

India Home Loans Ltd.

Accounting Policy

The Accounting Policy of India Home Loans Ltd. (IHLL) will be as hereunder:

1. ACCOUNTING CONVENTION

IHLL will prepare its accounts in accordance with historical cost convention, applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 and the guidelines issued by the National Housing Bank (NHB) issued from time to time.

While preparing financial statements, the Management of IHLL will be required to make prudent estimates and assumptions in respect of its assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reports on income and expenses for the relevant year.

2. SYSTEM OF ACCOUNTING

IHLL shall adopt the accrual concept in the preparation of its accounts. The Balance Sheet and the Profit and Loss account of IHLL will be prepared in accordance with the provisions contained in Section 211 of the Companies Act 1956, read with Schedule VI thereto and the approvals granted under the section by the Company Law Board.

3. INFLATION

Assets and liabilities will be recorded at historical cost and the costs will not be adjusted to reflect the changing value in the purchasing power of money.

4. INTEREST ON HOUSING LOANS

Housing loans of IHLL will be repaid over a period of time. Repayment of housing loans will generally be by way of Equated Monthly Installments (EMIs) comprising principal and interest. EMIs will commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest will be realized every month. Interest on loans will be computed either on an annual rest or on a monthly rest basis as may be agreed by the borrowers.

Interest on housing loans will not be taken into account of IHLL from the date the asset has turned into NPA. Income including interest/discount or any other charges on NPA will be recognized only when it is actually realized. Any such income recognized before the asset became NPA and remaining unrealized will be reversed.

5. INCOME FROM LEASES

Lease rental income in respect of leases will be recognized in accordance with the Accounting Standard on Leases (AS 19) notified by the Companies (Accounting Standards) Rules, 2006. Where lease rentals are overdue for more than twelve months, the income will be recognized only when lease rentals are actually received. The net lease rentals taken to the credit of profit and loss account before the asset becoming non-performing and remaining unrealized will be reversed.

6. INCOME FROM INVESTMENTS

The gain/loss on account of Investments in Preference Shares, Debentures/Bonds and Government Securities held as long-term investments and acquired at a discount/premium, will be recognized over the life of the security on a pro-rata basis.

Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis. However, the income from dividend on shares of corporate bodies will be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the right of IHLL to receive payment is established.

Income from bonds and debentures of corporate bodies and from Government securities/bonds may be taken into account on accrual basis, if the interest rate on these instruments is predetermined and interest is serviced regularly and is not in arrears.

Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by the Central Government may be taken into account on accrual basis.

7. BROKERAGE AND SERVICE CHARGES ON DEPOSITS

Brokerage, other than incentive brokerage, and service charges on deposits, If IHLL is permitted to accept public deposits, may be amortized over the period of the deposit. Incentive brokerage, which may be payable to agents who achieve certain collection targets, will be charged to the Profit and Loss Account.

8. TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities in foreign currencies will be converted at the rates of exchange prevailing at the year-end, where not covered by forward contracts. Wherever IHLL will enter into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction will be recognized as income or expense over the life of the contract. Cross currency swaps and other derivatives will be required to be valued fairly at the year end. The net loss on translation of assets and liabilities in foreign currencies and fair value of derivatives will be debited to Profit and Loss Account.

9. INVESTMENTS

All investments of IHLL will be capitalized at cost inclusive of brokerage and stamp charges and will be classified into two categories, viz. Current or Long Term. There will be no inter-class transfer on ad-hoc basis. The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board. The investments will be transferred scrip wise, from current to long term or vice-versa, at book value or market value whichever is lower. The depreciation in one scrip shall not be set off against appreciation in another scrip at the time of such inter-class transfer, even in respect of the scrip of same category.

Quoted current investments shall, for the purpose of valuation, be grouped into the following categories, viz.,

- (a) Equity shares,
- (b) Preference shares,
- (c) Debenture and bonds,
- (d) Government securities including treasury bills,
- (e) Units of mutual fund, and
- (f) Others.

Quoted current investments for each category shall be valued at cost or market value, whichever is lower.

Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower. Unquoted preference shares in the nature of current investments shall be valued at cost or face value or the net asset value whichever is less. Investment in unquoted Government securities or Government bonds shall be valued at carrying cost. Investments in the unquoted units of mutual funds in the nature of current investments shall be valued at the net asset value declared by the mutual fund in respect of each particular scheme. Commercial papers shall be valued at carrying cost.

Provision for diminution in the value of investments will be made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard on Accounting for Investments (AS 13) notified by the Companies (Accounting Standards) Rules, 2006, and will be recognized through the Provision for Contingencies Account. The investment in properties will be the net of the provision made for depreciation.

10. FIXED ASSETS

Fixed Assets of IHLL will be capitalized at cost inclusive of legal and/or installation expenses. Leased Assets of IHLL will be accounted in accordance with the Accounting Standard on Leases (AS 19) notified by the Companies (Accounting Standards) Rules, 2006.

11. INTANGIBLE ASSETS

Intangible Assets comprising of system software will be stated at the cost of acquisition, including any cost attributable for bringing the same to its working condition, less accumulated amortization. Any expenses on such software for support and maintenance payable annually will be charged to revenue account.

12. DEPRECIATION AND AMORTISATION

Fixed Assets

Depreciation on all Fixed Assets other than Leased Assets and Leasehold Improvements will be provided for the full year in respect of assets acquired during the year. No depreciation will be required to provide in the year of sale of the asset.

In respect of Leased Assets and Leasehold Improvements depreciation will be provided on a pro-rata basis from the date of installation/acquisition.

Depreciation on Buildings, Computers, Leased Assets and Leasehold Improvements, will be calculated as per the straight-line method; and on other assets as per the reducing balance method. All assets except Computers and Leased Assets will be depreciated at rates specified by the Companies Act, 1956. Depreciation on Computers will be calculated at the rate of 25 per cent per annum. Depreciation in respect of finance leases will be provided on the straight line method over the primary period of lease or over the specified period, as defined under Section 205(5(a) of the Companies Act, 1956, whichever is shorter. Depreciation in respect of Leasehold Improvements will be provided on the straight-line method over the primary period of the lease.

Intangible Assets

Capitalized software will be amortized over a period of four years on a straight-line basis.

13. INVESTMENT IN PROPERTIES

IHLL will not invest in land or buildings, except for its own use, an amount not exceeding twenty percent of its capital fund. Such investment over and above ten percent of its owned fund shall be made only in residential units.

IHLL will dispose off the land or buildings acquired in satisfaction of its debts within a period of three years or within such a period as may be extended by NHB, from the date of acquisition if the investment in these assets together with such assets already by IHLL exceeds the above mentioned ceiling.

Depreciation on Investment in properties of IHLL will be provided on a pro-rata basis from the date of acquisition.

14. PROVISION FOR CONTINGENCIES

The policy of IHLL is to carry adequate amounts in the Provision for Contingencies account to cover the principal amount outstanding in respect of all non-performing assets, standard assets as also all other contingencies. All loans and other credit exposures where the installments are overdue for Ninety days and more are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank. The provisioning policy of IHLL will cover the provisioning required to be made as per the NHB guidelines.

15. EMPLOYEE BENEFITS

Provident Fund and Superannuation Fund Contributions

The contributions paid and/or payable during the year towards Provident Fund and Superannuation Fund will be charged in the Profit and Loss Account every year. IHLL will ensure that the funds and the schemes prepared and adopted by it are recognized by the Income-tax authorities and administered by the properly appointed trustees.

Gratuity and Post Retirement Pension

The net present value of the obligation of IHLL towards gratuity to employees and post retirement pension scheme for whole time Directors will be actuarially determined based on the projected unit credit method. Actuarial gains and losses will be immediately recognized in the Profit and Loss Account.

Other Employee Benefits

Compensated absences in the form of short term benefits will be determined on an undiscounted basis and recognized over the period of service, which entitles the employees to such benefits. Any such benefits which are long term in nature will be actuarially determined.

16. INCOME-TAX

The accounting treatment for income-tax in respect of the income of IHLL will be based on the Accounting Standard 22 on Accounting for Taxes on Income as notified by the Companies (Accounting Standards) Rules, 2006. The provision that may be made for income-tax in the accounts will comprise both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, will be recognized in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet.

Deferred tax will be measured based on the tax rates and the tax laws enacted at the Balance Sheet date. Deferred tax asset will be recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized. In situations where IHLL may have unabsorbed depreciation or

carried forward losses, deferred tax assets will be recognized only if there is virtual certainty supported by convincing evidence that the same can be realized against future taxable profits.

17. SECURITISED ASSETS

Securitized assets will be derecognised in the books of IHLL based on the principle of surrender of control over the assets. Credit Enhancement provided by IHLL by way of investments in subordinate Class B Pass Through Certificates will be included under Investments in Pass Through Certificates.

Derecognition of securitized assets in the books of IHLL, recognition of gain or loss arising on securitization and accounting for credit enhancement provided by IHLL will be based on the Guidance Note on Accounting for Securitization issued by the Institute of Chartered Accountants of India.

Certified to be True

Mahesh Pujara

CMD & Managing Director