2009.

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 :

Particulars	As at March 31, 2009	As at March 31, 2008
Change in Benefit Obligation		
Liability at the beginning of the year	400,601	209,265
Interest Cost	39,061	35,500
Current Service Cost	128,228	162,435
Actuarial (gain)/loss on obligations	8,040	(6,599)
Liability at the end of the year	575,930	400,601
Amount recognized in the Balance Sheet		
Liability at the end of the year	575,930	400,601
Fair value of plan assets at the end of the year	—	—
Difference	575,930	400,601
Amount recognized in the Balance Sheet	575,930	400,601
Expenses recognized in the Income Statement		
Current Service Cost	128,228	162,435
Interest Cost	39,061	35,500
Expected return on plan assets	—	—
Net Actuarial (gain)/loss to be recognized	8,040	(6,599)
Expense recognized in the Profit and Loss Account	175,329	191,336
Balance Sheet Reconciliation		
Opening Net Liability	400,601	209,265
Expense as above	175,329	191,336
Employers Contribution	—	—
Amount Recognised in the Balance Sheet	575,930	400,601
Assumptions		
Discount rate	8.00%	7.50%
Rate of return on plan assets	—	—

11. Managerial Remuneration

Schedule-14, Staff Expenses include Managerial Remuneration of Rs. 3,112,184 (Previous Year Rs. 2,280,514)

Particulars	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008
Salary	2,911,954	2,121,312
Company's Contribution to Provident Fund	30,255	33,149
Perquisites	169,975	126,341
Total	3,112,184	2,280,514

12. Expenditure in Foreign Currency : Foreign Traveling – Rs. Nil (Previous Year Rs. 198,960/-)

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

14. During the Year, 800 numbers, 9% Non-Cumulative Debentures of face value of Rs. 100,000 each aggregating to Rs. 80,000,000, including interest thereon, have been redeemed.

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

As per our report of even date attached

For CHATURVEDI & CO.
Chartered Accountants

PANKAJ CHATURVEDI
Partner
Membership No. 91239

Place : Mumbai
Date : 30th June, 2009

FOR AND ON BEHALF OF THE BOARD

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



Additional information pursuant to the Part IV of Schedule VI of the Companies Act, 1956
BALANCE SHEET ABSTRACT & GENERAL BUSINESS PROFILE

I. Registration No. : 9 9 7 8 2 State Code 2 1
 Balance Sheet Date : 3 1 0 3 2 0 0 9

II. Capital raised during the year (Amount in Rs. Thousand)
 Public Issue N I L Right Issue N I L
 Bonus Issue N I L Private Placement N I L

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousand)

Total Liabilities	1 3 3 0 3 4 6	Total Assets	1 3 3 0 3 4 6
Sources of funds			
Paid-up Capital	7 0 0 0 0	Reserves & Surplus	1 3 6 7 9 1
Secured Loans	4 3 1 9 7 0	Unsecured Loans	6 9 1 4 5 5
Deferred Tax Liability	1 3 0		
Applications of funds			
Net Fixed Assets	1 1 5 4 0	Investments	8 7 1
Net Current Assets	2 6 6 6 1	Misc. Expenditure	N I L
Accumulated losses	N I L	Housing Loans	1 2 9 1 2 7 4

IV. Performance of Company (Amount in Rs. Thousand)

Turnover	1 7 9 4 3 6	Expenditure	1 5 5 1 3 9
Profit/(loss) Before Tax	2 4 2 9 7	Profit/(loss) After Tax	1 7 5 5 6
Earning per share (Rs.)	2 . 5 1	Dividend	N I L

V. Generic Names of three Principal Products/Services of the Company (as per monetary terms)

Item Code (ITC Code)	N.A.	Product Description	N.A.
The company is a housing finance company			

As per our report of even date attached

For CHATURVEDI & CO.
 Chartered Accountants

PANKAJ CHATURVEDI
 Partner
 Membership No. 91239

Place : Mumbai
 Date : 30th June, 2009

FOR AND ON BEHALF OF THE BOARD

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