



LIC HOUSING FINANCE LTD.



With you, for your dream home.

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Corporate Information

BOARD OF DIRECTORS

| | |
|-----------------------------------|------------------------------|
| T. S. Vijayan | : Chairman |
| D. K. Mehrotra | : Managing Director |
| Y. B. Desai | : Director |
| Dhananjay Mungale | : Director |
| S. Ravi | : Director |
| K. Narasimha Murthy | : Director |
| B. N. Shukla | : Director |
| A. S. Narayanamoorthy | : Director |
| V. K. Sharma (from 01.12.2010) | : Director & Chief Executive |
| R. R. Nair (upto 29.11.2010) | : Director & Chief Executive |

GENERAL MANAGER (TAXATION) & COMPANY SECRETARY

Nitin K. Jage

SENIOR EXECUTIVES

| | |
|---------------------------|--|
| Shri V. Chandrasekaran | : General Manager |
| Shri Nitin K. Jage | : General Manager & Company Secretary |
| Shri. Rajeev Chaturvedi | : General Manager |
| Shri. S. N. Mokashi | : General Manager |
| Shri N.K. Mittal | : General Manager |
| Shri Surinder Mohan | : General Manager |
| Smt. Anjubala Purushottam | : General Manager |
| Shri M. R. Ankolekar | : General Manager |
| Shri G. D. Joshi | : General Manager |

REGIONAL MANAGERS

| | |
|---------------------|----------------------|
| Mahendra Kumar | Northern Region |
| P. B. Roy | Eastern Region |
| Sanjaya Rastogi | Western Region |
| P. R. Shankara Raju | Southern Region |
| Ratikanta Singh | Central Region |
| R. Ramakrishnan | South Eastern Region |
| S. Krishna Kumar | South Central Region |

(Details as on 28.04.2011)

AUDITORS

Joint Statutory Auditors:

M/s. Chokshi & Chokshi
M/s. Shah Gupta & Co.

BANKERS

Andhra Bank
Axis Bank Ltd.
Corporation Bank
HDFC Bank Ltd.
State Bank of India
Union Bank of India

REGISTERED & CORPORATE OFFICE

Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai - 400 001.
Phones : 022- 2204 0006, 2204 9799
& 2204 9919 Fax : (022) 2204 9839.
email : lichousing@lichousing.com
website: www.lichousing.com.

REGISTRAR & SHARE TRANSFER AGENT

Sharex Dynamic (India) Pvt. Ltd.
Unit No.1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri - East, Mumbai - 400 072.
Phones : 022 - 28515606, 28515644.
Fax : (022) 28512885.
email: sharexindia@vsnl.com
Website : sharexindia.com

APPEAL TO SHAREHOLDERS

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies through electronic mode. The Companies can now send various notices / documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. To support this green initiative of the Government in full measure, members are requested to register their e-mail addresses at lichsggogreen@sharexindia.com, in respect of electronic holdings with the Depository through their concerned Depository Participants.

Profile & Progress..... At A Glance.....

- ❖ Provides loans for homes, construction activities, corporate housing schemes.
- ❖ Around 89% of the loan portfolio derived from the retail segment and the rest from large corporate clients.
- ❖ Rated 'AAA' by CRISIL for the 10th consecutive time in 2010-11; Fixed Deposit scheme rated as FAAA/stable by CRISIL.
- ❖ Promoted by world's premier financial institution, LIC of India, incorporated as Company in June 1989.
- ❖ Registered & Corporate Office at Mumbai with 7 Regional Offices, 13 Back Offices, 183 Marketing Offices and 1 Customer Service Points.
- ❖ Apart from wide marketing network comprising Direct Selling Agents (DSAs), Home Loan Agents (HLAs) and Customer Relationship Associates (CRAs), a wholly owned subsidiary also started distributing the company's product.
- ❖ Representative overseas presence in Dubai and Kuwait.
- ❖ Listed on the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and was the first Indian housing finance company to be listed overseas i.e., on Luxembourg Stock Exchange.
- ❖ Has been a profit making and dividend paying company since 1990 – its first year of operation.
- ❖ The concept of a life insurance linked mortgage product was first introduced in the country by LIC Housing Finance.
- ❖ LIC Housing Finance was a participant in the pilot issue of mortgage backed securities launched in August 2000 by National Housing Bank.
- ❖ 'Fix-O-Floaty' – the scheme which offered fixed interest rate for three years and floating thereafter was re-modeled into Advantage – 5 plan in order to withstand the pricing competition unleashed by other market players incorporating market sentiments and offering flexibility to the customer.
- ❖ Launched a unique interest rate scheme, 'MINI 5' to cater to housing finance needs of the priority sector population residing in Tier II and Tier III cities.
- ❖ Competitive Advantage for LIC Housing Finance lies in
 - Strong parentage and Brand Recall,
 - Transparent systems and procedure &
 - Competitive Interest Rates
- ❖ More than 12 lakh satisfied customers across the country since inception.
- ❖ Reported 34.06% increase in disbursements in 2010-11.
- ❖ Reduced net NPA to a record low of 0.03 percent in 2010-11.
- ❖ Enhanced PAT 47.16% to Rs.974.49 crore in 2010-11.
- ❖ Recommended increased dividend over previous year i.e., from 150% to 175%.



Vision

To be the best housing finance company in the country.

Mission

Provide secured housing finance at an affordable cost, maximizing shareholders' value with higher customer sensitivity.

Values

Transformation to a knowledge organisation

The Company is committed to the growing use and sharing of knowledge as a driver of business success. All decisions are based on merit and a respect for sound Judgement.

Sense of ownership

At the Company, we believe that superior performance comes from a feeling of ownership. And ownership comes from aggressive delegation and empowerment.

Quality and autonomy in Operations

The Company is committed to an aggressive delegation in decision-making whereby relevant initiatives can be taken closest to the customer.

Fair and transparent business practices

Ethics and transparency form the basis of the business of LIC Housing Finance.

On the macro-level, the Company complies with all the laws of the lands in which it operates, on the micro-level the Company respects the dignity of every individual.

Management Discussion and Analysis Report

MACRO-ECONOMIC & MONETARY DEVELOPMENTS IN 2010-11.

GLOBAL ECONOMIC CONDITIONS

Global economic activity in the second half of 2010 turned out to be stronger than expected. However, the uneven pace of growth across regions and uncertainty about the durability of recovery in the advanced economies persist. The positive sentiments arising from the growth momentum in major advanced economies was neutralised by the persistence of high unemployment and downside risks from weak housing markets. The combination of these developments resulted in additional policy stimulus. While in the US, the second dose of quantitative easing (QE2) was followed up with extension of fiscal stimulus, other advanced economies faced a difficult choice between delaying fiscal exit to support growth and early exit to contain the sovereign debt concerns. The risk of sovereign debt crisis spreading from the Euro-zone periphery has resurfaced in recent months.

Emerging Market Economies (EMEs), which had recovered ahead of the advanced economies, exhibited robust growth momentum driven by domestic demand. Inflation and overheating risks have, however, prompted monetary tightening at varied pace. Commodity prices also firmed up, largely reflecting easy liquidity conditions in advanced economies, as well as growing demand pressures in EMEs.

INDIAN ECONOMY: DEVELOPMENTS AND OUTLOOK

OUTPUT

The robust GDP growth in the first half of 2010-11 suggests that the economy has returned to its earlier high growth path. Satisfactory kharif production and higher rabi sowing point to stronger contribution of the agriculture sector to overall GDP growth in 2010-11. Industrial production has exhibited near double digit growth but the significant volatility adds uncertainty to the outlook. Lead indicators of the services sector show sustained buoyancy. In certain sectors, particularly non-cereal food items, however, the supply response to market signals in the form of higher prices has been weak, thereby exerting upward pressures on inflation. Core infrastructure sector has grown slower than both the overall GDP and the industrial sector, suggesting that it remains a constraint to higher growth. Capacity utilisation levels have generally remained steady.

AGGREGATE DEMAND

Growth in private consumption expenditure, after remaining subdued over several quarters, exhibited significant acceleration in the first half of 2010-11. As per trends in

the growth of gross fixed capital formation, the recovery in investment demand that had started in the last quarter of the previous year, has consolidated and remained strong. Fiscal trends during the year to date suggest that the fiscal deficit could remain within the budgeted level, but high growth in capital expenditure would add to the overall growth momentum from private demand. Lead indicators of private demand, such as corporate sales, capital expenditure plans, non-oil imports and credit demand point to sustained momentum in growth. Weak demand conditions in advanced economies have not affected the domestic growth momentum much in 2010-11 so far, even though global uncertainty remains a downside risk to the growth process.

EXTERNAL SECTOR DEVELOPMENTS

As expected, the current account deficit widened significantly in the second quarter of the year. Even as exports expanded faster than imports, the trade deficit widened. From the current account perspective, the cushion to a widening trade deficit from net invisibles declined. While higher net capital inflows did not pose any immediate challenge, unlike in many other EMEs, because of the widening deficit in the current account, the shift in the composition of capital flows, particularly the sharp jump in portfolio inflows and significant decline in net FDI inflows raises questions about the sustainability of the external sector in the medium-term

MONETARY AND LIQUIDITY CONDITIONS

The liquidity conditions had started to tighten by mid-2010 reflecting the normalisation of monetary policy and large increase in Government's surplus balances with the Reserve Bank due to revenues generated through 3G/BWA spectrum auctions. While sustained deficit liquidity conditions were consistent with the anti-inflationary monetary policy stance of the Reserve Bank during the year, the magnitude of the deficit widened significantly in the terminal months of 2010 to the point of posing concerns for growth. The severe tightness in liquidity was caused by both frictional factors associated with unusually large surplus balances of the government and structural factors as reflected in stronger credit growth relative to deposit growth as well as higher demand for currency.

The growth in non-food credit has remained above the indicative trajectory of the Reserve Bank since October 2010, reflecting growing credit demand associated with robust economic growth. Flow of financing from non-banking sources lagged behind the incremental flow of bank credit. Money supply growth, however, was slightly below the projected level on account of sluggish deposit growth as well as some

moderation in money multiplier resulting from higher growth in currency.

FINANCIAL MARKETS

The global financial markets continued to reflect the uncertainty about sovereign debt sustainability and the changing growth outlook of advanced economies. Markets in EMEs, including India, were influenced more by the domestic growth outlook, normalisation of monetary policy, corporate earnings prospects and the portfolio capital inflows that entailed a potential source of pressure on exchange rate and asset prices. In India, reflecting the tight liquidity conditions, interest rates in the money market, particularly in CBLO, T-bill, CP and CD segments hardened significantly. Recognising the structural imbalance between deposit growth and credit growth as well as the underlying signals of the anti-inflationary monetary policy stance, banks raised their deposit rates to improve deposit mobilisation while also raising the lending rates, which could be expected to moderate the aggregate demand, going forward. Asset prices generally remained firm, notwithstanding some correction in equity prices that partly reflected expectations about monetary policy actions associated with the abrupt reversal in the inflation path. The pace of increase in housing prices varied across cities. The Reserve Bank has recently used macroprudential measures to restrain the role of excessive leverage in asset price build-up.

INFLATION SITUATION

WPI inflation had witnessed modest softening during August-November 2010 after remaining in double digits for five consecutive months. In December 2010, however, renewed price pressures surfaced, driven by factors that were largely unanticipated. Food inflation exhibited a strong bound, led by onion and other vegetables, largely due to unseasonal rains and supply chain frictions. The Reserve Bank has already recognised the upside risks to inflation from higher global commodity prices, but this hardening happened sooner than anticipated. The pace of moderation in WPI inflation over a few months prior to December 2010 was also weak due to persistent elevated levels of food and fuel inflation, which are largely insensitive to anti-inflationary monetary policy measures. The expected significant softening of food inflation after a normal monsoon did not materialise, reflecting the impact of growing structural imbalances in certain sectors, particularly non-cereal food items. While the high growth in per capita income and the shift in the composition of demand have led to stronger growth in demand for items such as vegetables, fruits, pulses, eggs and meat, the supply response has generally lagged behind. The impact of this imbalance on food inflation has been magnified by rigidities in the supply chain management. Non-food manufactured inflation, which is a broad indicator of generalised and demand side price pressures, has remained stable in the range of 5.1 to 5.9 per

cent so far in the year. Besides the expected better supply response in non-food manufactured items to price signals and the pressure of imports, normalisation of the policy rate would have contributed to this trend. High month-over-month (annualised) inflation in recent months as also the rising price index of the non-food manufactured group, however, suggest the combined impact of both input costs and demand pressures. The factors underlying the inflation process pose a major challenge for monetary policy since the impact of anti-inflationary monetary policy measures on inflation expectations and core inflation could be weakened considerably by structural factors, particularly in an environment of firming global commodity prices.

GROWTH AND INFLATION OUTLOOK

The return to the high growth path in 2010-11 materialised despite an uncertain global environment. Though the overall global outlook suggests some moderation in growth in both advanced and emerging economies in 2011, downside risks to India's growth momentum have receded considerably. The inflation outlook, which is being conditioned by both demand side and supply side factors, suggests slow paced moderation in inflation, with the possibility of rigidity at above the comfort level in the near-term. Recognising the need to firmly anchor inflationary expectations and contain inflation, the Reserve Bank has raised policy rates six times since the beginning of March 2010. As a result, along with the impact of the shift in the LAF mode from reverse repo to repo, the effective increase in policy rate has been 300 basis points.

Going forward, the Reserve Bank's monetary policy measures would have to be guided by not only the anti-inflationary thrust that is necessary in an environment of persistent high inflation, but also their expected effectiveness in a condition of entrenched supply side pressures on inflation. Oil prices moving permanently to a higher trading range looks more probable now. Moreover, sectoral imbalances in several non-cereal food items that reflect weak supply side adjustments in response to rising demand could persist in the near-term, and higher policy rates may not ensure the desirable degree of demand adjustment, even with the usual transmission lags, given the nature of the items in which the imbalances are growing. Aggregate demand side pressures on inflation, however, would have to be contained in a forward looking manner. Recent trends in sales growth and earnings of corporates point to their improving pricing power. MGNREGS, in turn, has the potential to raise the wage bargaining power even in the unorganised sector, particularly in the agriculture and construction sectors, besides raising rural demand at a faster pace relative to production of cereals and non-cereal food items. The demand side risks are also visible in the growing size of the current account deficit, and high inflation differential is a potential factor for eroding export competitiveness.

Thus, given the fact that elevated inflation and current account deficit are the two major macroeconomic concerns at the current juncture, demand management measures need to acquire centre stage in the near-term, with structural measures in the medium-run addressing sectoral imbalances and export competitiveness. The anti-inflationary focus of monetary policy would have to continue, recognising though the limits of monetary policy in dealing with structural pressures on inflation, and the need for forward looking response to demand side pressures. Since a lower inflation regime is essential for sustainable high growth, containing inflation becomes the dominant policy objective in the current environment.

(source RBI's statement on macroeconomic & monetary development – 24.01.2011)

HOUSING FINANCE INDUSTRY STRUCTURE & DEVELOPMENT

India's housing finance industry comprises banks and housing finance companies. Disbursements have improved in the financial year 2010-11 as compared to lukewarm previous financial year. Given India's rapid population growth, increasing urbanisation and rising affordability the housing finance market will continue to grow. However, given increasing competition in the sector from banks, Housing Finance Companies which have access to low cost funds, better operational and credit cost control, and better service quality will continue to grow.

As the year 2010 has ended, the real estate sector at large seemed to have witnessed significant recovery during the year. Improved demand for housing space during 2010 was witnessed across most residential markets mainly driven by economic recovery and positive market sentiments, which also resulted in improvement in supply during the year with the launch of new residential projects.

The values across most micro-markets witnessed a strong upward movement when compared to prices last year. Capital values in select micro markets in the high end segment appreciated by over 30% annually in comparison to the mid segment markets which witnessed appreciation between 8% to 14% in these cities. After witnessing a slowdown in demand and construction activity for most part of 2009, Mumbai's residential sector witnessed an improvement in demand in 2010. When compared to values a year ago, Mumbai has witnessed the strongest recovery (in the range of 5% to 15%, as per Cushman & Wakefield India report) in most mid range macro markets. The strongest gains were witnessed in Far North micro market of Andheri (W), Malad, Goregaon due to large end user and investor demand for mid range housing segment. Despite the buoyant demand and strengthening economic sentiments, values are expected to correct in most micro markets especially Central Mumbai, North and Far North Mumbai owing to large upcoming supply. The rental market during the year also witnessed significant fluctuations.

According to Cushman & Wakefield India, among the major markets, NCR witnessed strong signs of recovery when compared to markets like Bangalore and Hyderabad which followed a relatively steady recovery pattern. In 2011, the overall residential market across major cities of India is expected to continue to witness growth in demand. Despite the increasing demand and improving market sentiments, the large available supply is expected to keep a check on the capital values across cities. Bangalore, Chennai and Hyderabad which are largely driven by end user demand supported by growing IT/ITES and automobile sector are expected to remain strong in 2011 whereas markets which have witnessed strong recovery with capital values reaching high prices points and significant supply, market like Gurgaon, Mumbai and Pune are likely to see some correction in the coming year.

Regulatory pressures are likely to impact small developers due to tough financing in the future which may result in dumping stocks by them at lower price and therefore putting little pressure on big developers too.

CRISIL Research estimates housing finance disbursements to have grown by 16 percent in 2010-11 to Rs.1,67,200 crore as compared with Rs.1,44,100 crore in 2009-10. The following factors have supported a healthy growth in 2010-11:

- a) Aggressive interest rate schemes launched by public sector banks led to intense competition in the industry thereby benefiting the consumer;
- b) Increase in balance transfer cases: Lower interest rates also increased the incidence of balance transfer cases in 2010-11, thereby contributing significantly towards disbursement growth.
- c) Rise in average ticket size: The second half of 2010-11 saw property prices rise in major markets (mainly Mumbai and Delhi), alongwith new project launches with larger area by many builders. This led to an overall increase of 8% to 9% in average ticket size of loans and contributed towards value growth in 2010-11.

Housing constitutes over 70% of the real estate sector and is amongst the three basic necessities of life viz. food, clothing and shelter. However, it is largely ignored.

With increase in urbanisation and improving affordability, the demand for mortgage loans will continue to grow at a healthy pace. Further, steady prices and continuation of tax concessions to self-occupied residential home borrowers, are contributors to the growth of the industry. The average age of borrowers has declined over the years, while the number of double-income households has grown significantly which enabled them to borrow higher loan amount due to higher repaying capacity.

Looking ahead:

It is estimated that the housing finance industry will be able to maintain a higher growth in fresh origination of residential home loans over next three to five years mainly due to increased affordability of the borrowers i.e. mainly due to demand for affordable housing projects.

When the recession hit the real estate sector in 2008, it also saw the emergence of a new buzz word 'AFFORDABILITY'. This was to be the key for the revival of the real estate sector especially in the residential sector. This was because it was felt that demand for affordable homes was recession proof and would lead to faster turnaround of stock.

The spurt in sales immediately after the recession when prices reached an 'affordable' level, should serve as a good indication to urge builders on, in this direction.

Here is a message for some developers-the more affordability you make it, the more you will sell, and the more you will gain in profits. It is a straight business equation that benefits every one - the developers - with increased sales and profits, the common man - with a more reasonably priced home, and the government with the satisfaction that more of its citizens are getting better homes.

The satisfactory monsoons this year indicate happier times for the people and this festive season, especially, appears to be marked with great optimism. This is a good time for the Government, the developers and the common man to form a healthy triangle to enable a healthy growth of this sector. It is an opportune moment for the buyers to go house hunting as the developers are more generous at this time, with their offer of goodies including heavy discounts, attractive freebies, and financial incentives.

The onset of the festivities is therefore the most auspicious moment to put 'affordability' back to where it belong – right in the middle of all action. Any sudden rise in prices will only serve to derail the recovery process of the sector which is still looming under a financial crisis. Certain 'Stray Sales' have created panic among the common man leading to a fear that property prices may have risen to unaffordable levels. Even the RBI expressed concern over the overheating of property prices in Mumbai and Delhi in its report on the macro – economy and monetary developments in 2009-10.

This is the moment when the term 'affordability' could be launched once again with renewed vigor since the developers are keen to 'SELL' and the buyer is keen to 'BUY'.

In India, festival has been closely associated with taking important decision and the auspicious occasion of Gudi Padwa is one such time. In Maharashtra, Gudi Padwa is day chosen to start anything new or make an important investment, especially in property, gold and silver. It also marks the end of one harvest and the beginning of a new one, signifying the start of the

festive period, is ripe as people want to buy during auspicious times. Many developers take the opportunity to announce new projects on this occasion and also offer attractive schemes.

Gudi Padwa is considered an auspicious day as it signifies new beginning and is usually earmarked for major purchase decisions hence many builders target this festival to launch their projects in keeping with the local sentiments during this period. This year, the festival of Gudi Padwa (celebrated on 4th April, 2011) is well timed, in terms of policy decisions by the national and state government falling soon after the end of the financial year. This may be a catalyst for some end users to reconsider their purchase decisions. There is widespread optimism about this festival marking the turning point for realty to make gains based on end user demand.

Demand also comes up with attractive offers during festivals, which give further boost to this sentiment. Even though buyers are in the wait and watch mode, festival such as Gudi Padwa could prove to be the turning point as there are many bookings around this festival. Indians are traditional by nature and even younger buyers who are influenced by the older generation do believe in this being a good time to buy. There are new launches of projects as everyone considers this an auspicious time to buy. A lot of developers tend to offer sops, freebies or discounts to prospective buyers, booking a property around this time.

There is no doubt that the second homes wave is here to stay. The ever growing size of homes buyers in the country is poised to drive the phenomenon well into the future. In fact, there is now an established trend of home buyers looking at options beyond the ordinary for their second home purchasers both by geography as well as by residence formats. Looking ahead, it is anticipated that the depth and size of the second home market would improve further owing to the sophistication of buyers as well as pro-activeness of developers to meet burgeoning demand for such products across the country.

Affordable housing and integrated township projects should be given infrastructure status. By providing this status, these projects will have a better access to funds.

It is about time the Government introduced a single window clearance system coupled with a rationalized tax system. At present, statutory approvals have to be obtained through multiple procedures leading to delays at every approval level, thereby translating to further increase in prices. Surplus tracts of land that have been lying defunct for several years within the city need to be released to capable builders and developers at reasonable or subsidized rates to enable them to build affordable houses – since the land cost inevitably forms a major part of the expenses for a builder.

Incentives in the form of subsidized tax rates should be offered to builders who serve to build a social fabric of 'affordability'. Simultaneously, it is important for the Government to introduce

a monitoring system to ensure that the incentives offered to the builder are in the same way passed on to the 'end user'.

The Government should extend the scope of 36(1)(vii) of the Income tax Act, 1961 to include housing finance institutions.

Further, the Housing Finance Companies should be relieved from anomaly inherent in section 43D read with rule 6EB of the Income tax Rules wherein the housing finance companies are being taxed without booking the income and also not allowed to claim as deduction when provision is required to be made in respect of bad loans.

Housing Finance Companies should be allowed to access long term External Commercial Borrowing (ECB) market, since these companies require long term funding sources at the lowest cost possible, to pass on to the ultimate borrowers.

Competition:

The Housing Finance Industry is one of the most keenly competitive segments of the Economy, with the Banking sector having a significant presence. However, Housing Finance Companies with a dedicated focus on the industry and better understanding of the underlying real estate markets stand on a better footing when it comes to understanding the needs of the customers as also assessing the risks in the industry.

With few signs of interest rates easing, high demand for loans and the likelihood of many infrastructure projects getting delayed due to tightening liquidity, banks may have to settle for lower profits and revenue growth. Furthermore the Government's pet agenda of financial inclusion and the entry of new banks will add to pressure on human resources too, which banks would find tough to handle.

High inflation is the biggest threat that HFCs and banks face. Prime lending rate is at 13.5%. While head line inflation is at around 8.31%. Lending rates are highest in a decade and higher than the rates that prevailed in the phase of pre-Lehman collapse when the cash reserve ratio was 9% and inflation at 13%. To curtail inflation if the RBI raises policy rates further, banks may be prompted to raise lending rates which may hurt loan demand.

ETIG (Economic Times Intelligence Group) data on 44 banks shows in the first nine months of 2010-11, the gross bad loans rose 23% to Rs.90,492 crore from a year earlier. To contain slippages of good assets to stressed assets would be a challenge.

Most Indian banks have net interest margins of 2.5% to 3.5%. However, the margin - a financial ratio that shows the profitability of a lender may be squeezed this fiscal as banks are unable to pass on high liability cost of borrowers. Banks have accepted liabilities at 10% at the year-end and with the base rates pegged at around 9.5%, margins would come under pressure as the cost of funds would rise and banks

would have to increase their lending rates to prevent any erosion in their margins. Conversely, if interest rates moderate in the second half of this fiscal, it could again put pressure on their margins. Banks have raised high cost deposits at the end of fiscal 2010-11 which would be reprised immediately when lending rates are revised. Thus, when rates fall, cost of deposits continues to be high while interest earned on lending falls impacting margins.

Despite efficiency, interest rates have been one of the key differentiators. Every borrower, corporate or individual is sensitive to interest rates.

One of the key concerns emerging among developers is about banks getting a little more cautious about lending to the realty sector. Banks are reluctant to lend money to realty companies as RBI made it tougher for banks to provide high value loans to properties costing over Rs.75 lakh. The RBI had also raised the provision requirement for loans.

This move by RBI gives more space for HFCs to capitalize and consolidate its market share by providing loans at very competitive rate to enable the developers come up with affordable housing project and be part of the Government's objective of providing housing for all.

Opportunities:

The aspiration to own a home remains a basic concern for anyone and everyone. In fact, developers remain positive that it's this 'need-based concern' which would ultimately help them to tide over the present lull phase. And catering to this basic concern are several housing companies or banks that extend various loan schemes.

Unlike earlier, home loans today continue to be 45% cheaper than what they were in early 2001 according to an estimate. Because if statistics are referred to, the interest rates which now range between 9% to 11%, are still much lower than what they were 10 years ago, at 16% to 17%. Buying or investing in a property would continue to remain a lucrative option. Besides building an asset, a buyer ends up reaping the benefits of investment made already. Moreover, with an organized finance sector and with the increase in transparency levels, it has become easier to create financing vehicle. Home loans are being offered by HFCs at 9% to 11% depending on the profile of a customer.

India is a country that is challenging the limits of aspirations and possibilities every day. If there is one sector that reflects the changing aspirations and growing needs of this new India, it is the residential sector. Strong economic growth has led to rising incomes, better availability of attractive home loan options, wide range of supply and growing aspirations. All these factors have made buying an attractive proposition.

In fact, in metropolitan cities, it is not uncommon to see young professional aspiring to own more residence than the one they reside in, thus leading to a 'Second Homes Wave' in the country.

Demand Drivers

Second homes in India is a relatively new phenomenon that gained steam in the mid-1990s as the country went through its first real estate upswing. No single factor can be attributed as the driver of the second home wave; rather it was combination of a host of converging factors that led Indian home buyers to explore second home purchases. Some of the factors include:

Strong economic growth: Emergence of a upwardly mobile consumer class.

Rising Aspiration

Sectoral

1. Real estate as an attractive investment option
2. Improved real estate transparency levels
3. Wider option to choose from.
4. Availability of high- quality residential formats.
5. Competitive home loan rates.
6. Flexible home loan financing-EMI holiday by developers.
7. Increased NRI buyer interests

All the above factors and a few more, led to the initial wave of second homes in India. Consumers started looking beyond their first home in an attempt to explore option of second home acquisition.

The Resurgence of the economy in the new millennium and the emergence of end-user demand for homes, on the back of attractive mortgage rates as well as rationalized home prices witnessed the emergence of the subsequent wave of second homes in the country.

Urban home or suburban homes present an option beyond the limited inner-city residence options. Suburbs across the country have emerged as a preferred location for home buyers for premium residence, given the better land availability in these areas as compared to city centers, yet away from its hustle and bustle. Growing market maturity has ensured that a wide range of top-end housing projects which are closer to nature are now available. This category includes residence options along beaches, hill-side homes, and riverside resorts and in other natural surroundings. What is interesting is not only the geographical diversity of these homes, but also the significant range of formats in which such projects are being developed in planned communities across the country including villas, townhouse, row-house and even apartments.

A subset within this category includes wellness homes, which allow-buyers to rejuvenate themselves from demanding

careers and stressful lifestyles. Such homes offer relaxation and wellness centers that offer yoga, meditation and other rejuvenation avenues.

There has been noticeable trend among home buyers exploring the options of buying second homes in pilgrimage centers as trips to such places tend to be periodic. Homes in pilgrimage centers serve the dual need of being a holiday home and a good investment.

Threats (bottlenecks)

In an ideal scenario, affordable housing is meant for lower middle class and middle class segment groups. However, in the present context, it is proving difficult for many aspiring homebuyers from this particular segment to afford buying a property in Mumbai. This despite the fact that the government announced the housing policy in 2007. Realty experts maintain that the main reasons remain the scarcity of land and infrastructure development, which needs to gather pace. There still remains a short-supply of shortage of land and infrastructure. The government can introduce certain policies whereby reserve certain chunk of land that could be given to developers to promote affordable homes. A large chunk of land remains under utilized due to archaic rules.

Additionally, the developers maintain that with the government increasing taxes including stamp duty, ready reckoner, among others the overall cost of construction has also shot up. The developers are unable to create a stock of land for affordable housing because current legislation provides no sops for the purchase of land or infrastructure facilities at concessional rates, and this prevents the prices from coming down. Without these, the developers won't be able to build affordable houses.

There is no proper co-ordination or equation between various governmental agencies such as MMRDA or any municipal corporation.

In Maharashtra, the discussion over repulsion of the Urban Land Ceiling and Regulation Act (ULCRA) has been on since 1999.

However, with the introduction of VAT of 1% from April 2010, the service tax of 10.3%, the revision of the ready reckoner rates and the anticipated rise in the interest rates on home loans (Every increase in interest rate by 0.5% reduces home loan eligibility by approximately 7%), there is every possibility that the prices could escalate in the near future.

The Bombay High Court's order striking down the state Government's move to charge a premium for 33% extra FSI in the suburbs, is also expected to further hike up the property prices, since builders will now have to buy Transfer of Development Rights (TDR) which is controlled by traders with vested interest. Besides, the increase in the difference between carpet and built-up areas of apartments by as much as 40% to 50% at certain prime places may also not be favourable to the potential buyer.

As always been the case, the blame game continues with both the developers and the Government accusing each other for their respective and relevant actions. To add to the controversy, the proposed model Real Estate (Regulation of Development) Act, in its present form, has been severely criticized as it could further escalate the prices of the housing stock in the country by almost Rs.250 to Rs.300 per sq. ft. since it would lead to a multiplicity of procedures resulting in enormous delay in starting residential projects. The prices may rise in the near future because the real estate sector, in its present avatar is distorted, although the same can be averted by taking steps in the right direction. This calls for immediate correction and unstinted cooperation between the developers and the Government, as the 'unaffordable prices' will price out the main buyers from the market i.e the common man.

As a concern for the common man, the government therefore, needs to promote the affordable housing sector. Ideally, it should provide a big stimulus package for the real estate sector to promote affordable housing in the country.

Segment wise Reporting

Segment has been identified in line with the Accounting Standard on segment reporting, taking into account the organization structure as well as the differential risk and returns of these segments. The Company is exclusively engaged in the Housing Finance business and revenues are mainly derived from this activity.

Outlook

If 2008 was the year of shock, 2009, the year of discovery and introspection and 2010, the follow up experiment, then 2011 could will be the year of comfort, for the Indian real estate sector. The turmoil of the last couple of years seems to have made everybody (investors, developers, lenders and end users) smarter. The critical approach adopted by all stakeholders may be an indicator of the sector maturing. Nevertheless, the increasing input costs, commodity and oil prices, overcautious foreign fund inflows indicate that the mayhem is far from being over.

Realty consultants, developers, investors, bankers, HFCs, end-users have expressed guarded optimism that the year 2011 will be comfortable one, for Indian realty.

With India being a safe investment option, long term investments like pension funds will come into realty sector. With the economy expected to grow by 8.5% to 9% and an average increase of 20% in salary levels being projected by HR surveys for 2011, the realty sector is expected to do much better than it did in 2010. In 2010, the industry was mostly trying to 'catch-up' after two bad years.

There has been a clear shift in the market of late, with actual

users constituting a majority of the buyers. In 2011, this trend will continue and consolidate in favour of end users.

With the Indian economy improving and global markets also strengthening, all segments of Indian real estate will improve in 2011. In the residential vertical higher demand as compared to supply indicates a price appreciation. The robust GDP also points towards increasing demand in the retail space. The demand for commercial real estate is dependent on the global economy. Since global market conditions are much better today, as against the last two years, India stands out as the best investment opportunity in this segment. There is tremendous shortage of housing in this country and until the gap is narrowed down, there is only one way prices will go and that is up. There might be minor price corrections in certain over heated sections of metropolitan centres, towards the second half of 2011, but by and large, the outlook for 2011 is very bullish.

Homes are evolving and so is consumer's aspiration. Having seen the world, literally Indians are finally realizing that homes can be developed to be more than just a roof to sleep under. While a home is all about the things that stimulate happiness and contentment such as family, love, care, leisure and play, the core concept of home has far evolved from being a basic 'need' to being 'desired'.

And exactly for such reasons residential offerings have evolved to accommodate concepts of themed projects, designer homes, green homes etc. Today people want to live, work, play entertain, be entertained, flaunt, relax, rejuvenate, study, exercise when it comes to 'where' they stay.

In order to bring the construction quality at par with the global standards, developers, have introduced contemporary technologies such as Mivan and PERI to their construction. The advanced technologies have not only reduced the cost of construction, but also brought down construction turnaround time significantly in the recent past. There has been greater awareness about green building construction in the late decade.

Apart from above, the government has eased its import policies for the construction industry besides introducing amendments to bring in more transparency. Now a developer can import more material than before. So glasses and specialized fittings are generally imported. At the same time, there has been improvement in the quality of materials being produced by Indian companies offering better volumes and satisfaction to the buyers of materials.

Affordable housing is the only way to accommodate people in the suburbs of Mumbai. Commuting will not be much of a

problem because of development of infrastructure projects like upcoming Metro, flyovers, skywalks, better roads and increase in the frequency of rail connectivity. So, if the price is right and there is scope for good lifestyle development, people would be open to relocate themselves. This would mean that any neighbourhood can benefit from affordable housing projects of mid to large scale and ultimately, with the added infrastructure and support systems coming into aid the projects, property price will only get better.

Housing sector is bound to receive attention of Government because it is a major sector of the Indian economy. Housing is the largest component of the financial sector, of the construction sector and is central to economic growth and the related multiplier effects on employment, poverty reduction etc. It has also impact on several other connected industries. It has implications for the healthy growth of households, their optimism and investment opportunities and it creates an environment conducive to a positive outlook in society. Housing helps to provide a stable platform for future development of a democratic society. Globally, there is a strong correlation between economic development and housing and housing quality. It is said that alleviating the urban housing shortage could potentially raise the rate of growth of GDP and have a decisive impact on improving the basic quality of life.

Risks and concerns

LIC Housing Finance is exposed to risks such as liquidity risk, interest rate risk, forex risk, credit risk and operational risk which are inherent in the financial intermediation business. The risk management process of the Company will proactively manage the uncertainty and volatility in the net interest income of the Company by prescribing maximum exposure limits. The objective can be summarized as below:

- Reduce potential costs of financial distress by making LIC Housing less vulnerable to adverse movements in liquidity, interest rates, exchange rates (wherever applicable);
- Create a stable planning environment by ensuring that the business plan is not adversely affected during the financial year due to any adverse liquidity situations, interest rate and currency fluctuations by using various tools such as time-bucket analysis, liquidity statements, duration gap and forex exposure reports;
- Minimise the credit risk by adopting scientific techniques for credit evaluation, prescribing exposure limits, portfolio composition and periodic review of the portfolio;
- Minimise the operational risk by strengthening the internal control procedures and making systemic

corrections to address the deficiencies reported by the Internal Auditors.

Internal Control Systems & their Adequacy

The Company has internal audit system which is effective and commensurate with the size of its operations. Adequate records and documents are maintained as required by law from time to time. Internal audits and checks are regularly conducted and internal auditor's recommendations are seriously considered for improving systems and procedures. The company's audit committee reviews the internal control system and looks into the observations of the statutory and internal auditors. During the year, various guidelines / circulars were issued on the operational side to ensure better credit appraisal, as a result of which quality of loans has improved during the year.

Discussion of Financial Performance with respect to Operational Performance

Financial / Fund Management

The Company's borrowing is planned taking into consideration ALM gaps, interest rate mismatches. But, this depends on the prevailing market conditions. LIC Housing Finance has got highest rating for bank borrowings, non convertible debentures, commercial paper and public deposit scheme from CRISIL / CARE rating agencies, which has helped the Company to procure funds at very competitive rates. The Company is selectively entering into derivative contracts with sole objective of managing risk associated with the interest rate movement, balance sheet management, converting fixed / floating coupon of the underlying liabilities, switching from the existing benchmark to favourable benchmark so as to prevent cost escalation on account of unfavourable benchmark and also as a tool to manage the asset liability mismatch.

As derivative transactions are linked with risk, the status of each and every transaction is regularly monitored and the Company has unwound some of the transactions at the appropriate time to mitigate the risk associated with it. During the financial year 2010-11, the Company has unwound 2 swaps and received an amount of Rs.1.97 crore as unwinding value.

The prime lending rate of the Company is regularly reviewed and revised as it is a benchmark for asset pricing. Since more than 85% of the asset portfolio is on the floating rate, the Company re-prices the loan assets consequent upon the revision in prime lending rate of the company at specified intervals.

The Company also reviews the fund position on daily basis and parks surplus funds in debt oriented mutual fund schemes, fixed deposits, certificate of deposits as per the Board approved policy with an objective of reducing the negative carry to the extent possible.

The composition of outstanding borrowings as on 31st March, 2011 & the ratings assigned by rating agencies is as under;

| Particulars | % to total Borrowing | Rating |
|---------------------------------|----------------------|--|
| Term loans from Scheduled Banks | 27.78% | "AAA/Stable"/ P1 + by CRISIL |
| Refinances from NHB | 3.40% | Not applicable |
| Term loans from LIC of India | 1.66% | Not applicable |
| Non Convertible Debentures | 58.39% | "AAA/Stable" by CRISIL / "CAREAAA" by CARE |
| Subordinated Bonds (Tier II) | 3.33% | "AAA/Stable" by CRISIL & "CAREAAA" by CARE |
| Upper Tier II Bonds | 3.33% | "AAA/Stable" by CRISIL & "CAREAAA" by CARE |
| Public Deposit | 0.57% | "FAAA/Stable" by CRISIL |
| Commercial Paper | 1.13% | P1+ by CRISIL |
| Others | 0.41% | Not applicable |
| Total | 100.00 | |

Performance / Operation Highlights

During the year, the Company sanctioned Rs.22602.92 crore and disbursed Rs.19912.39 crore registering a growth of 25.27% and 34.06% respectively. For the year ended March 2011, the Company's total income from operations was Rs.4680.08 crore as against Rs.3456.24 crore during the same period last year. Net profit for year ended March 2011 zoomed to Rs.974.49 crore when compared to Rs.662.18 crore in the corresponding period last year, thereby achieving a growth of 47.16%. The outstanding mortgage portfolio as at March 2011 was Rs.51089.84 crore as against Rs.38081.38 crore on March 2010 thus registering a growth of 34.16%.

Marketing

LIC Housing Finance is one of the largest housing finance companies in India having one of the widest networks of 181 marketing offices as on 31st March, 2011 across the country and representative offices in Dubai and Kuwait. The Company

continues to serve the customers at their door step through Home Loan Agents, Direct Selling Agents and Customer Relation Associates. During the year, the Company also participated in property exhibitions in various parts of the country and the same has been an impetus for successful marketing tool.

Recovery Management

The gross non performing assets (NPA) as on 31st March, 2011 stood at Rs.241.96 crore as against Rs.263.15 crore as on 31st March, 2010 registering a reduction of 8.05%. The gross NPA ratio of the company stood at 0.47% as on 31st March, 2011 as against 0.69% as on 31st March, 2010. Net NPAs were 0.03% as against 0.12% on the corresponding dates. The provision cover on the NPAs stood at 93.78% as on 31st March, 2011. The net interest margin for the year stood at 3.08%.

Human Resources Development

The Company has a dedicated team of 1190 persons who have been contributing to the progress and growth of the Company. The manpower requirement of the offices of the Company is assessed and recruitment is conducted accordingly. Personal skills of the employees are fine tuned and knowledge is enhanced by providing them internal and external training keeping in views the market requirement from time to time. Outstanding performers are rewarded by way of elevation to the higher cadre. Apart from fixed salary and perquisites, the employees are paid performance linked incentives which motivates them to perform better.

Loan assets per employee as at 31st March, 2011 were Rs.39.67 crore and net profit per employee Rs.81.89 lakh.

Conclusion with Caution

Statements in this report, describing the Company's objectives, projections, estimations, expectations are "forward looking statements" within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions in respect of future events and Company assumes no responsibility in case the actual results differ materially due to change in internal or external factors.

Directors' Report

To the members of LIC Housing Finance Limited.

The Directors have great pleasure in presenting the Twenty Second Annual Report together with the audited accounts for the year ended 31st March, 2011.

Financial results

The Profit and Loss Account shows a profit before tax of Rs.1294.16 crore after writing off bad debts of Rs.0.63 crore and considering the amount recovered of Rs.6.69 crore out of earlier write off and taking into account all expenses, including depreciation and prior period items. The provision for income tax (net of deferred tax) is Rs.319.67 crore and the profit after tax for the year is Rs. 974.49 crore.

Taking into account the balance of Rs.361.40 crore being brought forward from the previous year, the distributable profit is Rs.1335.89 crore.

(Rs. in crore)

| | For the year ended 31 st March, 2011 | For the year ended 31 st March, 2010 |
|--------------------------------------|---|---|
| Appropriations: | | |
| Special reserve | 262.00 | 160.00 |
| General reserve | 350.00 | 200.00 |
| Proposed dividend | 166.13 | 142.39 |
| Tax on dividend | 26.93 | 24.20 |
| Balance carried forward to next year | 530.83 | 361.41 |
| | 1335.89 | 888.00 |

Dividend

Considering the good performance during the year 2010-11, your Directors have recommended a dividend of Rs.3.5 per Equity Share of Rs.2/- each (175%), for the year ended under review. The total dividend outgo for the current year would amount to Rs.193.05 crore including Dividend Distribution Tax of Rs.26.93 crore, as against Rs.166.59 crore including dividend distribution tax of Rs.24.20 crore, for the previous year.

Performance

Income and profit

Profit before tax and after tax stood at Rs.1294.16 crore and Rs.974.49 crore as against Rs.911.27 crore and Rs.662.18 crore, respectively, for the previous year. Profit before tax increased by 42.02% over the previous year while profit after tax increased by 47.16% as compared to that of previous year.

The Company earned a total income of Rs.4868.72 crore, registering an increase of 40.34%. The percentage of administrative expenses to the housing loans, which was

0.48% in the previous year, has decreased to 0.45% during the year 2010-11.

Lending operations

Individual loans:

The main thrust continues on individual loans with a disbursement growth of 41% during the year. However, project loans were also given due weightage resulting in an overall disbursement growth of 34% over previous year. During the year, the Company sanctioned 1,32,707 individual Housing loans for Rs.20,227.35 crore and disbursed 1,61,466 loans for Rs.17,512.36 crore. Housing Loan to Individual i.e., retail loans constitute 89.49% of the total sanctions and 87.95% of the total disbursements for the year 2010-11 compared to the last year's figure of 78.43% and 83.81% respectively. The gross retail loan portfolio grew by over 37.52% from Rs.34,031.64 crore as on 31st March, 2010 to Rs.46,800.27 crore as on 31st March, 2011.

The cumulative sanctions and disbursements since the incorporation, in respect of individual loans are:

Amount sanctioned: Rs.81,317.35 crore

Amount disbursed: Rs.72,957.36 crore

More than 12,00,000 customers have been serviced by the Company up to 31st March, 2011 since its inception.

Project loans:

Growth in profit has been attributed amongst other factors to the growing portfolio of project loans. The Company sanctioned/ disbursed project loans to select builders/developers after proper analysis and sanction by the Executive Committee. The project loans sanctioned and disbursed by the Company during the year were Rs.2,375.57 crore and Rs.2,400.03 crore, respectively. These loans are generally for short durations, giving better yields as compared to individual loans.

Non-Performing Assets and provisions

The amount of gross Non-Performing Assets (NPA) as on 31st March, 2011 was Rs.241.96 crores, which is equivalent to 0.52% of the housing loan portfolio of the Company, as against Rs.263.15 crore i.e. 0.69% of the housing loan portfolio as on 31st March, 2010. The net NPA as on 31st March 2011 is reduced to Rs.15 crore i.e. 0.03% of the housing loan portfolio vis-à-vis Rs.46.36 crore i.e. 0.12% of the housing loan portfolio as on 31st March, 2010. The total cumulative provision towards housing loan as on 31st March, 2011 is Rs.483.73 crore as against Rs.216.79 crore in the previous year. During the year, the Company has written off Rs.0.63 crore of housing loan portfolio as against Rs.0.77 crore during the previous year.

Fund raising

The Company raised funds aggregating to Rs.18,873.87 crore through term loans from banks, Non-Convertible Debentures

(NCD), upper tier II Bonds, commercial paper, NHB refinance and Public Deposit. The Company's NCD & Upper Tier II subordinate Bond issue and bank loans were rated 'AAA/Stable' and Public Deposit was rated as FAAA/STABLE by CRISIL.

Sub-Division of Equity Shares

With a view to increase the liquidity of the shares in the stock market and to make it more affordable to the retail investors at large and also to have better comparability with share prices of other companies, the Company after taking members' consent through postal ballot, sub-divided the nominal face value of existing one equity share of Rs.10/- into 5 equity shares of Rs.2/- each.

Auditors

Statutory auditors M/s. Chokshi & Chokshi, Chartered Accountants, Mumbai and M/s. Shah Gupta & Co., Chartered Accountants, Mumbai retire at the conclusion of the forthcoming Annual General Meeting (AGM). The Company has received the requisite certificate from them to the effect that their appointment, if made would be within the limits specified under section 224(1B) of the Companies Act, 1956.

The Board of Directors recommend appointment of M/s. Chokshi & Chokshi, Chartered Accountants, Mumbai and M/s. Shah Gupta & Co., Chartered Accountants, Mumbai, as Joint Statutory Auditors of the Company for financial year 2011-12.

Directors

Shri Dhananjay Mungale, Director and Shri S. Ravi, Director retire by rotation at the ensuing AGM and are eligible for reappointment.

The Directors recommend their reappointment / appointment.

Corporate Governance

A certificate from the Joint Statutory Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges is attached to the Corporate Governance Report.

Your Company has been complying with the principles of good Corporate Governance over the years. The Board of Directors support the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement with Stock Exchanges is presented in a separate section forming part of the Annual Report.

Regulatory Compliance

The Company has been following guidelines, circulars and directions issued by National Housing Bank (NHB) from time to time.

Your Company has been maintaining capital adequacy as prescribed by the NHB from time to time. The capital adequacy was 14.88% (as against 12% prescribed by the NHB) as on 31st March, 2011 after considering the loan to value ratio for deciding risk weightage.

The Company also has been following directions / guidelines / circulars issued by SEBI from time to time applicable to the listed company.

Depository system

The Company has signed an agreement with the Central Depository Services (India) Limited (CDSL) for transactions of its shares in dematerialised form, in addition to the National Securities Depository Limited (NSDL), to give a choice to shareholders in selecting depository participant. As on 31st March, 2011, 12,444 members of the Company continue to hold shares in physical form. As per the Securities and Exchange Board of India's (SEBI) instructions, the Company's shares have to be transacted in dematerialised form and therefore, members are requested to convert their holdings to dematerialised form.

Public deposits

During 2007-08, the Company started accepting deposits from the public. As on 31st March, 2011, the outstanding amount on account of public deposits was Rs.261.20 crore. 97 deposits amounting to Rs.15.41 crore which were due for repayment on or before 31st March, 2011 were not claimed by the depositors till that date. As on the date of this report, 30 deposits amounting to Rs.9.62 crore thereof have been claimed and paid. The interest due on the public deposits has been paid on time.

The Company through Registrar & Transfer Agent namely M/s. Link Intime India Pvt. Ltd. has been sending reminders on periodical basis to the depositors who have not claimed the maturity proceeds.

Exemption from provision of section 58A (2)(a) & (b)

In exercise of the powers under sub-section 8 of section 58A of the Companies Act, 1956, read with Companies (Amendment) Act, 1977, the Central Government has granted exemption to the public deposit scheme of the Company from provisions of section 58A(2) (a) & (b) of the Companies Act, 1956 on following conditions:

- i. Abridged advertisement shall refer to the statutory advertisement published.
- ii. Abridged advertisement shall be issued during the validity of statutory advertisement.
- iii. Abridged advertisement shall be filed with the Registrar of Companies, Maharashtra, within 15 days of its publication.
- iv. The exemption will not affect any legal rights available to any deposit holder or any shareholder or creditor as per law enforced in respect of recovery of any amount which has become due for repayment.

Statutory information

The Company does not own any manufacturing facility. Hence the particulars relating to the conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable. The particulars of foreign currency expenditure and foreign currency earnings during 2010-11 are given at item No.16 and No.17 in the Notes to the Accounts. There are no employees covered by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Auditors' observations

No adverse remark or observation is given by the statutory auditors. The Company has an in house internal audit system for back offices conducted by the audit department personnel and a reputed firm of Chartered Accountants as internal auditor for Corporate Office. Continuous efforts are made to further strengthen the internal audit system to make it commensurate with the size and the nature of business.

Systems and procedures are being upgraded from time to time to provide checks and alerts for avoiding fraud arising out of misrepresentation given by borrower/s while availing the housing loans.

Outlook for 2011-12

The initiatives taken by the Company during the year are expected to improve its operational and financial performance. Major initiatives taken by the Company include:

- Expanding its operations by establishing new business centres.
- Increasing its distribution by appointing new agents and activating more agents.
- Incentivising and motivating the marketing intermediaries systematically for improving productivity.
- Raising funds through loans at attractive rate of interest and terms.
- Strengthening and upgrading the existing Risk Management System.
- Maintaining good relations with lenders for reducing overall cost of funds.
- Steps to improve the recovery ratio and ensuring lowest NPA level. Improving receivable management through support system.
- Reviewing the existing lending rates at regular quarterly intervals in view of the change in interest rate scenario, thereby insulating the stakeholders of risk of interest fluctuation and passing on the benefits as applicable to the customer.
- Timely review of credit appraisal system to improve the loan asset quality.
- Initiating steps to upgrade Information Technology platform to ensure prompt and effective service to the clientele.

- Initiating brand building measures to generate general awareness and improve the image of the Company and also increase the overall market share.
- Swift, appropriate and competitive pricing of its existing loan schemes to attract new customers.

The management perspective about future of the Company

In view of the huge shortage in urban housing units in the country, the Union government has been providing continued support to make the sector attractive and giving it due recognition in the last three Union budgets. The government said the country needs investment to the tune of Rs.3,61,000/- crore to meet the shortage of nearly 25 million housing units. There was approximately housing shortage of 24.7 million dwelling units at the beginning of the 11th five year plan. The investment requirements would be close to Rs.3,61,000/- crore for overcoming this massive housing shortage and, therefore, the management reasonably foresees good potential for growth in the business of the Company.

Directors' Responsibility Statement pursuant to Section 217 (2AA) of the Companies Act, 1956

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, and based on the information provided by the management, your Directors state that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- Accounting policies were applied consistently. Reasonable and prudent judgement and estimates were made so as to give true and fair view of the state of affairs of the Company as at the end of 31st March, 2011 and profit of the Company for the year ended on that date.
- Proper and sufficient care has been taken for maintenance of accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities.
- The annual accounts are prepared on a going concern basis.

Human resources

The Company aims to align HR practices with business goals, motivate people for higher performance and build a competitive working environment. Productive high performing employees are vital to the company's success. The Board values and appreciates the contribution and commitment of the employees towards performance of your Company during the year. To create the leadership bench and for sustainable competitive advantage, the company inducted / promoted employees during the year. In pursuance of the Company's commitment to develop and retain the best available talent, the Company had organised various training programmes for upgrading the skill and knowledge of its employees in different operational areas. Apart from fixed salaries and perquisites, we also have in place performance-linked incentives which reward outstanding performers that meet certain performance

targets. It has been sponsoring its employees for training programmes/seminars/conference organised by reputed professional institutions.

Employee relations remained cordial and the work atmosphere remained congenial during the year.

Subsidiaries and group companies

The Consolidated financial statements incorporating the results of the Company's wholly owned subsidiaries namely LICHFL Care Homes Limited, LICHFL Financial Services Limited, LICHFL Trustee Company Private Limited and LICHFL Asset Management Company Limited for the year ended 31st March, 2011, are attached along with the statement pursuant to Section 212 of the Companies Act, 1956, with respect to the said subsidiaries. The review of performance of the subsidiaries are as under:

1. LICHFL Care Homes Limited:

LICHFL Care Homes Limited was incorporated on 11th September, 2001. To address the crying need of housing for the senior citizens of the country, the Company had promoted LICHFL Care Homes Limited, to establish and operate assisted community living centres.

The Company is on the threshold of commencing its construction and also sale of flats at Bhubaneswar – the foundation stone for which has been laid by the Chairman of LIC of India.

The tendering process for construction at Bhubaneswar project having been completed, the environmental clearance obtained and the market survey for sale revealing a healthy outlook, the company is poised for turnaround in the current year 2011-12.

The Company is also in the process of getting the land converted for land purchased at Jaipur and start phase II of Bangalore project besides exploring the possibility of tie-ups for joint ventures / joint development.

2. LICHFL Financial Services Limited :

LICHFL Financial Services Limited was incorporated on 31st October, 2007 for undertaking non fund based activities like marketing of housing loans, insurance products, credit card, mutual fund, personal loan etc. It has become operational in March 2009 and has already opened 33 offices across the country. The Company earned profit after tax Rs.1.85 crore and declared second dividend @10% for F.Y. 2010-11. The Company during the year under review got 37 offices operational in various parts of the country. The initiatives taken by the Company during the year are expected to improve its operational and financial performance. The Company has plans to expand in new locations and increase its marketing team strength. There is good potential for growth of business in home loan and insurance sector. Distribution of these products is expected to generate good revenue for the Company. The Company has

plans to expand its lines of business and would evaluate right opportunities for growth, profitability and value addition to shareholders.

3. LICHFL Trustee Company Private Limited :

LICHFL Trustee Company Private Limited was incorporated on 5th March, 2008 for undertaking the business of trustees of venture capital trust, funds – in India and offshore.

The Company has been appointed as trustee for LICHFL Fund on 27th August, 2010. The Company has appointed LICHFL Asset Management Company Limited as Investment Manager on 27th August, 2010 and it is reported that the Fund is registered with SEBI vide Registration Certificate No.IN/VCF/10-11/0193. The Investment Manager has commenced the marketing of the fund "LICHFL Urban Development Fund" in February 2011 and it is expected that fund would achieve closure around June, 2011.

4. LICHFL Asset Management Company Limited:

LICHFL Asset Management Company Limited was incorporated on 14th February, 2008 for undertaking the business of managing, advising, administering venture funds, unit trust, investment trust in India as well as abroad.

The Company has been appointed as the Investment Manager by LICHFL Trustee Company Private Limited on 27th August, 2010 and has since obtained SEBI registration of Fund and started marketing of LICHFL Urban Development Fund initially to Banks and Financial Institutions in the first stage. Marketing to others investors, HNI will commence with the appointment of Distributors for this purpose which is expected by May 2011. The response from Banks and some insurance companies has been encouraging and their commitments are expected shortly and closure of the fund is expected by end of June 2011. As banks and housing finance companies reduce their exposure to real estate sector due to tightening of RBI norms, developers have started to reach Private Equity Investors for funding. Budget for the year 2011-12 is also encouraging for affordable housing segment.

Acknowledgments

The Directors place on record their appreciation for the advice, guidance and support given by the Life Insurance Corporation of India and the NHB and all the bankers of the Company. The Directors also place on record their sincere thanks to the Company's clientele and members for their patronage. The Directors also record their appreciation for the dedicated services of the employees and their contribution to the growth of the Company.

For and on behalf of the Board
Chairman

Mumbai
28th April, 2011

Report of Directors on Corporate Governance

Corporate Governance is a set of systems and practices ensuring commitment to values, ethical business conduct, accountability, transparency and compliance of laws and acceptance by management of the inalienable rights of shareholders as the true owners of the Company. At LIC Housing Finance, the Corporate Governance structure assigns responsibilities and entrusts authority amongst different participants namely, board of directors, senior management and employees. It also involves building and maintaining relationships with lenders, borrowers, agents, depositors, shareholders and other stakeholders through higher levels of accountability, transparency, responsibility and fairness across all operations. The Company has been following Corporate Governance and disclosure practices even before these were made compulsory by the legislation.

The Company's Board follows ethical standards of Corporate Governance and adheres to the norms and disclosures mentioned in the Clause 49 of the Listing Agreement with stock exchanges. Listed below is the Directors' Report on the compliance of Corporate Governance Code.

Board of Directors

Composition

The Board of Directors as on 31st March, 2011 comprised nine members — seven Non-Executive and two Executive Directors. Shri D. K. Mehrotra and Shri V. K. Sharma are Executive Directors. The Executive and Non-Executive Directors are competent and knowledgeable personalities in their respective fields. All the Non-Executive Directors except the Chairman are Independent Directors.

The Independent Directors take part in the proceedings of the Board and Committee meetings which enables qualitative decision-making. They receive sitting fees for attending the meetings and do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its directors, management, subsidiaries or associates. In 2010-11, the composition of the Board was in conformity with clause 49 of the Listing Agreement. Details of Board meetings attended by Directors, attendance at the last Annual General Meeting, number of other Directorships/ Committee membership (viz. Audit Committee and Investors' Grievance Committee as per SEBI's Corporate Governance Code) held by them during the year 2010-11 are tabulated below:

| Sr. No. | Directors | Category of Directorship | Attendance at 21 st AGM | Attendance at the Board meeting (No. of meetings held – 7) | No. of other Directorships | No. of Committees (as per Clause 49) Membership (other than LIC Housing Finance Ltd.) | |
|---------|----------------------------|--------------------------------|------------------------------------|--|----------------------------|---|-------------|
| | | | | | | Member | Chairperson |
| 1. | Shri T.S. Vijayan | Non- Executive | Present | 7 | 10 | - | - |
| 2. | Shri D. K. Mehrotra | Executive | Present | 7 | 7 | - | - |
| 3. | Shri Y.B. Desai | Independent and Non- Executive | Present | 7 | 3 | 1 | 1 |
| 4. | Shri Dhananjay Mungale | Independent and Non- Executive | Present | 6 | 17 | 5 | 3 |
| 5. | Shri K. Narasimha Murthy | Independent and Non- Executive | Present | 5 | 7 | 2 | 3 |
| 6. | Shri S. Ravi | Independent and Non- Executive | Present | 6 | 10 | 3 | 2 |
| 7. | Shri B.N. Shukla | Independent and Non- Executive | Present | 6 | - | - | - |
| 8. | Shri A. S. Narayanamoorthy | Independent and Non- Executive | Present | 6 | 2 | - | 1 |
| 9. | Shri V. K. Sharma* | Executive | Not Applicable | 2 | 5 | 1 | 1 |
| 10. | Shri R. R. Nair** | Executive | Present | 4 | 5 | 1*** | - |

*w.e.f :01.12.2010

** upto :29.11.2010

*** upto : 29.11.2010

Tenure

Two-third members of the Board are liable to retire by rotation. Accordingly, Shri Dhananjay Mungale and Shri S. Ravi retire by rotation, and being eligible, offer themselves for re-appointment. There is no relationship between directors of the Company inter-se.

Brief profiles

Shri Dhananjay Mungale is a Chartered Accountant and a Law Graduate by Profession, has spent the major part of his career in banking and investment banking in India and Europe with Bank of America and DSP Merrill Lynch Limited. He is presently acting as advisor to select corporations in India and Europe. He is on the Board of various Public and Private Limited Companies. He has been on the board of the Company since 4th June, 2004. He is a Member of Audit Committee of Directors.

Details of Directorships of Shri Dhananjay Mungale:

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|---|--------------------|--|
| Inestor Advisores Private Limited | Director | - |
| Mentor Technologies Private Limited | Director | - |
| Snowcem Paints Private Limited | Director | - |
| Vayugrid Marketplace Services Private Limited | Director | - |
| J P Morgan Asset Management India Private Limited | Director | - |
| LICHFL Trustee Company Private Limited | Director | - |
| Lavgan Dockyard Private Limited | Director | - |
| Indoco Remedies Limited | Director | Chairman of Audit Committee |
| Mahindra & Mahindra Financial Services Limited | Director | Chairman of Audit Committee |
| Chowgule Steamships Limited | Director | Chairman of Audit Committee |
| Camlin Limited | Director | - |

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|-----------------------------------|--------------------|--|
| Kalpataru Limited | Director | Member of Audit Committee |
| Samson Maritime Limited | Director | Member of Audit Committee |
| National Organic Chemical Limited | Director | Member of Audit Committee |
| Sical Logistics Limited | Director | Member of Audit Committee |
| Tamilnadu Petroproducts Limited | Director | - |
| Mahindra Composites Limited | Director | Member of Audit Committee |

Shri S. Ravi is a postgraduate in Commerce and fellow member of Institute of Chartered Accountants of India. He is promoter partner of M/s. Ravi Rajan & Company Private Limited. He has to his credit wide experience in banking and specialization in the field of accounting, auditing, financial and management consulting, business valuation, merger, acquisition, restructuring, business advisory services etc. He was appointed as Director on 26th June, 2005. He is Chairman of Audit and member of Investors' Grievance Committee of Directors.

The details of other directorships / committee memberships of Shri S. Ravi are as follows :

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|--------------------------------------|--------------------|--|
| Mahindra Ugine Steel Company Limited | Director | Member of Audit Committee, Member of Investors' Grievance Committee |
| IDBI Capital Markets Limited | Director | Chairman of Audit Committee |
| UTI Trustee Company Private Limited | Director | - |

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|--|--------------------|--|
| Canbank Venture Capital Fund Limited | Director | - |
| Union Bank of India | Director | Chariman of Audit Committee |
| Religare Housing Development Finance Corporation Limited | Director | Member of Audit Committee |
| GMR Chennai Outer Ring Road Private Limited | Director | - |
| SME Rating Agency of India Limited | Director | - |
| Bharat Heavy Electricals Limited | Director | - |
| S. Ravi Financial Management Services Private Limited | Director | - |

Responsibilities

The Board of Directors provide direction / guidance to the management, review performance and ensure ongoing compliances to protect long-term interest of the shareholders. Apart from its primary role of setting corporate goals and monitoring corporate performance, it directs and guides the activities of the Management towards the set goals and seeks accountability with a view to ensure that the corporate philosophy and mission viz., to provide secured housing finance at an affordable cost, maximizing shareholders' value with higher customer sensitivity, is accomplished. The Board members ensure that their other engagements and preoccupations do not affect their responsibilities as Directors of the Company.

The items placed at the meetings of the Board include the following:

- business plan, budgets (sanction & disbursement) and updates / reviews thereof;
- revenue and capital budgets and updates / reviews thereof;
- status of NPA and updates / reviews thereof;
- fund raising programme of the Company;

- status of swap trades / transactions;
- outstanding term loan / borrowings;
- risk management review;
- asset liability management updates / reviews thereof;
- the unaudited quarterly and the audited financial annual accounts of the Company on both standalone and consolidated basis;
- internal control systems, compliance of all laws applicable to the Company including the requirement of the Listing Agreement with the Stock Exchanges;
- proposal for joint venture;
- delegation of financial powers to the management;
- productivity linked incentive, recruitment etc;
- future plans and other decisions / changes of significant importance of price sensitive nature;
- status report on the implementation of decisions taken at the Board meetings;
- report on investor grievances, shareholding pattern and secretarial audit reports;
- Review of subsidiary companies performance.
- Significant changes in policies and internal controls.

The Independent Directors take part in every deliberation of the Board to take informed decisions, offering unbiased, experienced and diverse perspectives to the Board. The Company benefits from their expertise in respective fields.

All the members of the Audit Committee are Independent Directors. The Members of Investors' Grievance Committee, except Shri V. K. Sharma, Director & Chief Executive are Independent Directors. The roles / functions of the committees are well defined and the minutes of the committee meetings are circulated and noted at the Board meetings.

Board meetings

The meetings of the Board of Directors are scheduled in advance for which notice is issued to each Director in writing. The Company Secretary prepares the agenda for the meetings in consultation with the Chairman, Managing Director and Director & Chief Executive. The folder containing the agenda and other relevant notes are circulated to the Directors well in advance. The other Directors can recommend any matter for inclusion in the agenda and can access any information and records of the Company. Members of the senior management team also attend the meetings to provide necessary information and clarify agenda items. During 2010-11, seven

Board meetings took place and they are listed below:

| Serial No. | Dates on which the Board meetings were held | Total strength of the Board | No. of Directors present |
|------------|---|-----------------------------|--------------------------|
| 1 | 28.04.2010 | 9 | 9 |
| 2 | 15.07.2010 | 9 | 9 |
| 3 | 14.10.2010 | 9 | 8 |
| 4 | 27.10.2010 | 9 | 8 |
| 5 | 29.11.2010 | 8 | 8 |
| 6 | 19.01.2011 | 9 | 9 |
| 7 | 16.03.2011 | 9 | 6 |

No Director, except Shri V. K. Sharma is paid any commission or remuneration. A sitting fee was paid to the Directors (other than Shri T.S. Vijayan, Chairman, Shri D. K. Mehrotra, Managing Director and Shri V. K. Sharma) for every Board and committee meetings they attended. Remuneration is being paid to Shri V. K. Sharma as applicable to an officer in the cadre of Executive Director of Life Insurance Corporation of India. Irrespective of their attending the Board or its committee meetings no fee or remuneration is paid to Shri T. S. Vijayan, Chairman and Shri D. K. Mehrotra, Managing Director.

Membership of committees

As per the disclosure received by the Company from the Directors, none of them are members in more than 10 committees, nor as Chairman of more than five committees across all companies in which they are Directors, in compliance with clause 49 of the Listing Agreement. The Directors intimate the Company about the committee positions they occupy in other companies and also notify changes as and when they take place.

Based on the reports received from the Company's functional heads, the Director and Chief Executive periodically informed the Board about compliance with respect to laws applicable to the Company.

Board committees

The Board constituted three committees to facilitate a more focused attention on important issues.

Audit Committee

An Audit Committee was formed on 9th March, 2000 in accordance with the provisions of the Listing Agreement and the Companies Act, 1956. The Committee comprises three Non-Executive, Independent, Professional Directors with expertise in finance, accounts, treasury and law. During the

year, seven Audit Committee meetings were held. The Audit Committee was reconstituted on 29th November, 2010. The composition of Audit Committee and the dates on which the Audit Committee meeting were held and the attendance of the members at the said meetings are as under:

Composition

- Shri S. Ravi Chairman Independent Director
- Shri Y. B. Desai Member Independent Director
- Shri Dhananjay Mungale Member Independent Director

| Sr No. | Dates on which Audit Committee meetings were held | Attendance record of the Audit Committee Members | | |
|--------|---|--|-------------|-------------------|
| | | S. Ravi | Y. B. Desai | Dhananjay Mungale |
| 1 | 28.04.2010 | Attended | Attended | Attended |
| 2 | 15.07.2010 | Attended | Attended | Leave of Absence |
| 3 | 31.08.2010 | Attended | Attended | Attended |
| 4 | 14.10.2010 | Attended | Attended | Attended |
| 5 | 13.12.2010 | Attended | Attended | Attended |
| 6 | 19.01.2011 | Attended | Attended | Attended |
| 7 | 16.03.2011 | Attended | Attended | Leave of Absence |

Shri Nitin K. Jage, General Manager (Taxation) and Company Secretary, acts as Secretary to the Committee.

The Audit Committee possesses adequate powers and terms of reference to play an effective role as mentioned in Clause 49 of the Listing Agreement.

Role and powers of Audit Committee

The terms of reference of the Audit Committee comprise:

Role

- Review with the management, statutory and internal auditor, the adequacy of internal control systems and audit procedures.
- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommend the appointment and removal of the statutory auditor, fixation of the audit fee and also approval for payment of any other services.

- Review with the management, the annual financial statements before submission to the Board.
- Review the adequacy of the internal audit function, including the structure of the internal audit department, reporting structure coverage and frequency of internal audit.
- Discussion with the internal auditors any significant findings and follow-up thereon.
- Review the findings of any internal investigations by the Internal Auditors into matters where there is a suspected irregularity or failure of internal control systems of a material nature and report the matter to the Board.
- Discussion with statutory auditors before the audit commences regarding the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Review the Company's financial and risk management policies.
- To look into the reasons for substantial defaults if any, in the payment to debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Review performance of internal and statutory auditors of the Company.
- Review of Auditors' Reports and actions taken by the management with respect to observations and qualifications of the auditors.

Powers

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain external legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee mandatorily reviewed the following:

- Management's discussion and analysis of the financial condition and results of operation.
- Statement of significant annual related-party transactions.
- Management letters/letters of internal control weakness issued by the statutory auditors.
- Internal audit reports relating to internal control weakness.
- The appointment, removal and terms of remuneration of the Chief Internal Auditor.

Meetings are scheduled well in advance. The Audit Committee considers and recommends the financial results for approval by the Board. The statutory auditors are invited to attend the

meeting. The head of the internal audit function attends the Audit Committee meetings; the Committee also invites senior executives to be present.

Executive Committee

The Executive Committee formed by the Board is empowered to approve project loans to developers, corporates, housing boards and even individual borrowers beyond a certain limit for the construction / purchase of residential premises. The Executive Committee was reconstituted on 29th November, 2010. The Committee has been empowered with the following:

- Borrow money up to Rs.8000/- crore (enhanced w.e.f. 19.01.2011) during the intervening period of two Board meetings for the business of the Company.
- Take over the portfolio of housing loans up to Rs.100 cr.
- Approve any new housing loan scheme.
- Revise interest rates; modify schemes for individual housing loans and avail of NHB refinance.
- To sanction any loan i.e. housing loan to individuals under any scheme, project loan to builders and Rental Securitisation Loan beyond the power given to Director & Chief Executive.
- To waive Interest and additional Interest above Rs.7 lakh in respect of One Time Settlement and to waive full Principal amount.
- To waive Principal amount irrespective of the waiver amount involved in respect of One Time Settlement.

The Executive Committee meets as and when required for considering and approving loan proposals / offers within the power delegated to them. During the year, thirty one Executive Committee meetings were held. The composition of Executive Committee and the attendance of the members at the said meetings are as under:

Composition of the Executive Committee:

- | | | |
|------------------------------|----------|---------------------------------------|
| • Shri D. K. Mehrotra | Chairman | Executive Director |
| • Shri K. Narasimha Murthy | Member | Independent Director |
| • Shri A. S. Narayanamoorthy | Member | Independent Director |
| • Shri V. K. Sharma | Member | Executive Director |
| • **Shri R. R Nair | Member | Executive Director (up to 29.11.2010) |

| Sl. No. | Dates on which Executive Committee meetings were held | Attendance record of the members | | | |
|---------|---|----------------------------------|---------------------|-----------------------|----------------|
| | | D. K. Mehrotra | K. Narasimha Murthy | A. S. Narayanamoorthy | V. K. Sharma |
| 1 | 27.04.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 2 | 06.05.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 3 | 15.05.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 4 | 31.05.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 5 | 10.06.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 6 | 26.06.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 7 | 29.06.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 8 | 02.07.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 9 | 08.07.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 10 | 31.07.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 11 | 10.08.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 12 | 18.08.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 13 | 31.08.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 14 | 15.09.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 15 | 18.09.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 16 | 28.09.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 17 | 29.09.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 18 | 22.10.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 19 | 12.11.2010 | Attended | Leave of absence | Not Applicable | Not Applicable |
| 20 | 24.11.2010 | Attended | Attended | Not Applicable | Not Applicable |
| 21 | 09.12.2010 | Attended | Leave of absence | Leave of absence | Attended |
| 22 | 20.12.2010 | Attended | Attended | Attended | Attended |
| 23 | 28.12.2010 | Leave of absence | Attended | Leave of absence | Attended |
| 24 | 04.01.2011 | Attended | Leave of absence | Leave of absence | Attended |
| 25 | 12.01.2011 | Attended | Leave of absence | Leave of absence | Attended |
| 26 | 19.01.2011 | Attended | Attended | Attended | Attended |
| 27 | 29.01.2011 | Attended | Attended | Attended | Attended |
| 28 | 15.02.2011 | Attended | Leave of absence | Leave of absence | Attended |
| 29 | 07.03.2011 | Attended | Leave of absence | Leave of absence | Attended |
| 30 | 15.03.2011 | Attended | Leave of absence | Attended | Attended |
| 31 | 31.03.2011 | Attended | Attended | Leave of absence | Attended |

Investors' Grievance Committee

An Investors' Grievance Committee was formed on 22nd March, 2001 to look into issues related to shareholders, like transfer / transmission of shares, issue of duplicate shares, non receipt of dividend, annual report and other related matters. The Committee also advises to improve investor services and to provide prompt and adequate information. Further, to expedite share transfer in physical form, the Board has delegated power for approving the share transfer to the Committee of Officers of the Company. The Investors' Grievance Committee was reconstituted on 29.11.2010. During the year, one Investors' Grievance Committee meeting was held on 16th March, 2011.

Composition of the Investors' Grievance Committee is as follows:

- | | | |
|---------------------|----------|----------------------|
| • Shri Y. B. Desai | Chairman | Independent Director |
| • Shri S. Ravi | Member | Independent Director |
| • Shri V. K. Sharma | Member | Executive Director |

Attendance at Investors' Grievance Committee meeting

Only one meeting was held

| Name of the Director | No. of meeting attended |
|----------------------|-------------------------|
| Shri Y. B. Desai | 1 |
| Shri S. Ravi | 1 |
| Shri V. K. Sharma | 1 |

The Board has delegated power for issue of duplicate share certificate/s to the Committee of Directors consisting of Shri Y. B. Desai and Shri Dhananjay Mungale, Shri R. R. Nair (up to 29.11.2010) so as to expedite the process of issuing Duplicate Share Certificate from time to time to the shareholders in case original share certificate is lost, upon receipt of necessary documents required for the purpose.

Other Committees

In addition to above, during the year under review, the Board constituted a committee namely Banking Licence Committee for exploring the possibility of applying for Banking License as per the guidelines to be issued by Reserve Bank of India (RBI) for entry of new private sector bank. The Committee would also appraise and select the Consultant / Retainer for preparation of documentation, presentation, business plan and liaison with RBI in this matter. The RBI had issued "Discussion Paper" in this regard, for feedback from the public and under the direction of the committee, the Company had given feedback on the Discussion Paper.

The Banking License Committee consisted of the following members:

- 1) Shri S. Ravi : Chairman of the Committee
- 2) Shri K. Narasimha Murthy : Member
- 3) Shri A. S. Narayanamoorthy : Member

Subsidiary companies

The Company has four subsidiaries, namely LICHFL Care Homes Limited, LICHFL Financial Services Limited, LICHFL Asset Management Company Limited and LICHFL Trustee Company Private Limited.

LIC Housing Finance Limited does not have a 'material non-listed Indian subsidiary'. During the year, the Audit Committee once reviewed the financial statements of its unlisted subsidiary companies, in particular the investment made by them.

The minutes of the Board meeting of LICHFL Care Homes Limited, LICHFL Financial Services Limited, LICHFL Asset Management Company Limited and LICHFL Trustee Company Private Limited were placed before the Board of LIC Housing Finance Limited. The management also brought to the attention of the Board of Directors, the statement of significant transactions entered into by the unlisted subsidiaries of the Company.

Compliance Officer

Shri Nitin K. Jage, General Manager (Taxation) and Company Secretary, acts as the Compliance Officer.

Details of shareholders' complaints

During 2010-11, 174 complaints / request for revalidation were received from investors and the same were replied/resolved to their satisfaction. As on 31st March, 2011, no complaints were pending unattended.

During the year, 1587 dematerialisation requests for 876290 shares and 378 requests for transfer involving 200050 shares were received. The requests for dematerialisation and transfer were promptly attended and there were no request pending for approval as on 31st March, 2011. As on that date, 467942845 equity shares, representing 98.58% of the Company's share capital were dematerialised.

Criteria of making payments to Non-Executive Directors:

The Non-Executive Directors, except Shri T. S. Vijayan, Chairman, were entitled to sitting fees for attending Board / Committee meetings, as the case may be.

The details of sitting fees paid to the Directors during the period from 1st April, 2010 to 31st March, 2011 were as follows:

| Names of Non-Executive Directors | Sitting fees (in Rs.) |
|----------------------------------|--------------------------|
| Shri Y. B. Desai | 220000.00 |
| Shri Dhananjay Mungale | 175000.00 |
| Shri K. Narasimha Murthy | 275000.00 |
| Shri S. Ravi | 215000.00 |
| Shri B. N. Shukla | 90000.00 |
| Shri A. S. Narayanamoorthy | 160000.00 |
| Total | 1135000.00 |

Shri D. K. Mehrotra, Managing Director and Shri R. R. Nair, Director & Chief Executive (up to 29th November, 2010) and Shri V. K. Sharma, Director & Chief Executive (from 01st December, 2010) are the Executive Directors. The Managing Director is not entitled for any remuneration or sitting fee. During the year under review, Shri R. R. Nair, Director and Chief Executive, was paid remuneration (from April 2010 to - November 2010) as under:

| Particulars | Rupees |
|---|-------------------|
| Gross Salary including arrears on account of salary revision, Food coupons and Productivity Linked Incentive* (PLI) | 1622821.00 |
| Contribution to pension and gratuity funds | 65619.92 |
| Perquisites in cash or in kind | 15870.00 |
| Total | 1704310.92 |

Shri V. K. Sharma, Director & Chief Executive was paid remuneration from December 2010 to March 2011 as under:

| Particulars | Rupees |
|--|------------------|
| Gross Salary including Food coupons | 366902.00 |
| Contribution to pension and gratuity funds | 44278.10 |
| Perquisites in cash or in kind | 46934.00 |
| Total | 458114.10 |

* It may be mentioned here that Performance linked incentive for financial year 2009-10 was paid during the F.Y. 2010-11 calculated as per the performance criteria (like growth in portfolio, recovery ratio, NPA ratio and Profit after Tax) approved by the Board.

Number of shares and convertible instruments held by Directors:

The details of equity share holdings of the Director in the Company are as follows:

Shri T. S. Vijayan, Chairman, holds 500 shares

Shri A. S. Narayanamoorthy, Director holds 7000 shares

None of the Directors are holding any convertible instruments.

General body meetings

The details of the location and time of the last three Annual General Meetings are given below:

| Year | Location | Date | Time |
|---------|---|------------|-----------|
| 2007-08 | M.C. Ghia Hall, Bhogilal Hargovindas Building, 2 nd Floor, 18/20 Kaikhushru Dubash Marg, behind Prince of Wales Museum, Mumbai – 400 001. | 01.07.2008 | 3.00 p.m. |
| 2008-09 | "Babasaheb Dahanukar Hall", Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, 6 th Floor, 12, Kaikhushru Dubash Marg, behind Prince of Wales Museum, Mumbai – 400 001 | 21.07.2009 | 3.00 p.m. |
| 2009-10 | "M. C. Ghia Hall", Bhogilal Hargovindas Building, 2 nd Floor, 18/20 Kaikhushru Dubash Marg, behind Prince of Wales Museum, Mumbai – 400 001 | 15.07.2010 | 3.00 p.m. |

Special resolutions passed at the three previous Annual General Meetings

2008 : Appointment of Statutory Auditors and Auditors for Back Offices u/s 224A of the Companies Act, 1956.

2009 : (a) Appointment of Statutory Auditors and Auditors for Back Offices u/s 224A of the Companies Act, 1956.

(b) Issue of shares through Qualified Institutional Placement.

2010 : Appointment of Statutory Auditors and Auditors for Back Offices u/s 224A of the Companies Act, 1956.

Special resolution by postal ballot

A special resolution was passed by postal ballot pursuant to section 31 of the Companies Act, 1956 to amend the Articles of Association of the Company.

No resolution requiring the approval of shareholders by way of a postal ballot is proposed to be passed in the ensuing Annual General Meeting.

Financial calendar for 2011-12 (provisional)

| | | |
|----|---|-------------------------------|
| a. | Result for the first quarter ending 30 th June, 2011 | In the month of July, 2011 |
| b. | Result for the second quarter ending 30 th September, 2011 | In the month of October, 2011 |
| c. | Result for the third quarter ending 31 st December, 2011 | In the month of January, 2012 |
| d. | Result (Audited) for the financial year ending 31 st March, 2012 | In the month of April, 2012 |
| e. | Annual General Meeting for the year ending March, 2012 | In the month of July, 2012 |

Means of communication

The channel of communication includes informative Annual Report, containing Directors' Report, Report on Corporate Governance, Management's Discussion and Analysis and the audited Financial Results (stand alone & consolidated).

The Company also communicates with shareholders through its website, www.lichousing.com. The quarterly and annual financial results as well as shareholding pattern and Memorandum and Articles of Association of the Company, Code of Conduct for Board of Directors and senior management and Code of Conduct for Insider Trading are hosted on the Company's website for information of its shareholders.

The audited/ unaudited financial results were published in leading newspapers namely, Economic Times (all editions), Business Standard (all editions), Business Line (all editions), Financial Express (all editions) and Maharashtra Times, Mumbai.

The audited financial statements viz., Balance Sheet, Profit and Loss Account, Cash Flow Statement, including schedules and notes thereon, press releases and presentations made to analysts were hosted on the Company's website. All material information about the Company, including quarterly and yearly financial results, limited review reports, shareholding

pattern are promptly sent through facsimile to the stock exchanges where the Company's shares are listed. Besides, the Company disseminates information through press and investors' meet.

General shareholder information

The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L65922MH1989PLC052257

- Annual General Meeting :
Date and time: 20th July, 2011 at 3.00 pm.
Venue: "M.C. Ghia Hall", Bhogilal Hargovindas Building, 2nd Floor, 18 / 20 Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Mumbai – 400 001.
- Financial year: 1st April, 2010 to 31st March, 2011
- Book closure : From 6th July, 2011 to 20th July 2011 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend, if approved by the members.
- Dividend payment date: On or after 21st July, 2011
- The shares of the Company are listed on the Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and the Luxembourg Stock Exchange.
- Stock Code:
Trading symbol
BSE 500253
NSE LICHSFIN EQ
- ISIN Number of NSDL / CDSL: INE115A01026
- Market price data: The monthly high and low stock quotations during the last financial year on BSE and NSE were:

| Month | BSE | | | BSE Sensex | | NSE | | |
|----------------|-----------------------------|---------|-------------------------|------------|----------|-----------------------------|---------|-------------------------|
| | Company's share price (Rs.) | | Volume of shares (Nos.) | | | Company's share price (Rs.) | | Volume of shares (Nos.) |
| | High | Low | | High | Low | | | |
| April 2010 | 966.60 | 820.00 | 48,72,503 | 18047.86 | 17276.80 | 968.00 | 823.15 | 1,85,61,364 |
| May 2010 | 999.00 | 874.05 | 40,82,893 | 17536.86 | 15960.15 | 999.40 | 872.65 | 1,76,80,887 |
| June 2010 | 1048.90 | 916.05 | 29,78,183 | 17919.62 | 16318.39 | 1048.45 | 914.20 | 1,39,61,119 |
| July 2010 | 1154.65 | 961.00 | 41,97,316 | 18237.56 | 17395.58 | 1155.00 | 965.00 | 1,80,65,877 |
| August 2010 | 1310.80 | 1116.10 | 63,95,525 | 18475.27 | 17819.99 | 1311.00 | 1116.00 | 1,98,54,387 |
| September 2010 | 1496.50 | 1090.00 | 60,08,589 | 20267.98 | 18027.12 | 1496.50 | 1165.50 | 2,31,67,562 |
| October 2010 | 1488.80 | 1305.00 | 40,57,017 | 20854.55 | 19768.96 | 1490.10 | 1303.00 | 1,81,45,287 |
| November 2010 | 1418.35 | 901.50 | 2,30,38,110 | 21108.64 | 18954.82 | 1418.35 | 902.00 | 8,03,28,636 |

After subdivision of equity shares of Rs.10/- each into 5 equity shares of Rs.2/- each.

| | | | | | | | | |
|---------------|---------|--------|-------------|----------|----------|---------|--------|--------------|
| December 2010 | 1088.40 | 190.20 | 1,43,50,290 | 20552.03 | 19074.57 | 1088.40 | 189.00 | 5,10,99,122 |
| January 2011 | 198.50 | 150.40 | 5,40,04,598 | 20664.80 | 18038.48 | 198.25 | 150.60 | 18,94,42,374 |
| February 2011 | 205.45 | 163.30 | 5,90,36,462 | 18690.97 | 17295.62 | 205.35 | 163.20 | 20,96,97,341 |
| March 2011 | 228.65 | 189.50 | 4,00,72,253 | 19575.16 | 17792.17 | 228.50 | 189.40 | 15,51,66,768 |

Shareholders holding more than 1% of the share capital of the Company as at 31st March, 2011:

| Sr. No. | Name of the shareholders | No. of shares held | % to share capital |
|---------|--------------------------------------|--------------------|--------------------|
| 1. | CLSA (MAURITIUS) LIMITED | 2,26,25,005 | 4.767 |
| 2. | COPTHALL MAURITIUS INVESTMENT LTD | 3,23,53,112 | 6.816 |
| 3. | HSBC BANK (MAURITIUS) LIMITED | 2,35,00,000 | 4.951 |
| 4 | M AND G INVESTMENT MANAGEMENT LTD | 86,30,966 | 1.818 |
| 5. | MORGAN STANLEY MAURITIUS COMPANY LTD | 1,64,35,774 | 3.463 |
| 6. | PCA INDIA EQUITY OPEN LIMITED | 91,53,810 | 1.928 |
| 7. | TAIB SECURITIES MAURITIUS LIMITED | 1,14,96,000 | 2.422 |
| 8. | THE NEW INDIA ASSURANCE COMPANY LTD | 82,50,680 | 1.738 |
| 9. | LIFE INSURANCE CORPORATION OF INDIA | 17,34,42,495 | 36.54 |

Distribution of share holding as on 31st March, 2011:

| No. of equity shares held | Folio / Shareholders | | Shares | |
|---------------------------|----------------------|------------|---------------------|------------|
| | Number | Percentage | Number | Percentage |
| Up to 5000 | 1,67,360 | 98.31 | 8,22,11,036 | 8.66 |
| 5001-10000 | 1,496 | 0.88 | 1,15,47,934 | 1.22 |
| 10001-20000 | 621 | 0.36 | 91,00,248 | 0.96 |
| 20001-30000 | 193 | 0.11 | 48,87,610 | 0.51 |
| 30001-40000 | 102 | 0.06 | 36,92,842 | 0.39 |
| 40001-50000 | 81 | 0.05 | 38,19,036 | 0.40 |
| 50001-100000 | 135 | 0.08 | 1,00,65,994 | 1.06 |
| 100001 and Above | 257 | 0.15 | 82,40,01,300 | 86.80 |
| Total | 1,70,245 | 100 | 94,93,26,000 | 100 |

Shareholding Pattern as at 31st March, 2011:

| | Category of Shareholder | Number of Holders | Total no. Shares | No. of Share in Dmt. form | Tot-Shareholding as a (%) of tot number of share | | Shares Pledged or otherwise encumbered | |
|-----------|-------------------------------|-------------------|---------------------|---------------------------|--|-----------------|--|-------------|
| | | | | | as a % of A+B | as a % of A+B+C | Num of Share | As a (%) |
| A. | Promoter & its Grp | | | | | | | |
| 1 | Indian | | | | | | | |
| | a Individual Huf | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | b Central/State Gov | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | c Bodies Corporates | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | d Fins / Banks | 1 | 17,34,42,495 | 17,34,42,495 | 36.541 | 36.540 | 0 | .000 |
| | e Any Other specify | 0 | 0 | 0 | | | 0 | .000 |
| | Sub-Total-A(1) | 1 | 17,34,42,495 | 17,34,42,495 | 36.541 | 36.540 | 0 | .000 |
| 2 | Foreign | | | | | | | |
| | a Indv NRI/For Ind | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | b Bodies Corporate | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | c Institutions | 0 | 0 | 0 | .000 | .000 | 0 | .000 |

| | Category of Shareholder | Number of Holders | Total no. Shares | No. of Share in Dmt. form | Tot-Shareholding as a (%) of tot number of share | | Shares Pledged or otherwise encumbered | |
|-----------|--|-------------------|---------------------|---------------------------|--|-----------------|--|-------------|
| | | | | | as a % of A+B | as a % of A+B+C | Num of Share | As a (%) |
| | d Any Other Specify | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | Sub-Total-A(2) | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | Total Shareholding Promoter & Group | | | | | | | |
| | Total(A)=A(1)+A(2) | 1 | 17,34,42,495 | 17,34,42,495 | 36.541 | 36.540 | 0 | .000 |
| B. | Public Sh-Holding | | | | | | | |
| 1 | Institutions | | | | | | | |
| | a Mutual Funds | 46 | 1,08,83,669 | 1,08,70,169 | 2.293 | 2.293 | 0 | .000 |
| | b Fins / Banks | 14 | 9,71,281 | 9,59,781 | .205 | .205 | 0 | .000 |
| | c Central/State Govt | 5 | 1,20,775 | 1,13,275 | .025 | .025 | 0 | .000 |
| | d Venture Cap Fund | 3 | 37,535 | 37,535 | .008 | .008 | 0 | .000 |
| | e Insurance Comp(s) | 4 | 1,58,60,635 | 1,58,60,635 | 3.342 | 3.341 | 0 | .000 |
| | f Foreign Ins Invest | 198 | 19,61,61,542 | 19,61,36,042 | 41.327 | 41.326 | 0 | .000 |
| | g Foreign Ven Cap In | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | h Any Other -Specify | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| | Sub-Total-B(1) | 270 | 22,40,35,437 | 22,39,77,437 | 47.200 | 47.199 | 0 | .000 |
| 2 | Non-Institutions | | | | | | | |
| | a Bodies Corporates | 2,134 | 1,27,84,506 | 1,26,90,006 | 2.693 | 2.693 | 0 | .000 |
| | b Individual Holding | | | | | | | |
| | i) upto Rs 1 Lac | 1,64,955 | 5,24,06,797 | 4,58,43,142 | 11.041 | 11.041 | 0 | .000 |
| | ii) above Rs1 Lac | 43 | 69,75,390 | 69,75,390 | 1.470 | 1.470 | 0 | .000 |
| | c Any Other -Clr-Mem | 517 | 23,09,448 | 23,09,448 | .487 | .487 | 0 | .000 |
| | -OCB | 1 | 7,01,650 | 7,01,650 | .148 | .148 | 0 | .000 |
| | -NRI | 2,322 | 20,00,027 | 19,96,027 | .421 | .421 | 0 | .000 |
| | Sub-Total-B(2) | 1,69,972 | 7,71,77,818 | 7,05,15,663 | 16.260 | 16.259 | 0 | .000 |
| | Total(B)=B(1)+B(2) | 1,70,242 | 30,12,13,255 | 29,44,93,100 | 63.459 | 63.458 | 0 | .000 |
| | Total (A+B) | 1,70,243 | 47,46,55,750 | 46,79,35,595 | | 99.998 | 0 | .000 |
| C | Held by Custodian | | | | | | | |
| | against Dep-Receipt | | | | | | | |
| 1 | Promoter & Pro Grp | 0 | 0 | 0 | .000 | .000 | 0 | .000 |
| 2 | Public | 1 | 7,250 | 7,250 | .000 | .002 | 0 | .000 |
| | Grand Total(A+B+C) | 1,70,244 | 47,46,63,000 | 46,79,42,845 | 100.00 | 100.000 | 0 | .000 |

- h) Global Depository Shares (GDS):
Of the total 5,000,000 GDS issued by the Company, 7250 GDSs (of face value of Rs.2/-) were outstanding as on 31st March, 2011.
- i) Plant location:
Not applicable
- j) Address for correspondence:
Investors and shareholders can correspond with
- A) the Company at following address:
The Company Secretary
LIC Housing Finance Limited
Bombay Life Building, 2nd Floor,
45 /47, Veer Nariman Road,
Mumbai - 400 001
Phone: (91-22) 22837229
Fax: (91-22) 22049839.
And / Or

- B) the Registrar and Share Transfer Agent of the Company at their following address:
Sharex Dynamic (India) Pvt. Limited
Unit 1, Luthra Industrial Premises,
Andheri Kurla road, Safed Pool,
Andheri(E), Mumbai – 400 072.
Phones : (91-22) 28515606 / 28515644
Fax : (91-22) 28512885.

k) Share transfer system:

All the transfers are processed by the Registrar and Transfer agent, namely, Sharex Dynamic (India) Pvt. Limited and approved by the Committees of the executives of the Company constituted for the said purpose. The Committee meets as and when required to approve share transfer received in physical form.

l) Dematerialisation of shares and liquidity:

The shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the Depository Systems — National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March, 2011, 467942845 equity shares representing 98.58% of the Company's share capital were dematerialised.

Other useful information for shareholders

1. Considering the advantages of scrip-less trading, shareholders are requested to consider dematerialisation of their shareholding to avoid inconvenience. The Company's shares have been selected for trading in a dematerialised form. The Company's shares can be dematerialised through NSDL and CDSL.
2. As per the amendment to the Companies Act, 1956, a nomination facility is available to shareholders for which Form 2B duly filled is required to be sent to the Company. The form can be downloaded from the website of the Company or alternatively can be received by post from the Company, on request.
3. In terms of Section 205A of the Companies Act, 1956, unclaimed dividends for the financial year(s) up to 2002-03 were transferred to the Investors' Education and Protection Fund maintained by the Central Government.
4. Share transfer request is acted upon within 15-20 days from the date of its receipt at the Registered Office/ Registrar and Transfer Agent's Office. In case no response is received from the Company within 20 days of lodgement of transfer request, the lodger may write to the Company with full details so that necessary action could be taken to safeguard interest of the concerned shareholder against any possible loss/interception during postal transit.
5. Dematerialisation requests duly complete in all respects are normally processed within 3-5 days from the date of

their receipt at the Registrar and Transfer Agent's Office.

6. Members/beneficial owners are requested to quote their Folio No. / DP and Client ID Numbers, as the case may be, in all their correspondence with the Company.
7. Members holding shares in physical form are requested to notify promptly any change in address/pin code and bank account details. Beneficial owners of shares in dematerialised form are requested to send their instructions regarding change of address, bank details, nomination, power of attorney, etc. directly to their DP as the same are maintained by the DPs.
8. To prevent the fraudulent encashment of dividend warrants, members are requested to provide their bank account details (if not provided earlier) to the Company (if shares are held in a physical form) or to the depository participant (if the shares are held in a dematerialised form), as the case may be, for printing of the same on their dividend warrants.
9. Non-resident members are requested to immediately notify:
 - Change in residential status on return to India for permanent settlement.
 - Particulars of Non-Resident External Account, if not furnished earlier.
10. In the case of loss/misplacement of shares, investors should immediately lodge a First Information Report (FIR)/complaint with the police and inform the Company along with original or certified copy of the FIR/ acknowledgement copy of complaint.
11. For the expeditious transfer of shares, shareholders should fill complete and correct particulars in the transfer deed. Wherever applicable, the registration number of power of attorney should also be quoted in the transfer deed at the appropriate place.
12. Members are requested to keep a record of their specimen signature before the lodgement of these shares with the Company to obviate the possibility of a difference in signatures at a later date.
13. Member(s) of the Company who have multiple accounts in identical name(s) or hold more than one share certificate in the same name under different ledger folio(s) are requested to apply for the consolidation of such folio(s) and send the relevant share certificates to the Company.
14. Members are requested to quote their e-mail IDs. / telephone numbers / fax numbers for prompt reply to their communication.

Disclosures

- (a) Disclosures on materially significant related-party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the management, their subsidiaries or relatives, etc.

that may have potential conflict with the interests of the Company at large:

None of the transactions with any of the related parties were in conflict with the interests of the Company.

The details of all transactions with related parties in the manner required to be tabled before the Audit Committee as per the Clause 49 of the Listing Agreement, were placed before the Audit Committee on quarterly basis during 2010-11.

- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:

There were no instances of non-compliance of any matter related to the capital markets during the last three years.

- (c) Disclosure of risk management:

The Company has laid down the procedures to inform Board members about the risk assessment and minimization procedures and the Board reviews the risk management report on quarterly basis.

- (d) LICHFL Code of Conduct to prevent insider trading: The Company has a Code of Conduct for prevention of insider trading known as LICHFL Code of Conduct for Prevention of insider trading in the shares and securities of the Company by its Directors and designated employees.

- (e) Code of Conduct for Directors and senior management: The Company has a Code of Conduct for its Directors and the senior management, which, inter alia, includes the maximum tenure for Independent Director as nine years.

The above Codes are hosted on the Company's website www.lichousing.com and has been circulated to all the members of the Board and senior management and the compliance of the same has been affirmed by them. A declaration confirmed by Director and Chief Executive is given below:

As provided under Clause 49 of the Listing Agreement with stock exchanges, all Board and senior management personnel affirmed compliance with LIC Housing Finance Limited — Code of Conduct for Board of Directors and senior management for the year ended 31st March, 2011.

- (f) Whistleblower policy: The Company has whistleblower policy – a mechanism for employees to report to the management any concerns about unethical behaviour, actual or suspected fraud or violation of the rules and regulations. The Board confirms that no personnel were denied access to the Audit Committee.
- (g) Employee Stock Option Scheme: The Company does not have Employee Stock Option Scheme.
- (h) Accounting Standards: In the preparation of financial

statements no treatment materially different from that prescribed in the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 has been followed.

- (i) Directors confirm that the Company has adequate resources to continue its business and, therefore, financial statements are prepared on a going concern basis.

CEO / CFO certification

As required by Clause 49 of the Listing Agreement, the CEO/ CFO certificate is appended in the Annual Report.

Auditors' Certificate on Corporate Governance:

As required by Clause 49 of the Listing Agreement, the Auditors' certificate on compliance of the conditions on Corporate Governance is appended in the Annual Report.

Mandatory / Non-Mandatory requirements

During 2010-11, the Company has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement.

In respect of non-mandatory requirements the details are as under:

1. Chairman of the Board:
Chairman of our Board is non-executive Chairman and is also the Chairman of LIC of India. The term of office of Non-Executive Director will not exceed nine years in three terms of three year each, running continuously.
2. Remuneration Committee:
The Company has not formed the Remuneration Committee under clause 49 of the Listing Agreement as the Company is not paying any remuneration to the Non-executive Directors other than sitting fees. Among the Executive Directors, remuneration is paid only to the Director & Chief Executive.
3. Shareholder Rights:
Half-yearly financial results including summary of significant events are presently not being sent to the shareholders. However, the quarterly as well as the annual results are well published in the newspapers.
4. Audit Qualification:
There is no qualification on any of the financial statements for the financial year 2010-11 of the Company.
5. Training of Board Members:
During the year under review, the Company has provided with the necessary documents / brochures, reports and internal policies to the newly appointed Director.
6. Mechanism of evaluating Non-executive Board Members:
There is no performance evaluation of Non-executive Directors of the company.
7. Whistle Blower Policy:
The Company has whistleblower policy and adheres to norms relating to the same.



Auditors' Certificate on Corporate Governance

To the members of LIC Housing Finance Limited

We have examined the compliance of the conditions of Corporate Governance by LIC Housing Finance Limited ('the Company'), for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreements of the Company with relevant stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SHAH GUPTA & CO.,**
Chartered Accountants
Firm Regn. No.109574W

Vipul K. Choksi
Partner
M.No.37606

Place: Mumbai
Date: 28th April, 2011

For **CHOKSHI & CHOKSHI**
Chartered Accountants
Firm Regn. No.101872W

Vineet Saxena
Partner
M.No.100770

The Board of Directors
LIC Housing Finance Limited
Bombay Life Building, 2nd Floor,
45/47 Veer Nariman Road,
Mumbai - 400 001.

Date: 28th April, 2011

ANNUAL CERTIFICATION

We the undersigned V. K. Sharma, Director & Chief Executive and Surinder Mohan, Chief Financial Officer hereby certify that for the financial year ended 31st March, 2011, we have reviewed Annual accounts, financial statement and the cash flow statement and that to the best of our knowledge and belief:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct;
4. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of some internal control system of the Company and we have disclosed to the auditors and the Audit Committee the deficiencies, of which we are aware, in the design or operation of the internal control systems and we have taken the steps to rectify these deficiencies.
5. We further certify that:
 - (a) there have been no significant changes in internal control during this year.
 - (b) there have been no significant changes in accounting policies during this year except as mentioned in Schedule 16 (Significant Accounting Policies and Notes to Accounts).
 - (c) there have been some instances of fraud though not significant. There were no involvement of management and there would not have been involvement of employees having a significant role in the Company's internal control system.

Director & Chief Executive

Chief Financial Officer

Measuring Shareholder Value

Total Shareholders' Return

| Market Price | Rs. 174.31 | Rs. 225.45 |
|--|------------|------------|
| Rs. in Crore | | |
| Parameter | 2009-10 | 2010-11 |
| Closing Market Capitalisation | 1,654.77 | 10,701.28 |
| Less: Opening market Capitalisation | 426.06 | 1,654.77 |
| Add Dividend | 142.40 | 166.13 |
| Gain | 1,371.11 | 9,212.64 |
| Gain divide by opening market capitalisation | 321.81 | 556.73 |

Total Shareholders' Return (TSR) reflects the gain delivered to the shareholder by the Company - directly and indirectly. Directly in the form of the dividend received by them; indirectly in the form of the capital appreciation registered by the stock during the financial year under review. In 2010-11, LIC Housing Finance Limited reported a TSR of 556.73%.

Market Value-Added

| Market Price | Rs. 174.31 | Rs. 225.45 |
|-------------------------------|------------|------------|
| Rs. in Crore | | |
| Parameter | 2009-10 | 2010-11 |
| Closing Market Capitalisation | 1,654.77 | 10,701.28 |
| Total Debt | 34,758.16 | 45,162.83 |
| Total | 36,412.93 | 55,864.11 |
| Less : Economic Book Value | 38,145.83 | 49,331.94 |
| Market Value Added | -1,732.90 | 6,532.17 |

Market Value Added indicates the value market places on the Company. This is derived by adding the current value of debt and the value of equity. From this is deducted the Economic Book Value (Share Capital plus free reserves plus debt)

Enterprise Value

| Market Price | Rs. 174.31 | Rs. 225.45 |
|---------------------------------|-----------------|-----------------|
| Rs. in Crore | | |
| Parameter | 2009-10 | 2010-11 |
| Equity capital | 95.00 | 95.00 |
| Market capitalisation | 1,654.77 | 10,701.28 |
| Total Debt | 34,758.16 | 45,162.83 |
| Cash | 267.00 | 435.19 |
| Enterprise Value | 36,145.93 | 55,428.92 |
| EBIDTA | 3,460.05 | 4,917.28 |
| Enterprise Value / EBIDTA (Rs.) | 10.45 | 11.27 |
| Total Income | 3,469.16 | 4,868.72 |
| Enterprise Value / Total Income | 1.00 | 1.01 |

Enterprise value attempts to ascertain the value of the company as on a particular date. This is done by adding the market value of the company's equity to the net debt to the market value of the equity stakes owned by the Company. Enterprise value tends

to be used most commonly in calculating the EV / EBITDA (Earnings before Interest Tax Depreciation and Amortisation) multiple. The EV / EBITDA multiple is another valuation alternative to P/E. Just as in calculating the P/E, one must determine an industry / sector average or benchmark and measure a company's EV / EBITDA multiple against it. If it is higher, then it is trading at a premium, and if it is lower, then it is trading at a discount.

Economic Value Added is a measure of a company's financial performance based on the residual wealth. It is performance metric that calculates the creation of shareholders value. It distinguishes itself from traditional financial performance metric such as Net Profit and EPS. Economic Value Added attempts to capture the true economic profit of a company. It has emerged as the most respected yardstick to measure whether companies are delivering value to shareholders or not. LIC Housing Finance Limited reported an EVA of Rs.143.42 crore indicating that the company had more than met the expectation of its shareholders during the year under review.

The highlights of the EVA calculation are

- For the cost of shareholders' funds, the actual outgo towards shareholders (dividend etc.) is ignored. Instead a market driven cost of equity funds is considered.
- The cost of equity is arrived at using the beta-factor for the company scrip. The risk free return in the economy (8%) is taken. To this added the product of the beta-factor (1) and the stock market risk premium
- The product of the premium and the beta-factor is what investors expect to earn (over and above the risk-free return of 8%) from the company scrip in the financial year under review. This is the correct cost of equity funds to consider for the EVA calculation.
- The base for calculating the rupee cost of equity will not be the actual average net worth of the company over the year but the market capitalisation as at a particular date (because the EVA calculation uses a stock market-driven set of variables for calculating the cost of equity). Indicate the price of the company scrip used in the calculation.
- For the cost of debt, calculate the post-tax marginal cost of borrowing based on average debt during the year and actual outflow of interest and tax.
- Calculate the weighted average cost of capital (weighed by the average debt over the previous year) and the cost of equity (weighed by the market capitalisation as on a particular date).
- Actual tax outgo is inflated for the tax shield on interest at the marginal rate of tax actually paid. This 'adjusted tax' is deducted from the Earnings before Interest and Tax to arrive at the corrected EBIT figure. A rupee cost of capital is calculated on the average capital employed over the year by using WACC. This cost of capital is subtracted from the adjusted EBIT figure to obtain the EVA for the year

EVA fact sheet

| | Rs. in crore |
|----------------------------------|--------------|
| Earnings Before Interest and Tax | 4,391.87 |
| Tax | 319.67 |
| Adjusted Tax | 1,084.84 |
| Average capital employed | 43,738.88 |
| WACC | 7.23 |
| Cost of Capital | 3,163.61 |
| EVA | 143.42 |

Auditors' Report

To the members of LIC Housing Finance Limited

1. We have audited the attached Balance Sheet of LIC Housing Finance Limited (the 'Company') as at March 31, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto (in which are incorporated the accounts of 5 branches, known as back offices audited by other auditors). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) (the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The branch auditors' reports have been forwarded to us and have been appropriately dealt with;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards

referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, in so far as they apply to the Housing Finance Company;

- (e) On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of the Profit And Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash-flow statement, of the cash-flows for the year ended on that date.

For **SHAH GUPTA & CO.**
Chartered Accountants
FRN. 109574W

Vipul K Choksi
Partner
M No. 37606

For **CHOKSHI & CHOKSHI**
Chartered Accountants
FRN. 101872W

Vineet Saxena
Partner
M No. 100770

Place: Mumbai
Date: April 28, 2011

Annexure to the Auditors' Report

Annexure to the Auditors' Report referred to in paragraph 4 of our Report of even date to the Members of LIC Housing Finance Limited on the accounts for the year ended March 31, 2011

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) As the Company does not have inventory, the Clauses (ii)(a) to (ii)(c) of Para 4 of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c) and (d) are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clause (f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for sale of services. The nature of the Company's business is such that it does not involve purchase and sale of goods. During the course of our audit, we have not observed any major weaknesses in the aforesaid internal control system.
- (v) According to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Companies Act, 1956 during the year to be entered in the register required to be maintained under that section. Accordingly, sub-clause (b) is not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956, to the extent applicable to the Housing Finance Company and the Housing Finance Companies (NHB) Directions, 2010 with regard to the deposits accepted from the public. We are informed that no Order has been passed by the Company Law Board or the Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the internal audit functions carried out during the year by the Company's internal audit department and by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and nature of its business.
- (viii) As the Company is not a manufacturing concern, the clause (viii) of Para 4 of the Order regarding maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 is not applicable to the Company.
- (ix) (a) In our opinion and according to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, custom duty, cess and any other material statutory dues where applicable, with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and based on the records of the Company examined by us, the following are the particulars of disputed dues on account of income tax, wealth-tax, service tax, custom duty and cess which have not been deposited by the Company as at March 31, 2011:

| No. | Name of the Statute | Nature of the Dues | Amount (Rupees) | Amount Paid/ adjusted (Rupees) | Period to which the amount relates (AY) | Forum where the dispute is pending |
|-----|----------------------|--------------------|-----------------|--------------------------------|---|------------------------------------|
| 1. | Income Tax Act, 1961 | Income Tax | 35,00,000 | 35,00,000 | 1999-2000 | Income Tax Appellate Tribunal |
| 2. | Income Tax Act, 1961 | Income Tax | 2,78,45,437 | 2,78,45,437 | 2001-2002 | Income Tax Appellate Tribunal |
| 3. | Income Tax Act, 1961 | Income Tax | 6,33,61,000 | 6,33,61,000 | 2002-2003 | Income Tax Appellate Tribunal |
| 4. | Income Tax Act, 1961 | Income Tax | 2,08,00,000 | 2,08,00,000 | 2003-2004 | Income Tax Appellate Tribunal |
| 5. | Income Tax Act, 1961 | Income Tax | 9,36,81,691 | 9,36,81,691 | 2004-2005 | Income Tax Appellate Tribunal |
| 6. | Income Tax Act, 1961 | Income Tax | 35,71,94,000 | 35,71,94,000 | 2005-2006 | CIT (Appeals) |
| 7. | Income Tax Act, 1961 | Income Tax | 23,85,58,159 | 23,85,58,159 | 2006-2007 | CIT (Appeals) |
| 8. | Income Tax Act, 1961 | Income Tax | 33,10,50,489 | 33,10,50,489 | 2007-2008 | CIT (Appeals) |

- (x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- (xi) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xii) The Company has maintained adequate documents and records for the loans and advances granted by it on the basis of security by way of residential houses and properties and other securities. The Company has not granted loans and advances by way of pledge of shares and debentures during the year.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of para 4 of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not dealt/traded in shares, debentures and investments other than mutual fund. The Company has maintained proper records of the transactions and contracts in respect of investments in mutual funds and timely entries have been made therein. All the investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were

obtained, other than temporary deployment pending application.

- (xvii) According to the information and explanations given to us and on the basis of review of Asset Liability Management report prepared for submission to the Board of Directors of the Company, giving utilisation of funds on overall basis, we report that funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- (xix) According to the information and explanations given to us and the records examined by us, in respect of debentures issued by the Company during the period covered by our report, security / charge have been created on two of the immovable properties of the Company and are further supplemented by a negative lien on all other assets of the company.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing standards in India and as per the information and explanations given to us, we have not come across any instance of fraud, either noticed or reported during the year, on or by the Company, except that there have been instances of misappropriation of funds by way of sanction and disbursement of non-tenable loans or use of deception to obtain housing loans by some of the customers involving an aggregate amount of Rs. 87,941,488/-. However, as informed to us, such instances are inherent in the nature of business of the Company and adequate provision in respect thereof has been made in the accounts for the year.

For **SHAH GUPTA & CO.**
Chartered Accountants
FRN. 109574W

Vipul K Choksi
Partner
M No. 37606

For **CHOKSHI & CHOKSHI**
Chartered Accountants
FRN. 101872W

Vineet Saxena
Partner
M No. 100770

Place: Mumbai

Date: April 28, 2011

Auditors' Report on the Compliance with the Directions / Regulations of the National Housing Bank under the Housing Finance Companies (NHB) Directions, 2010 for the year ended March 31, 2011

To,
The Board of Directors
LIC Housing Finance Limited

As required by Chapter IV of The Housing Finance Companies (NHB) Directions, 2010 ('the Directions') we give below, a statement on the matters specified in paragraphs 34 and 35 of the said Directions, to the extent applicable to LIC Housing Finance Limited ('the Company').

1. The Company had applied for registration as required under Section 29A of the National Housing Bank Act, 1987 and has been granted a certificate of registration dated 31st July, 2001.
2. The Company has complied with the liquidity requirements as specified under Section 29B of the National Housing Bank Act, 1987 and has kept the securities with the designated bank
3. The Company has complied with Section 29C of the National Housing Bank Act, 1987.
4. The Company has complied with the provisions of the Directions.
5. The capital adequacy ratio as disclosed in the return submitted to the National Housing Bank has been correctly determined and such ratio is in compliance with the minimum capital to risk weighted asset ratio as prescribed by the National Housing Bank in these Directions.
6.
 - a) Public deposits accepted by the Company are within admissible limits.
 - b) Total borrowings of the Company i.e. deposits inclusive of public deposits together with the amounts referred to in sub-clauses (iii) to (vii) of sub-section (bb) of Section 45I of the Reserve Bank of India Act, 1934 and loans or other assistance from the National Housing Bank are within the limit prescribed in the Directions.

- c) There are no deposits in excess of the admissible limits.
- d) The credit rating for deposits i.e. FAAA/Stable, reaffirmed by the credit rating agency viz., CRISIL on March 28, 2011 is in force. There are no limits of public deposit specified by the rating agency.
- e) The Company has not defaulted in paying to its depositors the interest after such interest became due. There are no principal amounts of deposits, which have become due during the year.
- f) During the year, the Company has not opened / closed any branch / office for acceptance of public deposits.

For SHAH GUPTA & CO.,
Chartered Accountants
FRN.109574W

Vipul K. Choksi
Partner
M.No.37606

For CHOKSHI & CHOKSHI
Chartered Accountants
FRN.101872W

Vineet Saxena
Partner
M.No.100770

Place: Mumbai
Date: 28th April, 2011

**Balance Sheet** as at March 31, 2011

| | Schedule | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|--|----------|-----------------|-----------------------------------|-----------------------------------|
| SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| Share Capital | 1 | 949,963,475 | | 949,963,475 |
| Reserves and Surplus | 2 | 40,741,077,797 | | 32,926,760,119 |
| | | | 41,691,041,272 | 33,876,723,594 |
| Loan Funds | | | | |
| Secured Loans | 3 | 407,006,087,696 | | 310,149,822,039 |
| Unsecured Loans | 4 | 44,622,240,744 | | 37,431,745,717 |
| | | | 451,628,328,440 | 347,581,567,756 |
| Total | | | 493,319,369,712 | 381,458,291,350 |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | 5 | | | |
| Gross Block | | 728,090,242 | | 663,356,777 |
| Less: Depreciation and Amortisation | | 389,570,871 | | 328,263,247 |
| Net Block | | 338,519,371 | | 335,093,530 |
| Capital Advances | | 135,770,700 | | 21,144,120 |
| | | | 474,290,071 | 356,237,650 |
| Loans | 6 | | 510,898,356,529 | 380,813,837,015 |
| Investments | 7 | | 14,031,516,566 | 13,886,983,411 |
| Deferred Tax Asset (Net) | | | 1,698,322,929 | 890,534,663 |
| Current Assets, Loans and Advances | 8 | | | |
| Cash and Bank Balances | | 4,351,863,109 | | 2,669,998,955 |
| Other Current Assets | | 3,415,463,991 | | 2,408,726,240 |
| Loans and Advances | | 1,429,899,349 | | 1,392,461,794 |
| | | 9,197,226,449 | | 6,471,186,989 |
| Less: Current Liabilities and Provisions | 9 | | | |
| Liabilities | | 35,984,851,232 | | 16,882,685,121 |
| Provisions | | 6,995,491,600 | | 4,077,803,257 |
| | | 42,980,342,832 | | 20,960,488,378 |
| Net Current Assets | | | (33,783,116,383) | (14,489,301,389) |
| Total | | | 493,319,369,712 | 381,458,291,350 |
| Significant Accounting Policies and Notes to Accounts | 16 | | | |

The Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.
Chartered Accountants
FRN 109574W

For Chokshi & Chokshi
Chartered Accountants
FRN 101872W

Vipul K. Choksi
Partner
M.No.37606

Vineet Saxena
Partner
M.No. 100770

T. S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S.Ravi
Director

V.K. Sharma
Director &
Chief Executive

Place: Mumbai
Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary

N.K.Mittal
General Manager
Accounts

Surinder Mohan
CFO &
General Manager

Profit and Loss Account for the year ended March 31, 2011

| | Schedule | March 31, 2011 Rupees | March 31, 2010 Rupees |
|---|----------|--------------------------|--------------------------|
| Income | | | |
| Operating income | 10 | 46,800,858,227 | 34,557,697,060 |
| Other income | 11 | 1,886,354,526 | 133,944,239 |
| Total | | 48,687,212,753 | 34,691,641,299 |
| Expenditure and Other Charges | | | |
| Interest on Loans and other charges (net) | 12 | 30,977,100,788 | 23,957,112,365 |
| Employees' Emoluments and Benefits | 13 | 680,876,315 | 484,870,496 |
| Establishment and other Expenses | 14 | 1,418,822,857 | 1,367,218,243 |
| Provisions / Write offs (Net) | 15 | 2,608,662,312 | (284,386,906) |
| Depreciation and Amortisation | | 62,431,070 | 63,695,225 |
| Total | | 35,747,893,342 | 25,588,509,423 |
| Profit Before Tax and Prior Period items | | 12,939,319,411 | 9,103,131,876 |
| Prior Period items (Refer Note 12 of Schedule 16) | | 2,254,325 | 9,530,171 |
| Profit Before Tax | | 12,941,573,736 | 9,112,662,047 |
| Provision for Tax: | | | |
| - Current Tax | | 4,004,500,000 | 2,433,900,000 |
| - Deferred Tax | | (807,788,266) | 57,001,240 |
| Profit after Tax | | 9,744,862,002 | 6,621,760,807 |
| Add: Balance Brought Forward from Last Year | | 3,614,010,418 | 2,258,245,542 |
| Profit Available for Appropriation | | 13,358,872,420 | 8,880,006,349 |
| APPROPRIATIONS | | | |
| Special Reserve -II | | 2,620,000,000 | 1,600,000,000 |
| (in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and Section 29C of National Housing Bank Act, 1987) | | | |
| General Reserve | | 3,500,000,000 | 2,000,000,000 |
| Proposed Dividend | | 1,661,320,500 | 1,423,989,000 |
| Tax on Dividend | | 269,223,824 | 242,006,931 |
| Balance Carried to Balance Sheet | | 5,308,328,096 | 3,614,010,418 |
| Total | | 13,358,872,420 | 8,880,006,349 |
| Earnings Per Share: Basic and Diluted (Face Value of Rs. 2/-) | | | |
| (Refer Note 25 of Schedule 16) | | 20.53 | 14.69 |
| Significant Accounting Policies and Notes to Accounts | 16 | | |

The Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.
Chartered Accountants
FRN 109574W

For Chokshi & Chokshi
Chartered Accountants
FRN 101872W

Vipul K. Choksi
Partner
M.No.37606

Vineet Saxena
Partner
M.No. 100770

T. S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S.Ravi
Director

V.K. Sharma
Director &
Chief Executive

Place: Mumbai
Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary

N.K.Mittal
General Manager
Accounts

Surinder Mohan
CFO &
General Manager

Cash Flow Statement for the year ended March 31, 2011

| | Rupees | March 31, 2011 Rupees | Rupees | March 31, 2010 Rupees |
|---|-----------------|--------------------------|---------------|--------------------------|
| A. Cash Flow from Operating Activities : | | | | |
| Net Profit Before Tax | | 12,941,573,736 | | 9,112,662,047 |
| Add / (Less) : Adjustment for | | | | |
| Depreciation and Amortisation | 62,431,070 | | 63,695,225 | |
| Provisions/ Write offs | 2,608,125,937 | | (285,392,800) | |
| Long term investment written off (Non Trade) | - | | 1,440,000 | |
| Loss on sale of assets (Net) | 245,351 | | 1,808,629 | |
| Loss on account of write off | 64,306 | | 64,316 | |
| Profit on sale of investments-current | (598,130,162) | | (448,489,446) | |
| Profit on sale of investments-long term | (1,688,139,181) | | (250,224) | |
| Provision for diminution in value of long term Investments written back (Non-trade) | - | | (600,000) | |
| QIP Issue Expenses | - | | 96,007,603 | |
| Old and unclaimed amounts written back | (7,588,729) | | (6,365,491) | |
| Amount realised from Investment Written off | (15,500,000) | | - | |
| Provision for diminution in value of current Investments written back | - | | (347,461) | |
| Provision for diminution in value of current & Long Term investment | 285,658 | | - | |
| | | 361,794,250 | | (578,429,649) |
| Operating Profit before Working Capital Changes | | 13,303,367,986 | | 8,534,232,398 |
| Adjustment for: | | | | |
| (Increase) in Other Current Assets | (1,006,737,751) | | (365,982,356) | |
| (Increase) in Loans and Advances | (61,523,080) | | (22,502,337) | |
| Increase in Liabilities and Provisions | 19,090,448,125 | | 3,557,134,600 | |
| | | 18,022,187,294 | | 3,168,649,907 |
| Cash generated from Operations | | 31,325,555,280 | | 11,702,882,305 |
| Direct taxes Paid | | (3,979,786,236) | | (2,752,771,531) |
| Net Cash from operations | | 27,345,769,044 | | 8,950,110,774 |
| (Increase) in Housing Loans | | (130,023,898,904) | | (103,970,975,855) |
| Net Cash used in operating activities (A) | | (102,678,129,860) | | (95,020,865,081) |
| B. Cash Flow From Investing Activities | | | | |
| Sale of Investments | | 495,725,912,147 | | 471,948,447,915 |
| Purchase of Investments | | (493,584,461,617) | | (474,094,286,788) |
| Amount realised from the investments written off | | 15,500,000 | | - |
| Purchase of Fixed Assets (including capital advances) | | (181,180,905) | | (77,028,320) |
| Sale of Fixed Assets | | 387,757 | | 385,396 |
| Net Cash used in Investing Activities (B) | | 1,976,157,382 | | (2,222,481,797) |
| C. Cash Flow From Financing Activities | | | | |
| QIP Issue proceeds | | - | | 6,580,000,000 |
| QIP Issue Expenses | | - | | (96,007,603) |
| Proceeds from Secured Loans (Net) | | 96,856,265,657 | | 74,910,319,675 |

Cash Flow Statement for the year ended March 31, 2011

| | Rupees | March 31, 2011 Rupees | Rupees | March 31, 2010 Rupees |
|--|--------|--------------------------|--------|--------------------------|
| Proceeds from Unsecured Loans (Net) | | 7,190,495,027 | | 18,454,665,151 |
| Dividend Paid | | (1,417,239,485) | | (1,097,433,967) |
| Investor Protection Fund | | (3,677,636) | | (3,413,514) |
| Dividend Tax Paid | | (242,006,931) | | (187,645,840) |
| Net Cash generated from Financing Activities (C) | | 102,383,836,632 | | 98,560,483,902 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | 1,681,864,154 | | 1,317,137,024 |
| Cash and cash equivalents at the beginning of the year | | 2,669,998,955 | | 1,352,861,931 |
| Cash and cash equivalents at the end of the year | | 4,351,863,109 | | 2,669,998,955 |

- Notes:**
- Cash and cash equivalents include:

| | | |
|--|----------------------|----------------------|
| Cash and cheques on Hand | 1,367,510,916 | 539,426,004 |
| Bank balances | 2,984,352,193 | 2,130,572,951 |
| Total cash and cash equivalents | 4,351,863,109 | 2,669,998,955 |
 - The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements notified under Companies (Accounting Standards) Rules, 2006.
 - Fixed Deposit with Banks includes Rs. 162,099,208 (Previous Year Rs. 12,099,208) kept with designated banks for repayment to public deposit holders. The Company has the complete beneficial interest on the income earned from these deposits.

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.
Chartered Accountants
FRN 109574W

For Chokshi & Chokshi
Chartered Accountants
FRN 101872W

Vipul K. Choksi
Partner
M.No.37606

Vineet Saxena
Partner
M.No. 100770

T. S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S.Ravi
Director

V.K. Sharma
Director &
Chief Executive

Place: Mumbai
Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary

N.K.Mittal
General Manager
Accounts

Surinder Mohan
CFO &
General Manager

Schedules Forming Part of Balance Sheet as at March 31, 2011

| | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|---|----------------|-----------------------------------|-----------------------------------|
| SCHEDULE 1 | | | |
| SHARE CAPITAL | | | |
| Authorised | | | |
| 750,000,000 Equity Shares of Rs. 2/- each (Previous year 150,000,000 Equity Shares of Rs. 10/- each) | | 1,500,000,000 | 1,500,000,000 |
| Issued, Subscribed and Paid Up: | | | |
| 474,663,000 Equity Shares of Rs. 2 each (Previous Year 94,932,600 of Rs.10/- each) fully paid up | | 949,326,000 | 949,326,000 |
| Add: Amount received on forfeited shares | | 637,475 | 637,475 |
| | | 949,963,475 | 949,963,475 |
| | | | |
| SCHEDULE 2 | | | |
| RESERVES AND SURPLUS | | | |
| Capital Reserve | | | |
| As per last Balance Sheet | | 4,793,333 | 4,793,333 |
| Securities Premium | | | |
| As per last Balance Sheet | 9,012,854,875 | | 2,532,854,875 |
| Received during the year | - | | 6,480,000,000 |
| | | 9,012,854,875 | 9,012,854,875 |
| Special Reserve - I | | | |
| (in terms of Section 36(1)(viii) of the Income-tax Act,1961 and Section 29C of National Housing Bank Act, 1987) | | | |
| (Upto financial year 1996-97) | | | |
| As per last Balance Sheet | | 389,800,000 | 389,800,000 |
| Special Reserve - II | | | |
| (in terms of Section 36(1)(viii) of the Income-tax Act,1961 and Section 29C of National Housing Bank Act, 1987) | | | |
| (From financial year 1997-98) | | | |
| As per last Balance Sheet | 11,924,901,385 | | 10,324,901,385 |
| Add: Transfer from Profit and Loss Account | 2,620,000,000 | | 1,600,000,000 |
| | | 14,544,901,385 | 11,924,901,385 |
| General Reserve | | | |
| As per last Balance Sheet | 7,980,400,108 | | 5,980,400,108 |
| Add: Transfer from Profit and Loss Account | 3,500,000,000 | | 2,000,000,000 |
| | | 11,480,400,108 | 7,980,400,108 |
| Surplus in Profit and Loss Account | | 5,308,328,096 | 3,614,010,418 |
| | | 40,741,077,797 | 32,926,760,119 |
| | | | |

Schedules Forming Part of Balance Sheet as at March 31, 2011

| | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|---|----------------|-----------------------------------|-----------------------------------|
| SCHEDULE 3 | | | |
| SECURED LOANS | | | |
| Non-Convertible Debentures (refer note below) | | 248,142,500,000 | 168,615,000,000 |
| Zero Coupon Debentures ***** | 11,000,000,000 | | 2,000,000,000 |
| Less : Discount not written off | (241,768,110) | | (80,969,473) |
| | | 10,758,231,890 | 1,919,030,527 |
| Loans from banks: | | | |
| Term Loans and Line of credit from scheduled banks | | 125,286,165,395 | 116,515,995,391 |
| Other loans: | | | |
| From National Housing Bank (Refinance) | | 15,334,941,411 | 12,914,131,121 |
| From Life Insurance Corporation of India | | 7,484,249,000 | 10,185,665,000 |
| Security : | | | |
| Loans from banks and other loans and advances are secured by a negative lien on all assets of the Company and an irrevocable Power of attorney given by the Company for creation of Mortgage on the properties of the borrowers of Housing Loans and for recovery of monies directly from the borrowers of Housing Loans. | | | |
| | | 407,006,087,696 | 310,149,822,039 |

Note :

The Debentures are redeemable at par. The Debentures are secured by way of a pari passu mortgage and charge in favour of the Debenture Trustees on the Company's immovable property to the extent of Rs.2,429,600/- and are further supplemented by a negative lien on all other assets.

The details of Non Convertible Redeemable Debentures (NCD) are as under:

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|-----------------------------------|--------------------|--------------------------------|------------------|------------------|
| 17 NCD's of Rs.2,500,000 each* | 1-Nov-11 | | 42,500,000 | 85,000,000 |
| 75 NCD's of Rs.2,000,000 each | 18-Feb-11 | - | - | 150,000,000 |
| 75 NCD's of Rs.2,000,000 each | 18-Feb-12 | - | 150,000,000 | 150,000,000 |
| 240 NCD's of Rs.10,000,000 each | 11-Apr-12 | - | 2,400,000,000 | 2,400,000,000 |
| 50 NCD's of Rs.10,000,000 each | 11-Sep-12 | - | 500,000,000 | 500,000,000 |
| 55 NCD's of Rs.2,000,000 each | 2-Nov-10 | - | - | 110,000,000 |
| 55 NCD's of Rs.2,000,000 each | 2-Nov-11 | - | 110,000,000 | 110,000,000 |
| 55 NCD's of Rs.2,000,000 each | 2-Nov-12 | - | 110,000,000 | 110,000,000 |
| 100 NCD's of Rs.10,000,000 each | 25-Nov-17 | - | 1,000,000,000 | 1,000,000,000 |
| 285 NCD's of Rs.10,000,000 each | 27-Jun-18 | - | 2,850,000,000 | 2,850,000,000 |
| 1650 NCD's of Rs.1,000,000 each | 17-Mar-11 | - | - | 1,650,000,000 |
| 6000 NCD's of Rs.1,000,000 each # | 11-Aug-12 | 11-Aug-10 | - | 6,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 9-Mar-16 | - | 5,000,000,000 | 5,000,000,000 |
| 600 NCD's of Rs.1,000,000 each | 9-Jun-11 | - | 600,000,000 | 600,000,000 |

Schedules Forming Part of Balance Sheet as at March 31, 2011

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|-------------------------------------|--------------------|--------------------------------|------------------|------------------|
| 2500 NCD's of Rs.1,000,000 each | 20-Oct-11 | - | 2,500,000,000 | 2,500,000,000 |
| 2650 NCD's of Rs.1,000,000 each | 15-Jan-17 | - | 2,650,000,000 | 2,650,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 23-Feb-17 | - | 5,000,000,000 | 5,000,000,000 |
| 7500 NCD's of Rs.1,000,000 each** | 13-Mar-16 | - | 7,500,000,000 | 7,500,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 14-May-17 | - | 2,000,000,000 | 2,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 27-Aug-17 | - | 3,000,000,000 | 3,000,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 22-Oct-10 | - | - | 2,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 22-Oct-17 | - | 5,000,000,000 | 5,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 23-Nov-14 | 23-Nov-12 | 3,000,000,000 | 3,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 16-Jan-11 | - | - | 3,000,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 16-Jan-18 | - | 2,000,000,000 | 2,000,000,000 |
| 1500 NCD's of Rs.1,000,000 each | 24-Mar-18 | - | 1,500,000,000 | 1,500,000,000 |
| 750 NCD's of Rs.1,000,000 each | 24-Apr-10 | - | - | 750,000,000 |
| 2500 NCD's of Rs.1,000,000 each | 07-Apr-13 | - | 2,500,000,000 | 2,500,000,000 |
| 1000 NCD's of Rs.1,000,000 each | 25-Apr-13 | - | 1,000,000,000 | 1,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 21-Jul-13 | - | 5,000,000,000 | 5,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 13-Aug-18 | - | 3,000,000,000 | 3,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 25-Aug-18 | - | 5,000,000,000 | 5,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each*** | 05-Sep-18 | - | 5,000,000,000 | 5,000,000,000 |
| 4000 NCD's of Rs.1,000,000 each | 27-Sep-10 | - | - | 4,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each**** | 27-Sep-18 | - | 5,000,000,000 | 5,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 21-Oct-18 | - | 5,000,000,000 | 5,000,000,000 |
| 4000 NCD's of Rs.1,000,000 each | 19-Nov-10 | - | - | 4,000,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 24-Jun-10 | - | - | 2,000,000,000 |
| 2750 NCD's of Rs.1,000,000 each | 01-Jan-12 | - | 2,750,000,000 | 2,750,000,000 |
| 2100 NCD's of Rs.1,000,000 each | 15-Apr-10 | - | - | 2,100,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 09-Oct-10 | - | - | 2,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 23-Apr-12 | - | 3,000,000,000 | 3,000,000,000 |
| 3300 NCD's of Rs.1,000,000 each | 23-Apr-11 | - | 3,300,000,000 | 3,300,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 13-May-11 | - | 2,000,000,000 | 2,000,000,000 |
| 11000 NCD's of Rs.1,000,000 each | 21-Jul-12 | - | 11,000,000,000 | 11,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 14-Jan-11 | - | - | 3,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 06-Nov-12 | - | 5,000,000,000 | 5,000,000,000 |
| 4150 NCD's of Rs.1,000,000 each | 08-Jan-12 | - | 4,150,000,000 | 4,150,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 28-Sep-11 | - | 5,000,000,000 | 5,000,000,000 |
| 4000 NCD's of Rs.1,000,000 each | 26-Aug-11 | - | 4,000,000,000 | 4,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 26-Feb-12 | - | 5,000,000,000 | 5,000,000,000 |
| 7200 NCD's of Rs.1,000,000 each | 09-Jun-11 | - | 7,200,000,000 | 7,200,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 28-Jun-12 | - | 2,000,000,000 | 2,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 12-Mar-13 | - | 5,000,000,000 | 5,000,000,000 |
| 6000 NCD's of Rs.1,000,000 each | 06-May-13 | - | 6,000,000,000 | - |
| 2960 NCD's of Rs.1,000,000 each | 31-May-20 | - | 2,960,000,000 | - |
| 5000 NCD's of Rs.1,000,000 each | 10-Jun-12 | - | 5,000,000,000 | - |
| 2090 NCD's of Rs.1,000,000 each | 10-Jun-13 | - | 2,090,000,000 | - |
| 2000 NCD's of Rs.1,000,000 each | 29-Jun-12 | - | 2,000,000,000 | - |



Schedules Forming Part of Balance Sheet as at March 31, 2011

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|----------------------------------|--------------------|--------------------------------|------------------------|------------------------|
| 4000 NCD's of Rs.1,000,000 each | 29-Jun-15 | - | 4,000,000,000 | - |
| 1500 NCD's of Rs.1,000,000 each | 08-Jul-15 | - | 1,500,000,000 | - |
| 5000 NCD's of Rs.1,000,000 each | 15-Jul-11 | - | 5,000,000,000 | - |
| 6300 NCD's of Rs.1,000,000 each | 10-Aug-20 | - | 6,300,000,000 | - |
| 6750 NCD's of Rs.1,000,000 each | 18-Aug-13 | - | 6,750,000,000 | - |
| 2000 NCD's of Rs.1,000,000 each | 31-Aug-12 | - | 2,000,000,000 | - |
| 2500 NCD's of Rs.1,000,000 each | 14-Sep-13 | - | 2,500,000,000 | - |
| 4150 NCD's of Rs.1,000,000 each | 15-Sep-12 | - | 4,150,000,000 | - |
| 7500 NCD's of Rs.1,000,000 each | 27-Sep-13 | - | 7,500,000,000 | - |
| 1050 NCD's of Rs.1,000,000 each | 29-Dec-11 | - | 1,050,000,000 | - |
| 4650 NCD's of Rs.1,000,000 each | 13-Oct-20 | - | 4,650,000,000 | - |
| 2400 NCD's of Rs.1,000,000 each | 11-Nov-13 | - | 2,400,000,000 | - |
| 3660 NCD's of Rs.1,000,000 each | 23-Nov-20 | - | 3,660,000,000 | - |
| 7500 NCD's of Rs.1,000,000 each | 08-Dec-12 | - | 7,500,000,000 | - |
| 1100 NCD's of Rs.1,000,000 each | 20-Dec-15 | - | 1,100,000,000 | - |
| 3000 NCD's of Rs.1,000,000 each | 20-Dec-13 | - | 3,000,000,000 | - |
| 2500 NCD's of Rs.1,000,000 each | 27-Apr-12 | - | 2,500,000,000 | - |
| 1070 NCD's of Rs.1,000,000 each | 04-Jan-21 | - | 1,070,000,000 | - |
| 3150 NCD's of Rs.1,000,000 each | 11-Jan-13 | - | 3,150,000,000 | - |
| 10000 NCD's of Rs.1,000,000 each | 18-Jan-21 | - | 10,000,000,000 | - |
| 1500 NCD's of Rs.1,000,000 each | 28-Jan-14 | - | 1,500,000,000 | - |
| 2500 NCD's of Rs.1,000,000 each | 07-Mar-21 | - | 2,500,000,000 | - |
| 3500 NCD's of Rs.1,000,000 each | 18-May-12 | - | 3,500,000,000 | - |
| 5000 NCD's of Rs.1,000,000 each | 16-Mar-14 | - | 5,000,000,000 | - |
| | | | 248,142,500,000 | 168,615,000,000 |

* Rs. 25,00,000 each redeemable on 01.11.2011

** Rs 3,33,333/- each redeemable on 13.03.14, 13.03.15 and Rs 3,33,334/- each redeemable on 13.03.16

***Rs 250,000/- each redeemable on 05.09.15, 05.09.16, 05.09.17 and 05.09.18

****Rs 250,000/- each redeemable on 27.09.15, 27.09.16, 27.09.17 and 27.09.18

Put option exercised by investors hence full amount redeemed

The details of Zero Coupon Debentures are as under: *****

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|-------------------------------------|--------------------|--------------------------------|-----------------------|----------------------|
| 2000 NCD's of Rs.1,000,000 each* | 01-Dec-10 | - | - | 1,848,680,000 |
| 5000 NCD's of Rs.1,000,000 each** | 30-Jun-11 | - | 4,667,655,000 | - |
| 2500 NCD's of Rs.1,000,000 each*** | 03-Oct-11 | - | 2,304,620,000 | - |
| 3500 NCD's of Rs.1,000,000 each**** | 08-Aug-11 | - | 3,250,968,000 | - |
| | | | 10,223,243,000 | 1,848,680,000 |

* Discounted Value of Rs 9,24,340/- per Debenture

** Discounted Value of Rs 9,33,531/- per Debenture

*** Discounted Value of Rs 9,21,848/- per Debenture

**** Discounted Value of Rs 9,28,848/- per Debenture

Schedules Forming Part of Balance Sheet as at March 31, 2011

| | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|--|---------------|-----------------------------------|-----------------------------------|
| SCHEDULE 4 | | | |
| UNSECURED LOANS | | | |
| Public Deposits (See Note 1 below) | | 2,457,918,820 | 3,261,937,820 |
| Short -term loans: | | | |
| Commercial Paper | 5,350,000,000 | | 8,300,000,000 |
| Less : Discount not written off | (48,540,902) | | (148,242,642) |
| [Maximum amount outstanding during the year Rs.12,350,000,000 (Previous Year Rs.14,800,000,000)] | | 5,301,459,098 | 8,151,757,358 |
| Other loans: | | | |
| From Others: | | | |
| Subordinated Bonds (See Note 2 below) | | 15,000,000,000 | 10,000,000,000 |
| Upper Tier II Bonds (See Note 3 Below) | | 15,000,000,000 | 5,000,000,000 |
| Life Insurance Corporation of India | | 1,862,862,826 | 1,568,050,539 |
| Non- Convertible Debentures * | | 5,000,000,000 | 9,450,000,000 |
| | | 44,622,240,744 | 37,431,745,717 |

Note (1) : The Company has designated the following liquid assets amounting to Rs. 1,227,749,208 (Previous Year Rs. 414,634,208) for the purpose of maintaining Statutory Liquid Ratio and floating charge on the fixed deposits with banks has been created in favour of the Trustee for Depositors.

| | | | |
|---------------------------|--|----------------------|--------------------|
| Government Securities | | 1,065,650,000 | 402,535,000 |
| Fixed Deposits with Banks | | 162,099,208 | 12,099,208 |
| | | 1,227,749,208 | 414,634,208 |

Note:(2) : Subordinated bonds are repayable at par after ten years from the deemed date of allotment

Note:(3) : Upper Tier II Bonds are redeemable at the end of 15 years from the deemed date of allotment (with call option exercisable after 10 years) with prior approval of National Housing Bank.

* Due and payable within one year Rs. 5,000,000,000.

SCHEDULE 5 - FIXED ASSETS

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|--|-------------------------|---------------------------|-----------------------------|--------------------------|-------------------------|-------------------|-----------------------------|--------------------------|--------------------------|--------------------------|
| | As at 1st April 2010 | Additions/ Adjustments | Deductions / Adjustments | As at 31st March 2011 | Upto 31st March 2010 | For the Year | Deductions / Adjustments | As at 31st March 2011 | As at 31st March 2011 | As at 31st March 2010 |
| Tangible Assets | | | | | | | | | | |
| Land | 431,770 | - | - | 431,770 | - | - | - | - | 431,770 | 431,770 |
| Building | 82,406,565 | 5,402,000 | - | 87,808,565 | 9,646,824 | 1,423,939 | - | 11,070,763 | 76,737,802 | 72,759,741 |
| Lease Hold Improvements | 98,695,982 | 12,977,208 | - | 111,673,190 | 56,329,070 | 14,100,548 | - | 70,429,618 | 41,243,572 | 42,366,912 |
| Furniture fittings & other equipments | 162,307,390 | 7,389,666 | 785,006 | 168,912,050 | 82,987,959 | 9,262,866 | 558,834 | 91,691,991 | 77,220,059 | 79,319,431 |
| Computers | 216,281,556 | 7,941,789 | 409,796 | 223,813,549 | 138,468,100 | 20,620,670 | 409,792 | 158,678,978 | 65,134,571 | 77,813,456 |
| Vehicles | 3,710,165 | - | 626,058 | 3,084,107 | 1,062,112 | 309,153 | 154,820 | 1,216,445 | 1,867,662 | 2,648,053 |
| Intangible Assets | | | | | | | | | | |
| Software | 99,523,349 | 32,843,662 | - | 132,367,011 | 39,769,182 | 16,713,894 | - | 56,483,076 | 75,883,935 | 59,754,167 |
| Total | 663,356,777 | 66,554,325 | 1,820,860 | 728,090,242 | 328,263,247 | 62,431,070 | 1,123,446 | 389,570,871 | 338,519,371 | 335,093,530 |
| Previous Year | 596,303,176 | 77,769,645 | 10,716,044 | 663,356,777 | 273,025,725 | 63,695,225 | 8,457,703 | 328,263,247 | | |
| Capital Advances | | | | | | | | | 135,770,700 | 21,144,120 |
| | | | | | | | | | 474,290,071 | 356,237,650 |

Schedules Forming Part of Balance Sheet as at March 31, 2011

| | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|--|--------|-----------------------------------|-----------------------------------|
| SCHEDULE 6 | | | |
| LOANS (Secured, unless otherwise stated) | | | |
| [Refer Note 3(i) of Schedule 16] | | | |
| Individuals | | 467,307,369,723 | 339,491,433,339 |
| * [Unsecured Rs. 103,289,087 (Previous Year Rs.101,989,932) (Refer Note 5 of Schedule 16)] | | | |
| Corporate bodies | | 87,507,718 | 130,998,135 |
| Builders and Co-operative societies | | 43,503,479,088 | 41,191,405,541 |
| | | 510,898,356,529 | 380,813,837,015 |
| [Includes principal amount due from borrowers Rs.1,477,830,330; (Previous Year Rs. 1,352,865,442)] | | | |

| | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|--|----------------|-----------------------------------|-----------------------------------|
| SCHEDULE 7 | | | |
| INVESTMENTS- (NON-TRADE) | | | |
| Long Term Investments- (Details appended) | | | |
| Government Securities | 1,065,650,000 | | 402,535,000 |
| Debentures | 1,380,063 | | 1,380,063 |
| Equity Shares | 187,916,000 | | 160,036,000 |
| Real Estate Venture Fund | 390,140,795 | | 540,031,426 |
| Contribution to trust | 10,000 | | - |
| Mortgage Backed Pass Through Certificate (PTC) Class B | 3,551,783 | | 7,424,563 |
| | | 1,648,648,641 | 1,111,407,052 |
| Current Investments- (Details appended) | | | |
| Equity Shares | 406,165 | | 691,824 |
| Units of Mutual Funds | 12,382,461,760 | | 12,774,884,535 |
| | | 12,382,867,925 | 12,775,576,359 |
| | | 14,031,516,566 | 13,886,983,411 |
| Note: | | Cost | Market Value |
| | | (Rupees) | (Rupees) |
| Aggregate of Quoted Investments | | 1,066,056,165 | 1,059,444,765 |
| | | (403,226,824) | (397,441,424) |
| Aggregate of Unquoted Investments | | 12,965,460,401 | - |
| | | (13,483,756,587) | - |
| Total | | 14,031,516,566 | 1,059,444,765 |
| Figures in brackets are for the previous year | | (13,886,983,411) | (397,441,424) |

Schedules Forming Part of Balance Sheet as at March 31, 2011

SCHEDULE 7 INVESTMENTS (NON - TRADE) (Contd.)

| Units of Mutual Fund | | | (Amount in Rupees) | |
|--|----------------|----------------|--------------------|----------------|
| | March 31, 2011 | | March 31, 2010 | |
| SCHEME NAME | Units | Cost | Units | Cost |
| AIG India Liquid Fund - Super IP - Gr | - | - | 251,925 | 290,000,000 |
| AIG India Treasury Plus Fund - Super IP - Gr | - | - | 25,059,485 | 290,040,139 |
| Axis Liquid Fund - Gr | 10,873,637 | 11,488,139,245 | 199,414 | 200,000,000 |
| Axis Treasury Advantage Fund - IP - Gr | 399,965 | 410,048,410 | 199,290 | 200,018,058 |
| Birla SL Cash Plus Instl Premium - Gr | 1,518,084,059 | 23,018,497,560 | 1,398,060,366 | 20,219,459,778 |
| Birla Sun Life Savings Fund Instl. - Gr | 196,060,675 | 3,452,920,968 | 457,729,227 | 7,794,914,661 |
| Birla Sun Life Short Term Fund - IP - Gr | - | - | 70,772,524 | 765,377,754 |
| Birla SunLife Cash Manager - IP - Gr | 67,832,932 | 1,052,500,000 | 153,812,472 | 2,337,300,000 |
| Baroda Pioneer Liquid Fund - IP - Growth | 1,085,655,470 | 11,945,200,000 | 659,193,511 | 6,880,100,000 |
| Baroda Pioneer Treasury Advantage Fund - IP - Gr | 553,110,549 | 5,796,205,185 | 533,475,291 | 5,494,192,571 |
| BNP Paribas MF (Previously known asFORTIS Overnight Fund - Instl Plus Gr | 358,039,134 | 5,103,500,000 | 1,404,949,832 | 15,733,500,000 |
| Canara Robeco Liquid Super - IP - Gr | 876,588,123 | 10,000,000,000 | 338,525,783 | 3,716,400,000 |
| Canara Robeco Treasury Advantage SI Gr (previously known as Canara Robeco Liquid Plus - SI - Gr) | - | 10,000,000,000 | 149,134,653 | 2,020,274,489 |
| DSP Black Rock Liquidity Fund- Instl. - Gr | 11,532,893 | - | - | - |
| DSP Black Rock Money Manager Fund - IP - Gr | | | 3,684,511 | 4,705,200,000 |
| DSP Black Rock Liquid Plus Fund - IP - Gr | - | 15,693,899,997 | 504,662 | 625,284,941 |
| DSP Black Rock Strategic Bond Fund - IP - Gr | - | - | 413,020 | 440,048,090 |
| DSP Black Rock Floating Rate Fund - IP - Gr | - | - | 1,834,574 | 2,420,214,085 |
| DWS Insta Cash Plus Fund Instl Gr | 41,071,206 | 600,000,000 | - | - |
| DWS Insta Cash Plus Fund - Super IP - Gr | 1,127,458,529 | 13,685,300,000 | 292,451,159 | 3,419,400,000 |
| DWS Money Plus Fund - IP - Gr | - | - | 28,878,374 | 292,338,921 |
| DWS Ultra Short Term Fund - IP - Growth | 519,357,300 | 5,684,689,276 | 103,707,371 | 1,100,252,572 |
| DWS Treasury Fund Cash - IP - Gr | - | - | 4,905,285 | 50,005,458 |
| Fidelity Cash Fund Super - IP - Gr | 38,029,616 | 490,000,000 | 98,096,850 | 1,198,500,000 |
| Fidelity Ultra Short Term Debt Fund - Super IP - Gr | - | - | 104,005,134 | 1,198,627,974 |
| FORTIS Money Plus IP Fund - Gr | 166,879,889 | 2,339,128,110 | 1,231,444,198 | 16,684,985,200 |
| HDFC Cash Mgmt Fund - Savings Plan - Gr | 234,213,903 | 4,604,593,445 | 491,155,472 | 9,341,000,000 |
| HDFC CMF Treasury Adv. WI Gr | 39,462,996 | 800,085,378 | 244,003,653 | 4,797,224,739 |
| HDFC FRIF - STF - WP - Gr | - | - | 360,860,837 | 5,537,904,466 |
| HDFC Liquid Fund - Premium - Gr | 55,436,176 | 1,050,000,000 | 18,989,643 | 350,000,000 |
| HDFC Liquid Fund - Premium Plus Plan - Gr | 657,117,267 | 12,417,500,000 | 954,106,964 | 17,284,600,000 |
| HSBC Cash Fund - Institutional Plus - Gr | - | 300,000,000 | - | - |
| ICICI Prudential Flexible Income Plan - Premium - Gr | 26,624,391 | 4,612,613,399 | 240,203,599 | 7,463,800,708 |
| ICICI Prudential FRF - Plan D - Gr | 3,250,837 | 450,115,282 | - | - |
| ICICI Prudential Liquid - Super IP - Gr | 169,999,065 | 23,694,786,748 | 978,698,201 | 25,118,384,549 |

Schedules Forming Part of Balance Sheet as at March 31, 2011

| SCHEDULE 7 INVESTMENTS (NON - TRADE) (Contd.) | | | | |
|--|-----------------------|----------------|---------------------------|----------------|
| Units of Mutual Fund | | | (Amount in Rupees) | |
| | March 31, 2011 | | March 31, 2010 | |
| SCHEME NAME | Units | Cost | Units | Cost |
| IDFC Cash Fund - Super Institutional Plan C Gr. | 1,018,602,570 | 11,786,007,981 | 566,878,700 | 6,268,654,146 |
| IDFC Money Manager - Treasury Plan - Plan C - Gr (Previously known as IDFC Liquid Plus Fund - Treasury Plan C Gr) | - | - | 354,151,629 | 3,792,613,426 |
| ING Liquid Fund - Super IP - Gr | 60,532,526 | 850,000,000 | - | - |
| ING Treasury Advantage Institutional - Gr | 5,598,040 | 70,013,561 | - | - |
| JM High Liquidity Super - IP - Gr | 1,771,703,938 | 26,346,000,000 | 376,759,185 | 5,370,000,000 |
| JM High Liquidity - IP - Gr | 29,209,952 | 450,000,000 | - | - |
| JM Money Manager Fund - Super Plus Plan - Gr | 99,634,138 | 1,301,159,384 | 418,593,356 | 5,370,572,281 |
| JP Morgan India Liquid Fund - Super IP - Gr | 1,566,206,763 | 19,095,300,000 | 599,097,219 | 7,014,400,000 |
| JP MORGAN India Treasury Fund - Super IP - Gr (Previously known as JPMORGAN INDIA Liquid Plus Fund - Gr) | - | - | 508,860,606 | 5,985,011,077 |
| Kotak Flexi Debt Fund Institutional Plan - Gr | 387,141,635 | 4,413,035,710 | 935,884,847 | 10,388,434,297 |
| Kotak Floater LT Gr | 212,146,822 | 3,115,699,408 | 503,531,568 | 7,204,001,867 |
| Kotak Floater Short Term - Gr | 1,075,091,986 | 16,915,918,076 | 2,006,737 | 28,000,000 |
| Kotak Liquid (Institutional Premium) - Gr. | 1,413,694,270 | 26,991,700,000 | 1,294,507,776 | 23,769,200,000 |
| L&T F I - S T F - IP - Gr (Previously known as DBS Chola Freedom Income STP - Inst.-Cum-Org) | - | - | 41,194,979 | 605,107,242 |
| L & T Liquid Fund - Super IP - Gr (previously Known as DBS Chola Liq. Super Instl. Plan - Cum) | - | - | 49,522,367 | 621,800,000 |
| L & T Liquid - IP - Cumulative | - | - | 9,951,624 | 184,400,000 |
| LIC Nomura MF Liquid Fund Growth Plan (Previously known as LIC Liquid Fund - Growth Plan) | 1,960,215,096 | 33,736,800,001 | 3,927,184,897 | 65,015,599,198 |
| LIC Nomura MF Floating Rate Fund - ST - Growth (Previouslu known as LIC MF Floating Rate Fund - ST - Growth) | - | - | 201,367,147 | 2,920,600,000 |
| LIC Nomura MF Income Plus Fund - Gr (Previously known as LIC MF Income Plus Fund - Gr) | 433,023,625 | 5,413,995,477 | 1,091,929,860 | 13,177,554,991 |
| LIC Nomura MF Savings Plus Fund - Gr (Previously known as LIC MF Savings Plus Fund - Gr) | 468,785,808 | 6,924,281,778 | 1,827,912,720 | 26,272,847,194 |
| Religare Liquid Fund Super Institutional - Gr | 533,261,002 | 10,482,449,090 | 410,496,664 | 5,083,700,000 |
| Religare Ultra Short Term Fund Institutional - Gr | 146,346,905 | 1,865,232,256 | 330,268,859 | 4,072,215,242 |
| PRINCIPAL CMF LO Inst Prem. Plan - Gr | 63,752,594 | 600,000,000 | 95,414,308 | 1,353,800,000 |
| PRINCIPAL Floating Rate Fund - FMP - IP - Gr | 10,244,662 | 150,017,714 | 37,890,221 | 540,065,132 |
| Reliance FRF - Gr | 16,525,061 | 240,000,000 | 510,450,279 | 7,298,000,000 |
| Relaince Money Manager Fund - IP - Gr | 979,210 | 1,234,153,429 | 7,863,437 | 9,562,798,721 |
| Reliance Medium Term Fund - Gr | 166,596,507 | 3,202,013,891 | 162,955,807 | 3,018,321,835 |
| Reliance Liquidity Fund - Gr | 991,044,166 | 14,111,000,000 | 663,887,769 | 9,071,900,000 |
| Reliance Liquid Fund - TP - IP - Gr | 191,678,804 | 4,375,200,000 | 613,667,602 | 13,434,499,999 |

Schedules Forming Part of Balance Sheet as at March 31, 2011

SCHEDULE 7 INVESTMENTS (NON - TRADE) (Contd.)

| Units of Mutual Fund | (Amount in Rupees) | | | |
|---|--------------------|----------------|----------------|---------------|
| | March 31, 2011 | | March 31, 2010 | |
| SCHEME NAME | Units | Cost | Units | Cost |
| SBI Magnum Insta Cash - Cash Plan | 393,831,581 | 8,268,000,000 | 4,979,906 | 100,000,000 |
| SBI Premier Liquid Fund - Super IP - Gr | 689,588,176 | 10,285,537,371 | 27,702,816 | 400,000,000 |
| SBI - SHF - Ultra Short Term Fund - IP - Gr | 323,191,307 | 3,928,522,626 | 8,519,903 | 100,007,470 |
| Sundaram BNP Paribas Ultra ST Fund SI - Gr | 59,989,071 | 747,799,604 | 142,996,951 | 2,054,720,083 |
| Sundaram Money Fund-Super IP Growth (Previously known as Sundaram BNP Paribas Money Fund - Super IP - Gr) | 117,129,862 | 2,336,900,000 | 99,167,651 | 2,204,500,000 |
| Shinsei Liquid Fund - IP - Gr | - | - | 19,617 | 20,000,000 |
| Shinsei Treasury Advantage Fund - Gr | - | - | 19,811 | 20,002,326 |
| Tata Floater Fund - Gr. (Long Term) | 61,346,582 | 850,116,718 | 146,303,683 | 2,031,350,968 |
| Tata Liquid Fund - SHIP - Gr | 6,645,188 | 11,606,100,002 | 2,622,192 | 4,392,800,005 |
| Tata Treasury Manager Fund - SHIP - Gr | 114,359 | 120,015,554 | 828,679 | 861,153,344 |
| Taurus Liquid Fund - Super IP - Gr | 14,065,981 | 14,305,888,196 | 271,396,732 | 3,823,800,000 |
| Taurus Ultra Short Term Bond Fund - Super IP - Gr | 4,762,339 | 5,186,540,814 | 255,294,075 | 3,908,687,620 |
| Templeton FRIF - Short Term - IP - Gr | - | - | 57,457,783 | 764,300,000 |
| Templeton India TMA - Super IP - Gr | 10,852,622 | 15,384,099,997 | 4,257,082 | 5,639,899,999 |
| Templeton India Ultra Short Bond Fund - Super IP - Gr | 18,504,978 | 220,024,193 | 263,988,908 | 3,020,237,887 |
| UTI FR ST - Gr | 925,269 | 962,278,299 | 3,416,851 | 3,819,845,981 |
| UTI Liquid Fund - Cash Plan - IP - Gr | 4,903,019 | 7,559,900,001 | 3,699,982 | 5,459,200,001 |
| UTI Money Market - Gr | - | - | 174,379,920 | 4,330,000,000 |
| UTI Money Market - IP - Gr | 2,338,962 | 2,475,599,999 | 7,081,655 | 7,254,599,999 |
| UTI Treasury Advantage Fund - IP - Gr (previously known as UTI Liquid Plus Fund - IP - Gr) | 2,854,540 | 3,574,460,536 | 4,432,539 | 5,354,996,256 |

LONG TERM INVESTMENTS (At Cost)

| (Amount in Rupees) | | | | | |
|--|--------------------------|--------------------------|------------|-------------------------|-------------------------|
| Particulars | March 31, 2011 Number | March 31, 2010 Number | Face Value | As at March 31, 2011 | As at March 31, 2010 |
| Government Securities (Quoted) | | | | | |
| 7.37 % Government of India Stock 2014 * | 20,000 | 20,000 | 100 | 2,000,000 | 2,000,000 |
| 8.33 % Government of India Stock 2036 * | 30,000 | 30,000 | 100 | 3,000,000 | 3,000,000 |
| 8.28 % Government of India Stock 2032 * | 828,000 | 678,000 | 100 | 78,990,000 | 64,035,000 |
| 8.07 % Government of India Stock 2017 * | 100,000 | 100,000 | 100 | 10,000,000 | 10,000,000 |
| 7.35% Government of India Stock 2024 * | 1600000 | 1600000 | 100 | 159,250,000 | 159,250,000 |
| 7.59% Government of India Stock 2016 * | 500000 | 500000 | 100 | 50,000,000 | 50,000,000 |
| 8.14% Maharashtra SDL 2019 * | 150000 | 150000 | 100 | 15,000,000 | 15,000,000 |
| 8.24% Government of India Stock 2027 * | 1100000 | 1000000 | 100 | 109,245,000 | 99,250,000 |
| 7.80% Government of India Stock 2020 * | 6500000 | - | 100 | 638,165,000 | - |
| | | | | 1,065,650,000 | 402,535,000 |
| Less: Provision | | | | - | - |
| | | | | 1,065,650,000 | 402,535,000 |
| * Kept with designated bank for repayment to depositors. | | | | | |

Schedules Forming Part of Balance Sheet as at March 31, 2011

LONG TERM INVESTMENTS (At Cost) (contd.)

| Particulars | March 31, 2011 Number | March 31, 2010 Number | Face Value | (Amount in Rupees) | |
|--|--------------------------|--------------------------|------------|-------------------------|-------------------------|
| | | | | As at March 31, 2011 | As at March 31, 2010 |
| Debentures (Unquoted, fully paid up) | | | | | |
| 17% Ganesh Benzoplast Limited | 42,000 | 42,000 | 58 | 1,380,062 | 1,380,062 |
| 17% Real Value Appliances Limited | 200,000 | 200,000 | 100 | 1 | 1 |
| | | | | 1,380,063 | 1,380,063 |
| Less : Provision | | | | 1,380,063 | 1,380,063 |
| | | | | - | - |
| Equity Shares (Fully paid up) | | | | | |
| Investment in shares of Subsidiary Companies (unquoted) | | | | | |
| LICHFL Care Homes Limited | 8,550,000 | 8,550,000 | 10 | 85,500,000 | 85,500,000 |
| LICHFL Financial Services Ltd. | 3,500,000 | 3,500,000 | 10 | 35,000,000 | 35,000,000 |
| LICHFL Trustee Company Private Ltd. | 90,000 | 10,000 | 10 | 900,000 | 100,000 |
| LICHFL Asset Management Company Ltd. | 4,450,000 | 10,000 | 10 | 44,500,000 | 100,000 |
| Investment in shares of Associate Companies & Companies under the same Management. (unquoted) | | | | | |
| LIC Nomura Mutual Fund Asset Management Company Ltd. | 2,200 | 3,930 | 10,000 | 22,000,000 | 39,300,000 |
| LIC Nomura Mutual Fund Trustee Company Private Ltd. | 1,600 | 3,600 | 10 | 16,000 | 36,000 |
| | | | | 187,916,000 | 160,036,000 |
| Real Estate Venture Fund | | | | | |
| Kotak India Real Estate Fund -1 | 2,901.40795 | 4,400.31426 | 100,000 | 290,140,795 | 440,031,426 |
| CIG Reality Fund - 1 | 10,000,000 | 10,000,000 | 10 | 100,000,000 | 100,000,000 |
| | | | | 390,140,795 | 540,031,426 |
| These are close ended schemes subject to lock in till the closure of the Scheme | | | | | |
| Contribution to Trust (Unquoted) | | | | | |
| LICHFL Trustee Company Pvt. Ltd. | | | | 10,000 | - |
| | | | | 10,000 | - |
| Mortgage Backed Pass Through Certificate (PTC) class B (Unquoted) | | | | | |
| India MBS 2003 Series III Trust | 1 | 1 | 98,175,045 | 3,551,783 | 7,424,563 |
| | | | | 3,551,783 | 7,424,563 |
| CURRENT INVESTMENTS (At lower of Cost & Fair value) | | | | | |
| Equity Shares (Quoted, fully paid up) | | | | | |
| Aptech Limited | 4,134 | 4,134 | 10 | 406,165 | 691,824 |
| | | | | 406,165 | 691,824 |

Schedules Forming Part of Balance Sheet as at March 31, 2011

LONG TERM INVESTMENTS (At Cost) (contd.)

| Particulars | March 31, 2011 Number | March 31, 2010 Number | Face Value | (Amount in Rupees) | |
|--|--------------------------|--------------------------|------------|-------------------------|-------------------------|
| | | | | As at March 31, 2011 | As at March 31, 2010 |
| Units of Mutual Funds (Unquoted, fully paid up) | | | | | |
| Axis Liquid Fund-Institutional Growth | 670,194 | - | 1000.0000 | 728,280,438 | - |
| Birla Sun Life Cash Plus -Instl. Prem. - Growth | 43,773,396 | 84,890,611 | 10.0000 | 687,036,577 | 1,250,268,919 |
| Birla Sun Life Floating Rate Fund - Short Term -IP-Growth | 69,268,009 | - | 10.0000 | 900,497,975 | - |
| Birla Sun Life Savings Fund Instl. - Gr | - | 54,352,290 | 10.0000 | - | 950,116,079 |
| Baroda Pioneer Treasury Advantage Fund IP Gr. | - | 47,970,783 | 10.0000 | - | 497,596,130 |
| Canara Robeco Liquid Super Institutional Growth | 30,013,425 | - | 10.0000 | 357,799,044 | - |
| Canara Robeco Treasury Advantage Fund SI Gr | - | 25,194,428 | 10.0000 | - | 350,154,679 |
| BNP Paribas Overnight Inst Growth | 16,601,699 | - | 10.0000 | 250,071,387 | - |
| DSP Black Rock FLOATING RATE Fund IP - Gr | - | 150,901 | 1000.0000 | - | 200,085,769 |
| DWS Insta Cash Plus Fund - Super IP - Gr | - | 16,751,401 | 10.0000 | - | 200,030,153 |
| DWS Treasury Fund - Cash - IP - Gr | - | 4,892,449 | 10.0000 | - | 50,020,891 |
| HDFC Cash Management Savings Growth | 69,097,260 | 25,980,909 | 100.0000 | 1,415,941,057 | 500,067,550 |
| HDFC CMF Treasury Adv.- WI - Gr | - | 14,941,063 | 10.0000 | - | 301,613,746 |
| HDFC FRIF - STF - WP - Gr | - | 6,393,334 | 10.0000 | - | 100,278,802 |
| ICICI Prudential Flexible Income Plan - Premium - Gr | - | 4,454,561 | 100.0000 | - | 762,918,848 |
| ICICI Prudential Liquid Plan Super Inst. Growth | 5,318,051 | - | 100.0000 | 771,246,634 | - |
| IDBI LIQUID FUND GROWTH | 998,672 | - | 1000.0000 | 1,050,686,157 | - |
| IDFC Cash Fund - Plan C - Super IP - Gr | 130,073,292 | 26,802,945 | 10.0000 | 1,551,384,154 | 300,037,524 |
| IDFC Money Manager - Treasury Plan - Plan C - Gr (Previously known as IDFC Liquid Plus Fund - Treasury Plan C Gr) | - | 62,013,190 | 10.0000 | - | 677,084,816 |
| JP MORGAN India Treasury Fund - Super IP - Gr (Previously known as JPMORGAN INDIA Liquid Plus Fund - Gr) | - | 54,182,715 | 10.0000 | - | 650,203,420 |
| Kotak Flexi Debt Fund Institutional Plan - Gr | - | 19,314,592 | 10.0000 | - | 218,776,381 |
| Kotak Liquid (Institutional Premium) - Gr. | 35,205,955 | - | 10.0000 | 700,225,318 | - |
| Kotak Floater Short Term Growth | 98,500,811 | - | 10.0000 | 1,580,150,004 | - |
| L&T F I - S T F - IP - Gr (Previously known as DBS Chola Freedom Income STP - Inst.-Cum-Org) | - | 13,577,796 | 10.0000 | - | 201,350,572 |
| LIC MF Liquid Fund - Gr | - | 74,873,588 | 10.0000 | - | 1,262,728,087 |
| LIC MF Savings Plus Fund - Gr | - | 131,115,787 | 10.0000 | - | 1,919,154,887 |
| PRINCIPAL Floating Rate Fund - FMP - IP - Gr | - | 10,296,137 | 10.0000 | - | 150,065,160 |
| Reliance FRF - Gr | - | 8,971,581 | 10.0000 | - | 130,018,840 |
| Reliance Medium Term Fund - Gr | - | 15,729,316 | 10.0000 | - | 300,148,378 |

Schedules Forming Part of Balance Sheet as at March 31, 2011

LONG TERM INVESTMENTS (At Cost) (contd.)

| Particulars | March 31, 2011 Number | March 31, 2010 Number | Face Value | (Amount in Rupees) | |
|---|--------------------------|--------------------------|------------|-------------------------|-------------------------|
| | | | | As at March 31, 2011 | As at March 31, 2010 |
| SBI Premier Liquid Fund-Super Institutional-Growth | 52,150,571 | - | 10.0000 | 804,114,876 | - |
| SBI - SHF - Ultra Short Term Fund - IP - Gr | - | 8,340,590 | 10.0000 | - | 100,045,383 |
| Sundaram BNP Paribas Ultra ST Fund SI - Gr | - | 12,085,734 | 10.0000 | - | 150,073,394 |
| Tata Floater Fund - Gr | - | 25,493,852 | 10.0000 | - | 350,109,624 |
| TATA Liquid Super High Inv. Fund - Appreciation | 386,736 | 217,860 | 1000.0000 | 700,190,119 | 370,051,524 |
| Tata Treasury Manager Fund - SHIP - Gr | - | 96,306 | 1000.0000 | - | 100,825,530 |
| TAURUS LIQUID FUND- Super Insti Growth Plan | 838,563 | - | 1000.0000 | 884,838,020 | - |
| Taurus Ultra Short Term Bond Fund - Super IP - Gr | - | 340,315 | 1000.0000 | - | 366,864,633 |
| Templeton India Ultra Short Bond Fund - Super IP - Gr | - | 8,453,815 | 10.0000 | - | 100,157,414 |
| UTI Treasury Advantage Fund - IP - Gr | - | 213,469 | 1000.0000 | - | 264,037,402 |
| | | | | 12,382,461,760 | 12,774,884,534 |

| | As at March 31, 2011 | | As at March 31, 2010 | |
|---------------------------|----------------------|----------------------|----------------------|--------------------|
| | Cost | Market Value | Cost | Market Value |
| Quoted Investments | | | | |
| Equity Shares | 846,816 | 406,165 | 846,816 | 691,824 |
| G Securities | 1,065,650,000 | 1,059,038,600 | 402,535,000 | 396,749,600 |
| Total | 1,066,496,816 | 1,059,444,765 | 403,381,816 | 397,441,424 |

| | As at March 31, 2011 Cost | As at March 31, 2010 Cost |
|--|---------------------------------|---------------------------------|
| Unquoted Investments | | |
| Debenture | 1,380,063 | 1,380,063 |
| Equity Shares of Subsidiary & associate | 187,916,000 | 160,036,000 |
| Units | 12,382,461,760 | 12,774,884,535 |
| Real Estate Venture Fund | 390,140,795 | 540,031,426 |
| Intital Settler's contribution towards trust | 10,000 | - |
| Mortgage Backed Pass Through Certificate (PTC) Class B | 3,551,783 | 7,424,563 |
| Total | 12,965,460,401 | 13,483,756,587 |

Schedules Forming Part of Balance Sheet as at March 31, 2011

| | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|--|---------------|-----------------------------------|-----------------------------------|
| SCHEDULE 8 | | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Cash and Bank Balances | | | |
| Cash on Hand | | 35,254,402 | 34,175,042 |
| Cheques on Hand | | 1,332,256,514 | 505,250,962 |
| Balances with Scheduled Banks: | | | |
| In Current Accounts | 2,785,462,078 | | 2,087,275,966 |
| In Deposit Accounts (Refer Note 10 of Schedule 16) | 197,716,307 | | 42,880,267 |
| | | 2,983,178,385 | 2,130,156,233 |
| Balances with others: | | | |
| In current account with National Bank of Dubai | | 1,173,808 | 416,718 |
| [Maximum balance outstanding during the year Rs.1,581,602 (Previous Year, Rs.1,515,645)] | | | |
| | | 4,351,863,109 | 2,669,998,955 |
| Other Current Assets | | | |
| Interest accrued on: | | | |
| - Housing loans (including due Rs.358,486,418 Previous Year Rs. 247,794,169) | | 3,381,253,141 | 2,375,071,425 |
| - Investments | | 31,377,645 | 16,663,647 |
| - Fixed deposit with banks | | 2,833,205 | 1,309,945 |
| Fixed interest rate receivable on swap | - | | 587,857,945 |
| Floating interest rate payable on swap | - | | (572,176,722) |
| | | - | 15,681,223 |
| | | 3,415,463,991 | 2,408,726,240 |
| Loans and Advances | | | |
| (Unsecured, considered good unless otherwise stated) | | | |
| Advance to Subsidiaries | | 33,518 | 11,654,125 |
| Advance against security of public deposit | | 240,000 | 240,000 |
| Loans and Advances to Employees * | | 45,105,154 | 33,363,715 |
| Advances recoverable in cash or in kind or for value to be received | | | |
| Considered good | 175,079,886 | | 113,049,398 |
| Considered doubtful | 2,478,416 | | 3,106,656 |
| | | 177,558,302 | 116,156,054 |
| Advance tax and tax deducted at source (Net of provision for tax) | | 1,209,440,791 | 1,234,154,556 |
| | | 1,432,377,765 | 1,395,568,450 |
| Less : Provisions | | 2,478,416 | 3,106,656 |
| | | 1,429,899,349 | 1,392,461,794 |
| * Includes Loans and advances to employees secured by lien over Provident Fund balances and / or hypothecation of vehicles. | | | |

Schedules Forming Part of Balance Sheet as at March 31, 2011

| | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|---|---------------|-----------------------------------|-----------------------------------|
| SCHEDULE 9 | | | |
| CURRENT LIABILITIES AND PROVISIONS | | | |
| LIABILITIES | | | |
| Total Outstanding dues of Creditors other than micro enterprises and small enterprises (Refer Note 19 of Schedule 16)* | | 13,777,443,492 | 886,853,634 |
| Interest accrued but not due on loans / public deposits | | 11,001,508,115 | 7,209,725,581 |
| Temporary book overdraft (Refer Note 13 of Schedule 16) | | 10,925,892,271 | 8,660,552,460 |
| Interest received in advance | | 33,677,494 | 37,832,884 |
| Other liabilities | | 197,431,777 | 58,379,065 |
| Floating interest rate payable on swap | 905,340,817 | | - |
| Fixed interest rate receivable on swap | (888,856,110) | | - |
| | | 16,484,707 | - |
| Unclaimed dividend | | 32,413,376 | 29,341,497 |
| | | 35,984,851,232 | 16,882,685,121 |
| * [Includes due to subsidiary Rs. 3,189,007 (Previous year Rs 2,471,669)] | | | |
| Note : There is no amount due and outstanding payable to Investor Education and Protection Fund. | | | |
| PROVISIONS | | | |
| - For contingencies | | 125,519,090 | 129,172,638 |
| - For Investment Dimunition | | 1,380,063 | 1,380,063 |
| - For gratuity | | - | 27,605,081 |
| - For leave encashment | | 100,768,195 | 85,744,402 |
| - For housing loan * | | 4,837,279,928 | 2,167,905,142 |
| - For Proposed Dividend | | 1,661,320,500 | 1,423,989,000 |
| - For Tax on Dividend | | 269,223,824 | 242,006,931 |
| | | 6,995,491,600 | 4,077,803,257 |
| * (Refer Note 28 of Schedule 16) | | | |

Schedules Forming Part of Profit and Loss Account for the year ended March 31, 2011

| | Rupees | March 31, 2011 Rupees | March 31, 2010 Rupees |
|---|---------------|--------------------------|--------------------------|
| SCHEDULE 10 | | | |
| OPERATING INCOME | | | |
| Interest on Housing Loans (Tax deducted at source Rs.582,810,204 Previous year Rs 592,688,786) | | 44,696,556,020 | 32,826,656,394 |
| Processing fees and other charges received | 1,786,479,319 | | 1,515,487,023 |
| Less : Processing fees and other charges paid | (285,465,438) | | (246,470,640) |
| | | 1,501,013,881 | 1,269,016,383 |
| Profit on Sale of Mutual fund (units)- current investments | | 598,130,162 | 448,489,446 |
| Interest received on Bank Deposit / Certificate of Deposit (Tax deducted at source Rs.1,021,859 Previous Year Rs.1,786,866) | | 1,841,438 | 4,855,282 |
| Residual Income on PTC B | | 3,316,726 | 8,679,555 |
| | | 46,800,858,227 | 34,557,697,060 |

| | | | |
|---|--|----------------------|--------------------|
| SCHEDULE 11 | | | |
| OTHER INCOME | | | |
| Income from Investments (Refer Note 8 of Schedule 16) | | 1,773,767,223 | 42,774,243 |
| Miscellaneous Income (Refer Note 11 of Schedule 16) (Tax deducted at source Rs 1,693,145 Previous year Rs 48,278) | | 112,587,303 | 91,169,996 |
| | | 1,886,354,526 | 133,944,239 |

| | | | |
|--|-----------------|-----------------------|-----------------------|
| SCHEDULE 12 | | | |
| INTEREST ON LOANS AND OTHER CHARGES (NET) | | | |
| On Term Loans | | 11,856,034,334 | 10,645,364,729 |
| On Debentures | | 18,766,566,848 | 13,061,878,306 |
| On Public Deposit | | 273,583,701 | 242,712,733 |
| On Others | | 1,931,507 | 1,191,781 |
| Other Finance Charges | | 37,031,729 | 64,424,024 |
| Floating interest rate paid on swap | 1,595,447,272 | | - |
| Fixed interest rate received on swap | (1,553,494,603) | | - |
| | | 41,952,669 | - |
| | | 30,977,100,788 | 24,015,571,573 |
| Less: | | | |
| Fixed interest rate received on swap | | - | 1,252,832,202 |
| Floating interest rate paid on swap | | - | (1,194,372,994) |
| | | - | 58,459,208 |
| | | 30,977,100,788 | 23,957,112,365 |

| | | | |
|---|--|--------------------|--------------------|
| SCHEDULE 13 | | | |
| EMPLOYEES EMOLUMENTS AND BENEFITS | | | |
| Salaries and bonus | | 525,051,641 | 356,376,868 |
| Contribution to provident and other funds | | 91,776,892 | 68,182,270 |
| Staff training and welfare expenses | | 64,047,782 | 60,311,358 |
| | | 680,876,315 | 484,870,496 |

Schedules Forming Part of Profit and Loss Account for the year ended March 31, 2011

| | Rupees | March 31, 2011 Rupees | March 31, 2010 Rupees |
|---|--------|--------------------------|--------------------------|
| SCHEDULE 14 | | | |
| ESTABLISHMENT AND OTHER EXPENSES | | | |
| Rent, rates and taxes | | 129,109,411 | 119,434,878 |
| Repairs and maintenance - building | | 1,556,491 | 1,974,049 |
| Repairs and maintenance - others | | 9,448,159 | 9,518,230 |
| Travelling and conveyance | | 39,857,866 | 37,908,114 |
| Directors sitting fees | | 1,135,000 | 965,971 |
| Advertisement & Publicity expenses | | 120,313,520 | 172,392,101 |
| Competition Prizes & Conference Expenses | | 27,531,559 | 23,656,644 |
| Printing and stationery | | 27,474,568 | 27,360,752 |
| Postage, telephones and telex | | 63,287,312 | 63,380,962 |
| Computer Expenses | | 21,364,812 | 21,130,830 |
| Legal and professional fees | | 8,108,216 | 10,911,239 |
| Electricity expenses | | 33,305,012 | 32,591,010 |
| Insurance | | 702,993 | 550,201 |
| Loss on sale of assets (Net) | | 245,351 | 1,808,629 |
| Loss on account of write Off of Fixed Assets | | 64,306 | 64,316 |
| Miscellaneous expenses | | 54,312,317 | 50,963,423 |
| Service Charges for Safe Custody of Documents | | 13,292,632 | 11,898,381 |
| Listing Fees and Payment to Share Transfer Agents | | 1,442,515 | 1,490,422 |
| Commission and Brokerage | | 867,677,323 | 671,152,100 |
| Share issue Expenses (QIP issue) /Expenses for Split of Shares | | 3,765,988 | 96,007,603 |
| Recovery Expenses (Net) | | (5,172,494) | 12,058,388 |
| | | 1,418,822,857 | 1,367,218,243 |

| | | | |
|--|--|----------------------|----------------------|
| SCHEDULE 15 | | | |
| PROVISIONS/WRITE OFFS | | | |
| Housing loans written off | | 6,315,871 | 7,659,344 |
| Long term investment written off (Non Trade) | | - | 1,440,000 |
| Provision for diminution in value of current investment | | 285,658 | - |
| Provision for Housing Loans | | 2,669,374,786 | - |
| | | 2,675,976,315 | 9,099,344 |
| Less : | | | |
| Provisions for Housing Loans written back | | - | 234,643,853 |
| Housing loans written off recovered | | 66,936,481 | 57,698,101 |
| Provision for diminution in value of long term Investments | | - | 600,000 |
| written back (Non Trade) | | | |
| Provision for diminution in value of current Investments | | - | 347,461 |
| written back (Non Trade) | | | |
| Provisions for Contingency written back | | 377,522 | 196 ,835 |
| | | 2,608,662,312 | (284,386,906) |

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

SCHEDULE 16

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India. The Financial Statements comply in all material aspects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956, the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 2010 as amended from time to time.

Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.

b. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

c. Revenue recognition

Interest on housing loans

Repayment of Housing Loan is by way of Equated Monthly Installments (EMI) comprising of principal and interest or by way of proceeds of Life Insurance Policies where interest is collected in monthly installment. Necessary appropriation is made out of these EMI collections to principal and interest. Interest income is recognized on accrual basis except in case of non-performing assets where interest is accounted on realization.

Fees and additional interest income on delayed EMI/Pre-EMI are recognized on receipt basis.

Income from Investment

Interest income on debt investment like Non convertible Debentures (NCD), Inter Corporate Deposits (ICD), Government Securities is recognized on accrual basis and Dividend income is accounted for in the year in which the same is declared in Annual General meeting and Company's right to receive / payment is established.

Other Income

In other cases, income is recognized when there is no significant uncertainty as to determination and realization.

d. Fixed assets

Fixed Assets are stated at cost of acquisition, or construction inclusive of expenses incidental thereto less accumulated depreciation and impairment loss, if any.

e. Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Cost of leasehold improvements is amortized over the period of the lease.

Depreciation on assets whose cost individually does not exceed upto Rs.5,000/- is fully provided in the year of purchase.

f. Impairment loss

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

g. Intangible assets

Intangible assets are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less amortization over estimated useful life. Software is amortized on straight line basis over five years. However old Software booked on which amortization was done on the basis of three years will continue to be amortized at same old rate.

h. Investments

In accordance with the Guidelines issued by National Housing Bank (NHB), current investments are carried at lower of cost and fair value and long term investments are carried at cost. However, provision is made to recognize decline other than temporary in the carrying amount of long term investments. Unquoted investments in the units of Mutual Funds in nature of current investment are valued at the Net Asset Value declared by Mutual Funds in respect of each particular scheme as per the guidelines issued by the NHB.

i. Employee benefits

Provident Fund

Contribution as required by Statute paid to the Government Provident Fund as also contribution paid to other recognized Provident Fund Trust is debited to the Profit and Loss Account.

Gratuity

- Gratuity liability is defined benefit obligation for employees. The Company has taken Group Gratuity-cum-Life Insurance Policy from Life Insurance Corporation of India (LIC) for employees other than those under deputation from LIC. Accordingly, the Company accounts for liability for future gratuity benefits based on actuarial valuation carried out at the end of each financial year and the Contribution by way of premium paid to LIC of India is charged to Profit/Loss Account. Actuarial gain or losses are immediately recognized in the Profit and Loss Account.
- In respect of employees under deputation from LIC an amount equal to five percent of aggregate of basic salary and dearness allowance of such employees, paid to LIC is charged to the Profit and Loss Account and is a defined contribution obligation.

Leave Benefits

Benefits for both short term and long term in the form of vesting and non vesting compensated absences are accounted for on an actuarial valuation determined as at the year end.

j. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognized as income or expense.

At the year end, monetary items denominated in foreign currency are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expense in the relevant year.

k. Derivative Transactions

Derivative transactions are considered Off-Balance Sheet items and the outstanding swap trades are disclosed at the fair value on the reporting date. The carry (difference between coupon rate liability and swap contract rate) is accounted on an

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

accrual basis and the same is adjusted against the interest cost of the underlying liability. Gain realized on early termination of swap is amortized over the balance tenure of the swap or underlying liability whichever is less. Loss if any on early termination is charged to revenue in the same year.

l. 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 revenue.

m. Zero Coupon Instrument

The difference between the discounted amount mobilized and redemption value of Commercial Papers/ Zero Coupon Bond/ NCD is apportioned on time basis over the life of instrument and charged as interest expense.

n. Income Taxes

Income taxes are accounted for in accordance with Accounting Standard (AS)-22 – “Accounting for taxes on income”, notified under the Companies (Accounting Standards) Rules, 2006. Income tax comprises both current and deferred tax.

Current tax is measured on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using substantially enacted tax rates and tax regulations as of the Balance Sheet date.

Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization.

o. Provision for non-performing assets (NPA)

All loans and other credit exposures, where the installments are overdue for ninety days & above are classified as NPA. Provision is made in respect of NPA in accordance with the Prudential Norms as per Housing Finance Companies (NHB) Directions, 2010. Additional provisions (over and above the Prudential Norms) if required is made as per the Guidelines approved by the Board of Directors from time to time.

p. Provisions and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

q. Leases

Assets acquired on lease where significant portions of the risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

r. Securitised Assets

Derecognition of Securitised assets in the books of the Company, recognition of gain or loss arising on Securitisation and accounting for credit enhancement provided by the Company is based on the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India.

Securitised Assets are derecognized in the books of the Company based on the principal of surrender of control over the assets. Credit Enhancement provided by the Company by way of investments in subordinate Class B Pass Through Certificates is included under Investments in Pass Through Certificates in Schedule 7.

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

NOTES TO ACCOUNTS

1. Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances) are Rs.15,000,000 (Previous year Rs.13,601,880).
2. **Contingent liabilities in respect of :**
 - a) Corporate Undertaking of Rs.143,500,000 (Previous year Rs.143,500,000) for Securitization transactions.
 - b) Claims against the Company not acknowledged as debts Rs.837,732 (Previous year Rs.620,367).
 - c) The Company has received a demand of Rs.35,00,000, Rs.2,78,45,437 (including interest of Rs.82,68,945), Rs.6,33,61,000 (including interest of Rs.1,06,36,607), Rs.2,08,00,000, Rs.9,36,81,691 (including interest of Rs.7,21,90,337), Rs.35,71,94,000 (including interest of Rs.6,67,93,988), Rs.23,85,58,159 (including interest of Rs.1,38,71,157) and Rs.33,10,50,489 on completion of income tax assessment for the assessment years 1999-00, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 respectively. The said amounts are disputed and the Company has preferred an appeal against the same. The amounts for the respective years have been paid under protest to the Central Government.
3. (i) Retail / Project Loans are secured, wholly or partly, by any or all of the following as applicable, based on their categorization :
 - a) Equitable / Registered Mortgage of Property
 - b) Assignment of Life Insurance Policies, NSC, KVP, FD of Nationalized Bank
 - c) Assignment of Lease Rent Receivables
 - d) Company guarantees or personal guarantees
 - e) Negative lien
 - f) Undertaking to create a security
- (ii) Loans to employees other than for Housing are secured by lien over Provident Fund balances and / or Hypothecation of Vehicles.
4. As per NHB Circular dated December 24, 2010 provision @2% is required on Teaser Loans (Standard). In order to comply with this circular, the Company vide its letter dated March 22, 2011 has sought clarification from NHB about the treatment of loans under different schemes as teaser loans, which is awaited. Based on Company's assessment, Retail Loans with outstanding balance of Rs.1,284,042.02 lacs (previous period Rs.Nil) have been classified as Teaser Loans (Standard) and provision of Rs.25,680.84 lacs (previous period Rs.Nil) has been made.
5. Housing Loans include loans amounting to Rs.93,948,812 (Previous year Rs.95,116,460) against which the Company has taken possession of the properties under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and held such properties for disposal. Of this, fair value of the assets possessed, against the loans of Rs.11,427,401 (Previous year Rs.16,794,754), is not available as at March 31, 2011. The balance loans amounting to Rs.82,521,411 (Previous year Rs.78,321,705), have fair value of Rs.78,100,730 (Previous year Rs.75,010,517), being lower of the fair value of the asset possessed and the outstanding due under the loans as at March 31, 2011.
6. Details with regard to securitization deals of the Company. The trustees to the deals have issued Pass through Certificates (PTC) to the investors:

(Amount in Rupees)

| Year of deal | Particulars | Amount securitized | Trustee | Balance of PTC as at 31st March, 2011 |
|--------------|---|--------------------|-----------------------|---------------------------------------|
| 2003-2004 | Individual Housing Loans - India MBS 2003 Series III | 1,963,493,255 | ILF&S Trustee Company | 63,533,086 (141,000,346) |

Figures in bracket are in respect of the previous year.

7. Provision for contingencies includes:

- a) Provision for untapped corporate undertaking given for securitization of housing loans. The outflows in respect of untapped corporate undertaking would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitized receivables.

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

b) Provision for probable loss on account of bank reconciliation differences.

The movement in provisions is as below:

(Amounts in Rupees)

| Particulars | Provision for un tapped corporate undertaking | Provision for probable loss on account of Bank Reconciliation differences |
|--|---|---|
| Opening balance | 120,287,567 (121,604,219) | 8,885,071 (20,000,000) |
| Add: Provision made during the year | - (-) | - (-) |
| Less: Amounts utilized during the year | 3,653,547 (1,316,652) | - (11,114,929) |
| Closing balance | 116,634,020 (120,287,567) | 8,885,071 (8,885,071) |

Figures in bracket are in respect of the previous year.

8. Income from Investments (non-trade)

| Particulars | Current Year Rupees | Previous year Rupees |
|-------------------------------------|----------------------|----------------------|
| Long Term: | | |
| Interest (net) | 48,667,800 | 22,859,619 |
| Dividend | 36,960,242 | 19,664,400 |
| Profit on sale of Investments (net) | 1,688,139,181 | 250,224 |
| Total | 1,773,767,223 | 42,774,243 |

9. The Company has sold 1730 equity shares of Rs.10/- each of LIC Mutual Fund Asset Management Company Limited and 2000 equity shares of Rs.10/- each of LIC Mutual Fund Trustee Company Private Limited to Nomura Asset Management Strategic Investment Pte. Ltd. for a total consideration of Rs.1,384,092,086. Profit on sale of these equity shares amounting to Rs.1,351,822,428 is included under Income from Investment.
10. Fixed Deposits with Banks include Rs.162,099,208 (Previous Year Rs.12,099,208) kept with designated banks for repayment to Public Deposit Holders. The Company has beneficial interest on the income earned from these deposits.
11. Miscellaneous income includes Rs.4,795,758 (Previous Year Rs.5,000,000) being management fee from Kotak India Real Estate Venture Fund, Rs.297,412 (Previous Year Rs.203,288) being interest income on staff loans/advances, Rs.60,608,310 (Previous Year Rs.66,205,419) being gain on unwinding of Interest rate swap, Rs.7,588,729 (Previous Year Rs.6,365,491) being old outstanding and unclaimed amounts written back, Rs.15,500,000 (Previous Year Rs. NIL) being Investment written off realized.
12. **Prior period items include:**

| Particulars | Current Year Rupees | Previous year Rupees |
|---|---------------------|----------------------|
| Income | | |
| Interest Income on Housing Loan | 2,432,155 | 1,966,445 |
| Interest Income on Bank Deposit | - | 29,569 |
| Service Tax paid utilized | - | 9,309,705 |
| Expenditure: | | |
| Interest & Other Expenses on Public Deposit | - | 434,336 |
| Miscellaneous Expenses | 177,830 | 261,362 |
| Competition Prize | - | 1,079,850 |
| Total Net Income / (Expenses) | 2,254,325 | 9,530,171 |

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

13. Temporary Book Overdraft of Rs.10,925,892,271 (Previous Year Rs.8,660,552,460) represents cheques issued towards disbursements to borrowers for Rs.10,818,265,123 (Previous Year Rs.8,495,884,847) and cheques issued for payment of expenses of Rs.107,627,148 (Previous Year Rs.164,667,613), but not encashed as at March 31, 2011.

14. Managerial remuneration under section 198 of the Companies Act, 1956:

To the Director and Chief Executive (on deputation from LIC of India):

| Particulars | Current Year* Rupees | Previous Year Rupees |
|---|-------------------------|----------------------|
| Salary | 1,920,123 | 688,911 |
| Contribution to Provident and other funds** | 109,898 | 84,430 |
| Perquisites in cash or in kind | 132,404 | 82,654 |
| Total | 2,162,425 | 855,995 |

* It includes for one Director for the period April 1, 2010 to November 29, 2010 and for another Director for the period December 01, 2010 to March 31, 2011.

** It includes an amount equal to five percent of the aggregate of Basic salary and Dearness Allowance paid to LIC of India towards Gratuity Contribution.

As the Provision for Performance Linked Incentive (PLI) is accrued for the company as a whole and not decided individually, hence not included.

15. Auditors' Remuneration (excluding service tax):

| Particulars | Current Year Rupees | Previous Year Rupees |
|--|------------------------|-------------------------|
| a) As Auditors including Rs.320,000 (Previous Year Rs.310,000) to Back Office Auditors | 2,745,000 | 2,510,000 |
| b) As Advisors or in any other capacity in respect of Tax Audit | 400,000 | 350,000 |
| c) For Quarterly Limited Review | 1,150,000 | 950,000* |
| d) In any other manner (Certification work, etc.) | 412,500 | 1,232,500** |
| e) As expenses (includes all back offices) | 31,000 | 27,918 |
| Total | 4,738,500 | 5,070,418 |

* Includes Fee of Rs.250,000/- paid to previous Auditors.

** Includes Fee of Rs.1,000,000/- in respect of QIP issue.

16. Expenditure in foreign currency (Cash basis) :

| Particulars | Current Year Rupees | Previous Year Rupees |
|--|------------------------|-------------------------|
| Travelling Expenses | 33,063 | 162,236 |
| Professional Fees | 127,800 | - |
| Fees for filing returns and Trade License fees | 462,405 | 991,413 |
| Salary to Overseas Staff | 2,701,155 | 2,159,670 |
| Rent for Overseas Staff Residence | 1,220,653 | 868,062 |
| Luxemburg Stock Exchange Fee | - | 171,300 |
| Expenses related to QIP Issue | - | 12,997,730 |
| Commission | 4,566,043 | 5,776,836 |

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

17. Earnings in foreign currency (Cash basis):

| Particulars | Current Year Rupees | Previous Year Rupees |
|-----------------|------------------------|-------------------------|
| Processing fees | 4,566,043 | 5,776,836 |

18. Remittance in Foreign Currencies on Account of Dividend

The particulars of remittances in foreign currencies on account of dividends to the Non-resident Shareholders are as under:

| | Current Year | Previous Year |
|------------------------------------|--------------|---------------|
| No. of Non-Resident Shareholders * | 2 | 2 |
| No. of equity Shares held | 496,946 | 228,340 |
| Amount of Dividend Paid (Rs.) | 7,454,190 | 2,968,420 |
| Year to which dividend relates | 2009-10 | 2008-09 |

* Includes 1450 equity shares (previous year 35200 equity shares) held by the custodian, being the registered shareholder for all the owners of Company's GDR.

19. The Company has requested its suppliers to confirm the status as to whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006. In the absence of confirmations from the suppliers, disclosures, if any, relating to unpaid amount as at the year end together with interest paid / payable as required under the said Act have not been given.

20. Derivative instruments:

- Interest Rate Swaps for hedging underlying liability aggregate to Rs.11,460,000,000 (Previous year Rs.6,000,000,000).
- For underlying liability of Rs.6,500,000,000 (Previous year Rs.6,500,000,000), Coupon Swap has been entered into which remains unhedged in respect of movement in respective currencies affecting the coupon amount.
- The Company as on March 31, 2011 had outstanding interest rate and coupon swaps covering the underlying liability aggregating to Rs.17,960,000,000 (Previous year Rs.12,500,000,000). The fair value of all such Swaps as at March 31, 2011 was unfavourable to the extent of Rs.1,913,600,263 (Previous year Rs.1,606,912,869).

21. Disclosure in respect of Gratuity Liability and Leave Encashment:-

Gratuity Liability

(Amount in Rupees)

| Changes in the Benefit Obligation | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-------------|-------------|-------------|-------------|
| Liability at the Beginning of the year | 91,582,773 | 65,566,221 | 50,749,802 | 42,262,463 |
| Interest Cost | 7,326,622 | 5,467,526 | 4,328,541 | 3,527,512 |
| Current Service Cost | 8,316,690 | 5,610,558 | 4,704,747 | 3,544,780 |
| Past Service Cost | 10,174,368 | - | - | - |
| Benefit Paid | (1,871,112) | (1,256,110) | (2,695,577) | (3,426,693) |
| Actuarial Loss on obligations | 15,458,345 | 16,194,578 | 8,478,708 | 4,841,740 |
| Liability at the end of the year | 130,987,686 | 91,582,773 | 65,566,221 | 50,749,802 |

| Fair Value of the Plan Assets | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|--------------|--------------|-------------|-------------|
| Fair Value of Plan Asset at the beginning of the year | 63,977,692 | 57,085,723 | 46,365,466 | 37,203,468 |
| Expected Return on Plan Assets | 5,118,215 | 4,745,096 | 4,335,593 | 3,581,693 |
| Contributions | 69,933,173 | 2,856,030 | 9,177,241 | 9,281,042 |
| Benefit paid | (1,871,112) | (1,256,110) | (2,695,577) | (3,426,698) |
| Actuarial Gain / (Loss) on Plan Assets | 1,402,871 | 546,953 | (97,000) | (274,044) |
| Fair value of Plan Assets at the end of the year | 138,560,839 | 63,977,692 | 57,085,723 | 46,365,466 |
| Total Actuarial Loss to be Recognized | (14,055,474) | (15,647,625) | (8,575,708) | (5,115,784) |

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

| Actual Return on Plan Assets: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|----------------|----------------|----------------|----------------|
| Expected Return on Plan Assets | 5,118,215 | 4,745,096 | 4,335,593 | 3,581,693 |
| Actuarial Gain / (Loss) on Plan Assets | 1,402,871 | 546,953 | (97,000) | (274,044) |
| Actual Return on Plan Assets | 6,521,086 | 5,292,049 | 4,238,593 | 3,307,649 |

| Amount Recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|----------------|----------------|----------------|----------------|
| Liability at the end of the year | 130,987,686 | 91,582,773 | 65,566,221 | 50,749,802 |
| Fair Value of Plan Assets at the end of the year | 138,560,839 | 63,977,692 | 57,085,723 | 46,365,466 |
| Amount recognized in the Balance Sheet | 7,573,153* | (27,605,081) | (8,480,498) | (4,384,336) |

*Restricted to NIL

| Expense Recognized in the Profit and Loss Account: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|----------------|----------------|----------------|----------------|
| Current Service Cost | 8,316,690 | 5,610,558 | 4,704,747 | 3,544,780 |
| Interest Cost | 7,326,622 | 5,467,526 | 4,328,541 | 3,527,512 |
| Expected Return on Plan Assets | (5,118,215) | (4,745,096) | (4,335,593) | (3,581,693) |
| Net Actuarial Loss to be recognized | 14,055,474 | 15,647,625 | 8,575,708 | 5,115,784 |
| Past Service Cost | 10,174,368 | - | - | - |
| Expense recognized in the Profit and Loss Account under staff expenses | 34,754,939 | 21,980,613 | 13,273,403 | 8,606,383 |

| Reconciliation of the Liability recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|----------------|----------------|----------------|----------------|
| Opening Net Liability | 27,605,081 | 8,480,498 | 4,384,336 | 5,058,995 |
| Expense recognized | 34,754,939 | 21,980,613 | 13,273,403 | 8,606,383 |
| Contribution by the Company | 69,933,173 | 2,856,030 | 9,177,241 | 9,281,042 |
| Amount recognized in the Balance Sheet under "Provision for Retirement Benefits" | (7,573,153)* | 27,605,081 | 8,480,498 | 4,384,336 |

*Restricted to NIL

| Assumptions | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|-------------------------------|----------------|----------------|----------------|----------------|
| Discount Rate | 8.25% | 8.00% | 7.75% | 8.00% |
| Rate of Return on Plan Assets | 8.00% | 8.00% | 8.00% | 8.00% |
| Salary Escalation | 5.00% | 5.00% | 5.00% | 5.00% |

Gratuity Premium is paid to LIC of India under Gratuity Scheme of LIC.

The Company's best estimate of contributions expected to be paid to the plan during the annual period beginning after March 31, 2011 is Rs.12,630,116 (Previous Year Rs.22,869,846).

In the absence of detailed information regarding Plan Assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the total fair value of plan assets has not been disclosed.

The details of experience adjustments arising on account of plan assets and plan liabilities as required by paragraph 120(n) (ii) of AS 15 (Revised) on "Employee Benefits" are not readily available in the valuation statement received from LIC of India and hence, are not furnished.

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

Leave Encashment

(Amount in Rupees)

| Changes in the Benefit Obligation | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-------------|------------|--------------|------------|
| Liability at the Beginning of the year | 85,744,402 | 54,846,558 | 54,316,739 | 46,678,209 |
| Interest Cost | 6,859,552 | 4,556,578 | 7,503,738 | 3,951,376 |
| Current Service Cost | 5,792,655 | 3,947,999 | 39,479,992 | 2,713,993 |
| Benefit Paid | - | - | - | - |
| Actuarial (Gain) / Loss on obligations | 2,371,586 | 22,393,267 | (46,453,911) | 973,161 |
| Liability at the end of the year | 100,768,195 | 85,744,402 | 54,846,558 | 54,316,739 |

| Amount Recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|---------------|--------------|--------------|--------------|
| Liability at the end of the year | 100,768,195 | 85,744,402 | 54,846,558 | 54,316,739 |
| Fair Value of Plan Assets at the end of the year | - | - | - | - |
| Amount recognized in the Balance Sheet | (100,768,195) | (85,744,402) | (54,846,558) | (54,316,739) |

| Expense Recognized in the Profit and Loss Account: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|------------|------------|--------------|-----------|
| Current Service Cost | 5,792,655 | 3,947,999 | 39,479,992 | 2,713,993 |
| Interest Cost | 6,859,552 | 4,556,578 | 7,503,738 | 3,951,376 |
| Expected Return on Plan Assets | - | - | - | - |
| Net Actuarial (Gain) / Loss to be recognized | 2,371,586 | 22,393,267 | (46,453,911) | 973,161 |
| Expense recognized in the Profit and Loss Account under staff expenses | 15,023,793 | 30,897,844 | 529,819 | 7,638,530 |

| Reconciliation of the Liability recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-------------|------------|------------|------------|
| Opening Net Liability | 85,744,402 | 54,846,558 | 54,316,739 | 46,678,209 |
| Expense recognized | 15,023,793 | 30,897,844 | 529,819 | 7,638,530 |
| Contribution by the Company | - | - | - | - |
| Amount recognized in the Balance Sheet under "Provision for Retirement Benefits" | 100,768,195 | 85,744,402 | 54,846,558 | 54,316,739 |

| Assumptions | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|-------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Retirement Age | 58 Years | 58 Years | 58 Years | 58 Years |
| Discount Rate | 8.25% | 8.00% | 7.75% | 8.00% |
| Salary Escalation | 5.00% | 5.00% | 5.00% | 5.00% |
| Attrition Rate | 2.00% | 2.00% | 2.00% | 2.00% |
| Mortality Table | LIC (1994-96) Ultimate | LIC (1994-96) Ultimate | LIC (1994-96) Ultimate | LIC (1994-96) Ultimate |

"The estimates of future salary increases, considered in actuarial valuation, include inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The above information is certified by the actuary and relied upon by the Auditors."

22. Segment reporting:

The Company is engaged in the business of providing loans for purchase, construction, repairs and renovation etc., of houses / flats to Individuals, Corporate Bodies, Builders and Co-operative Housing Societies and has its operations within India. There being only one 'business segment' and 'geographical segment', the segment information is not provided.

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

23. Related party disclosure:

a) Names of related parties where control exists:

| Sr. No. | Name of the related party | Nature of relationship |
|---------|---|---|
| 1. | LICHFL Care Homes Limited | Wholly owned subsidiary company |
| 2. | LICHFL Financial Services Ltd. | Wholly owned subsidiary company |
| 3. | LICHFL Asset Management Company Ltd. (Formerly known as LICHFL Asset Management Company Private Ltd.) | Subsidiary company with 90% share holding |
| 4. | LICHFL Trustee Company Private Ltd. | Wholly owned subsidiary company |

b) Details of other related parties with whom transactions have taken place:

| Sr. No. | Name of the related party | Nature of relationship |
|---------|---|---|
| 1. | Life Insurance Corporation of India (LIC) | Enterprise having significant influence |
| 2. | LIC Nomura Mutual Fund Asset Management Company Limited (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.) | Associate |
| 3. | LIC Nomura Mutual Fund Trustee Company Private Limited (Formerly Known as LIC Mutual Fund Trustee Company Pvt. Ltd.) | Associate till 14.01.2011 |
| 4. | Mr. R.R. Nair, Director and Chief Executive (Up to 29-11-2010) | Key Management Personnel |
| 5. | Mr. V.K. Sharma, Director and Chief Executive (From 01-12-2010) | Key Management Personnel |

c) Details of transactions with related parties:

| Related Party | Nature of transactions | Volume of Transaction | |
|--|--|-----------------------|----------------------|
| | | Current Year Rupees | Previous Year Rupees |
| LIC of India | Issue of non convertible debentures | 15,000,000,000 | - |
| | Repayment of non convertible debentures | 8,000,000,000 | - |
| | Unsecured loans taken (consequent to tripartite agreement between West Bengal Infrastructure Development Finance Corporation, LIC and the Company) | 294,812,287 | 273,886,265 |
| | Repayment of Secured loan | 2,701,416,000 | 3,214,875,000 |
| | Issue of Upper Tier II Bonds | 10,000,000,000 | 5,000,000,000 |
| | Taking over Housing Loan Portfolio of LIC Employee | 12,446,598,955 | - |
| | Interest expenses on Secured and Unsecured loans | 7,693,845,989 | 7,145,285,875 |
| | Dividend Payment | 520,327,485 | 450,950,487 |
| | Rent Expenses | 26,842,932 | 25,119,427 |
| | Reimbursement of Municipal Taxes, etc. | 289,657 | 1,256,082 |
| | Reimbursement of Electricity Expenses | 3,715,509 | 4,633,204 |
| | Payment for Staff training, Conference, etc. | 210,830 | 232,391 |
| | Payments towards Renovation & Repairs Work carried out by them | 7,696,038 | 11,823,021 |
| | Reimbursement of Gratuity for staff on deputation from LIC | 1,553,728 | 1,215,647 |
| | Balance as at the year end | 94,341,111,826 (Cr.) | 79,697,715,539 (Cr.) |
| LIC Nomura Mutual Fund Asset Management Company Ltd. (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.) | Dividend Income | 29,475,000 | 19,650,000 |
| | Other Income | 19,500 | 30,000 |
| | Interest expenses on NCD | 27,410,959 | 21,533,561 |
| | Balance as at the year end | 500,000,000 (Cr.) | 1,000,000,000 (Cr.) |
| LIC Nomura Mutual Fund Trustee Co. Pvt. Ltd. (Formerly Known as LIC Mutual Fund Trustee Co. Pvt. Ltd.) | Dividend Income | - | 14,400 |

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

| Related Party | Nature of transactions | Volume of Transaction | |
|--|---------------------------------------|-----------------------|----------------------|
| | | Current Year Rupees | Previous Year Rupees |
| LICHFL Care Homes Limited | Investment in Share capital | - | - |
| | Advances given | 1,402,857 | 1,032,602 |
| | Advances repaid | 1,807,130 | 1,501,543 |
| | Balance as at the year end | - | 404,273 (Dr.) |
| LICHFL Financial Services Limited | Investment in Share capital | - | 15,000,000 |
| | Dividend Income | 1,750,000 | - |
| | Commission Expenses on Loan Business | 22,217,003 | 7,638,957 |
| | Commission Expenses on Public Deposit | 12,040 | - |
| | Advances given | 291,085 | 3,203,948 |
| | Advances repaid | 434,030 | 3,053,493 |
| | Balance as at the year end | - | 142,945 (Dr.) |
| LICHFL Asset Management Co. Ltd. (Formerly Known as LICHFL Asset Management Co. Pvt. Ltd.) | Investment in Share capital | 44,400,000 | - |
| | Advances given | 5,455,196 | 5,715,463 |
| | Advances repaid | 16,381,539 | - |
| | Balance as at the year end | 33,518 (Dr.) | 10,959,861 (Dr.) |
| LICHFL Trustee Co. Pvt. Ltd. | Investment in Share capital | 800,000 | - |
| | Contribution to trust | 10,000 | - |
| | Advances given | - | 5,900 |
| | Advances repaid | 147,046 | - |
| | Balance as at the year end | - | 147,046 (Dr.) |
| Mr. R. R. Nair (Up to 29-11-2010) | Managerial remuneration | 1,704,311 | 855,995 |
| Mr. V. K. Sharma (From 01-12-2010) | Managerial remuneration* | 458,114 | - |

*As the Provision for Performance Linked Incentive (PLI) is accrued for the Company as a whole and not decided individually, hence not included.

Note:

- There are no amounts written off or written back during the year for debts due from or to related parties.
- Related Party relationship is as identified by the Company.

24. Operating Leases:

The Company has taken various office and residential premises on cancelable operating lease basis for periods which range from 11 to 120 months with an option to renew the lease by mutual consent on mutually agreeable terms. Lease payments recognized in the Profit and Loss Account for such premises are Rs.126,934,672 (Previous year Rs.116,264,536).

25. Earning per share:

Earning per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:

| Particulars | Current Year | Previous Year |
|--|---------------|---------------|
| Profit after tax attributable to equity shareholders (Rupees) | 9,744,862,002 | 6,621,760,807 |
| Weighted average number of equity shares outstanding during the year | 474,663,000 | 450,690,395* |
| Basic / Diluted Earnings per share (Rupees) | 20.53 | 14.69* |
| Nominal value per share (Rupees) | 2.00 | 2.00* |

* The nominal face value of equity shares of the Company was sub-divided from Rs.10/- each to Rs.2/- each with effect from January 1, 2011. Accordingly, the number of shares and the earning per share of the previous year have been restated to make the same comparable.

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

26. Current tax:

Provision for current tax is made on the basis of accounting practices consistently followed by the Company, including method of accounting for interest on housing loans and is after availing deduction under section 36(1)(viii) of the Income Tax Act, 1961. For the purpose of determining the quantum of deduction available under section 36(1)(viii), the methodology applied for the bifurcation of income and expenses for long term housing finance has been relied upon by the auditors.

27. The components of deferred tax assets and liabilities are as under :

| Particulars | Current Year Rupees | Previous Year Rupees |
|---|------------------------|-------------------------|
| Deferred tax assets | | |
| Provision for Housing Loans | 1,569,455,472 | 736,870,957 |
| Provision for Contingencies –Fire Insurance Premium | 804,122 | 1,055,952 |
| Provision for Tapping Corporate Undertaking | 37,824,975 | 40,885,744 |
| Unamortized one-time gain | 86,161,963 | 104,139,048 |
| Provision for Employee Benefit | 32,694,241 | 38,527,489 |
| (A) | 1,726,940,773 | 921,479,190 |
| Deferred tax liabilities | | |
| Differences in written down value of fixed assets between tax and books records | 28,617,844 | 30,944,528 |
| (B) | 28,617,844 | 30,944,528 |
| Net deferred tax assets [(A) – (B)] | 1,698,322,929 | 890,534,663 |

28. Disclosure regarding provisions made for substandard, doubtful and loss assets and depreciation in investments as per the Prudential Norms contained in the Housing Finance Companies (NHB) Directions, 2010. (Figures in brackets are for the previous year). The provisions given below are in accordance with the approval given by the Board of Directors, which are higher than those required as per the Prudential Norms.

i) HOUSING BUSINESS

Housing Loans:

| Asset Classification | Outstanding balance Rupees | Provisions Rupees |
|----------------------|--|--|
| Standard assets | 478,529,021,616 (350,970,065,090) | 3,467,133,612 (811,987,747) |
| Sub-standard assets | 520,806,208 (697,275,806) | 78,120,931 (104,591,371) |
| Doubtful assets | 1,538,548,706 (1,605,852,696) | 806,841,672 (817,207,901) |
| Loss assets | 212,594,289 (168,213,843) | 212,594,289 (168,213,843) |
| Total | 480,800,970,819 (353,441,407,435) | 4,564,690,504 (1,902,000,862) |

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

ii) NON HOUSING BUSINESS

a) Non Housing Loans:

| Asset Classification | Outstanding balance Rupees | Provisions Rupees |
|----------------------|--|--|
| Standard assets | 29,949,752,279 (27,212,248,231) | 196,522,123 (186,104,518) |
| Sub-standard assets | 32,525,805 (36,707,304) | 4,878,871 (5,506,096) |
| Doubtful assets | 86,243,407 (89,371,509) | 42,324,211 (40,191,130) |
| Loss assets | 28,864,219 (34,102,536) | 28,864,219 (34,102,536) |
| Total | 30,097,385,710 (27,372,429,580) | 272,589,424 (265,904,280) |

b) Non Convertible Debentures:

| Asset Classification | Outstanding balance Rupees | Provisions Rupees |
|----------------------|--|--|
| Loss assets | 1,380,063 (1,380,063) | 1,380,063 (1,380,063) |
| Total | 1,380,063 (1,380,063) | 1,380,063 (1,380,063) |

iii) INVESTMENTS

| Investments | Outstanding balance Rupees | Provisions Rupees |
|--------------------------------|--|------------------------|
| Government of India Securities | 1,065,650,000 (402,535,000) | - (-) |
| Total | 1,065,650,000 (402,535,000) | - (-) |

Figures in bracket are in respect of the previous year.

29. Disclosure regarding penalty or adverse comments as per Housing Finance Companies (NHB) Directions, 2010. During the current year, the Company has:

- neither been imposed any penalty by National Housing Bank
- nor received any adverse comments in writing from National Housing Bank on regulatory compliances.

30. Disclosure as per Clause 32 of the Listing Agreement :

Loans and advances in the nature of Loans given to Subsidiaries and Associates: -

| Name of the Company | Relationship | Amount outstanding as on 31st March 2011 (Rs.) | Maximum amount outstanding during the year (Rs.) |
|---|--------------------------------------|--|--|
| LICHFL Care Homes Ltd. | Wholly owned subsidiary | - (404,273) | 1,486,299 (1,904,273) |
| LICHFL Financial Services Ltd. | Wholly owned subsidiary | - (142,945) | 163,965 (3,016,999) |
| LICHFL Asset Management Company Ltd. (Formerly Known as LICHFL Asset Management Co. Pvt. Ltd.) | Subsidiary with 90% share holding | 33,518 (10,959,861) | 14,448,644 (10,959,861) |
| LICHFL Trustee Company Private Ltd. | Wholly owned subsidiary | - (147,046) | 147,046 (147,046) |

Notes:

- In respect of the above loans there is no repayment schedule and they are repayable on demand.

Schedules Forming Part of Financial Statements for the year ended March 31, 2011

- b) No interest is charged on the loan. However, the provisions of section 372A of the Companies Act, 1956 are not applicable to above loans in view of the loanees being subsidiaries of the company.
- c) Loans and Advances to employees / customers and investments by such employees / customers in the shares of the Company, if any, are excluded from the above disclosure.

Figures in bracket are in respect of the previous year.

31. During the year the Company has split its Equity Shares having face value of Rs.10/- each into Equity Shares having face value of Rs.2/- each.
32. Disclosure regarding provisions made for Asset Liability Management (ALM) System for the Housing Finance Companies as per NHB Circular dated October 11, 2010.

I. Capital to Risk Assets Ratio (CRAR)

| Items | | Current Year | Previous Year |
|-------|----------------------------|--------------|---------------|
| i) | CRAR (%) | 14.88% | 14.89% |
| ii) | CRAR - Tier I capital (%) | 8.62% | 10.23% |
| iii) | CRAR - Tier II Capital (%) | 6.26% | 4.66% |

II. Exposure to Real Estate Sector

| Category | | Current Year | Previous Year |
|----------|--|------------------------------------|------------------------------------|
| a) | Direct exposure | | |
| | (i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; Housing loans up to Rs.15 lakh Housing loans more than Rs.15 lakh | 227,822,453,880 221,080,870,491 | 181,591,199,835 143,038,623,025 |
| | (ii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits; | 43,590,986,806 | 41,322,403,676 |
| | (iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures – a. Residential (PTC-B) b. Commercial Real Estate | 3,551,783 - | 7,424,563 - |
| b) | Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | - | - |

**Schedules Forming Part of Financial Statements** for the year ended March 31, 2011**III. Asset Liability Management**

Maturity pattern of certain items of assets and liabilities

(Rs. in crore)

| | 1day to 30-31 days (one month) | Over one month to 2 months | Over 2 months upto 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 to 5 years | Over 5 to 7 years | Over 7 to 10 years | Over 10 years | Total |
|-----------------------|--|-------------------------------------|--------------------------------------|------------------------------------|----------------------------------|------------------------------|-------------------------|----------------------|-----------------------|------------------|----------|
| Liabilities | | | | | | | | | | | |
| Borrowings from banks | 47.71 | 15.22 | 140.30 | 281.06 | 776.60 | 3691.07 | 3314.22 | 4152.77 | 2577.87 | 0.00 | 14996.82 |
| Market Borrowings | 332.16 | 732.28 | 1774.73 | 1748.71 | 1900.09 | 10753.40 | 2760.64 | 2715.00 | 5949.00 | 1500.00 | 30166.01 |
| Assets | | | | | | | | | | | |
| Advances* | 334.42 | 300.94 | 354.47 | 1160.95 | 2431.58 | 7232.46 | 5971.67 | 5637.19 | 8164.86 | 19017.57 | 50606.11 |
| Investments** | 938.26 | 300.01 | 0.01 | 0.03 | 0.06 | 0.23 | 0.20 | 6.00 | 104.37 | 53.84 | 1403.01 |

* Net of Provisions

** Net of Investment diminutions

33. Previous year's figures are regrouped wherever necessary to correspond with the figures of the Current year.

Signatures to Schedules 1 to 16

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.
Chartered Accountants
FRN 109574W

For Chokshi & Chokshi
Chartered Accountants
FRN 101872W

Vipul K. Choksi
Partner
M.No.37606

Vineet Saxena
Partner
M.No. 100770

T. S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S.Ravi
Director

V.K. Sharma
Director &
Chief Executive

Place: Mumbai
Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary

N.K.Mittal
General Manager
Accounts

Surinder Mohan
CFO &
General Manager

Balance Sheet Abstract and Company's General Business Profile

1 Registration Details

Registration No. : 11-52257 State Code : 11
Balance Sheet Date 31-Mar-2011

2 Capital raised during the Year (Amount in Rs. Thousands)

Public Issue Rights Issue
NIL NIL
Bonus Issue Private Placement
NIL NIL

3 Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets
493,319,370 493,319,370
Sources of Funds
Paid-up Capital Reserves & Surplus
949,963 40,741,078
Secured Loans Unsecured Loans
407,006,088 44,622,241
Application of Funds
Net Fixed Assets Net Current Assets
474,289 (33,783,116)
Housing Loans Miscellaneous Expenditure
510,898,357 NIL
Investments Accumulated Losses
14,031,517 NIL
Deferred Tax Liability (Net)
1,698,323

4 Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure
48,687,213 35,745,639
Profit Before Tax Profit After Tax
12,941,574 9,744,862
Earning per Share in Rs. Dividend rate %
20.53 175

5 Generic Name of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) N.A.
Product Description Housing Finance Activities

For & on behalf of the Board of Directors

T.S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S. Ravi
Director

V. K. Sharma
Director & Chief Executive

Nitin K. Jage
General Manager &
Company Secretary

N. K. Mittal
General Manager (Accounts)

Surinder Mohan
CFO & General Manager

Place: Mumbai

Date: 28th April, 2011

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

| Name of the Subsidiary Company | LICHFL Care Homes Limited | LICHFL Financial Services Limited | LICHFL Trustee Company Private Limited | LICHFL Asset Management Company Limited |
|---|--|--|---|--|
| 1. Financial year of the Subsidiary Company ended on | 31st March, 2011 | 31st March, 2011 | 31st March, 2011 | 31st March, 2011 |
| 2. (a) Issued, subscribed and paid up capital of Subsidiary Company | 85,50,000 Equity Shares of Rs.10/- each | 35,00,000 Equity Shares of Rs.10/- each | 90,000 Equity Shares of Rs.10/- each | 49,44,400 Equity Shares of Rs.10/- each |
| (b) Extent of Interest of LIC Housing Finance Limited in the capital of Subsidiary | 85,50,000 Equity Shares of Rs.10/- each (100%) | 35,00,000 Equity Shares of Rs.10/- each (All the shares are held by LIC Housing Finance Limited, the holding company) | 90,000 Equity Shares of Rs.10/- each (All the shares are held by LIC Housing Finance Limited, the holding company) | 44,50,000 Equity Shares of Rs.10/- each (All the shares are held by LIC Housing Finance Limited, the holding company) |
| 3. The Net Aggregate Amount of Profits / Losses of the Subsidiary so far as it concern the Members of LIC Housing Finance Limited and is not dealt with in the Accounts of LIC Housing Finance Limited. | | | | |
| (a) for the Financial Year ended 31st March 2011 | Rs.32,53,998/- (Loss) | Rs.1,85,04,485/- | Rs.6,42,611/- (Loss) | Rs.3,52,96,829/- (Loss) |
| (b) for the previous Financial years of the Subsidiary since it became Subsidiary of LIC Housing Finance Limited | Rs.13,04,457/- (Loss) | Rs.5,38,625/- (Profit) | Rs.37,602/- (Loss) | Rs.91,05,977/- (Loss) |
| 4. Net Aggregate amount of Profits/Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of LIC Housing Finance Limited | | | | |
| (a) for the Financial Year ended 31st March 2011 | Nil | Nil | Nil | Nil |
| (b) for the previous Financial years of the Subsidiary since it became Subsidiary of LIC Housing Finance Limited | Nil | Nil | Nil | Nil |

For & on behalf of the Board of Directors

T.S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S. Ravi
Director

V. K. Sharma
Director & Chief Executive

Nitin K. Jage
General Manager &
Company Secretary

Surinder Mohan
CFO & General Manager

N. K. Mittal
General Manager

Place: Mumbai

Date: 28th April, 2011

Consolidated Auditors' Report

To the Board of Directors of LIC Housing Finance Limited on the Consolidated Financial Statements of LIC Housing Finance Limited and its subsidiaries and associates (LIC Housing Finance Limited group)

1. We have audited the attached Consolidated Balance Sheet of LIC Housing Finance Limited Group as at March 31, 2011, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement of the group for the year ended on that date, annexed thereto. The Consolidated Accounts include investments in associates accounted for on the equity method in accordance with Accounting Standard 23 (Accounting for investments in Associates in Consolidated Financial Statements). These financial statements are the responsibility of LIC Housing Finance Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information of the subsidiaries and associate referred to in paragraph 3 and 4 below. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of four subsidiaries whose financial statements reflect total assets of Rs.24,95,30,095/- as at March 31, 2011, total revenue of Rs.11,28,53,593/-, and net cash flows amounting to Rs.(60,04,679)/-, for the year ended on that date, as considered in the consolidated financial statements.

These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us, and our opinion, in

so far as it relates to the amounts included in respect of the subsidiaries viz. LICHFL Care Homes Ltd., LICHFL Financial Services Ltd., LICHFL Trustee Company Pvt. Ltd. and LICHFL Asset Management Company Ltd. is based solely on the report of the other auditors.

4. In the case of associate, viz. LIC Nomura Mutual Fund Asset Management Company Ltd. which has been accounted for based on the equity method, which reflect the Group's share of profits upto March 31, 2011 of Rs.(17,76,75,487)/- and the Group's share of profits for the year then ended of Rs.25,21,41,530/- figures used for the preparation of the consolidated financial statements of the Group are based solely on the unaudited financial statements prepared by the management of LIC Nomura Mutual Fund Asset Management Company Ltd.
5. We report that the consolidated financial statements have been prepared by LIC Housing Finance Limited's management in accordance with the requirements of Accounting Standard (AS) 21 on 'Consolidated Financial Statements' and Accounting Standard (AS) 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, as referred in paragraph 3 above, and unaudited separate financial statements of associate as referred in paragraph 4 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of LIC Housing Finance Limited Group as at March 31, 2011;
 - (b) in the case of the Consolidated Profit and Loss Account, of the Consolidated profit of the Group for the year ended on that date and
 - (c) in the case of the Consolidated Cash Flow Statement, of the Consolidated cash flows of the Group for the year ended on that date.

For SHAH GUPTA & CO.
Chartered Accountants
FRN – 109574W

Vipul K Choksi
Partner
M No. 37606

Place: Mumbai
Date: April 28, 2011

For CHOKSHI & CHOKSHI
Chartered Accountants
FRN – 101872W

Vineet Saxena
Partner
M No. 100770

**Consolidated Balance Sheet** as at March 31, 2011

| | Schedule | Rupees | As at March 31, 2011 Rupees | As at March 31, 2010 Rupees |
|---|----------|-----------------|-----------------------------------|-----------------------------------|
| SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| Share Capital | 1 | 949,963,475 | | 949,963,475 |
| Reserves and Surplus | 2 | 40,966,493,084 | | 33,478,458,475 |
| | | | 41,916,456,559 | 34,428,421,950 |
| Loan Funds | | | | |
| Secured Loans | 3 | 407,006,087,696 | | 310,149,822,039 |
| Unsecured Loans | 4 | 44,622,240,744 | | 37,431,745,717 |
| | | | 451,628,328,440 | 347,581,567,756 |
| Minority Interest | | | 504,079 | - |
| Total | | | 493,545,289,078 | 382,009,989,706 |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | 5 | | | |
| Gross Block | | 846,706,042 | | 783,259,695 |
| Less: Depreciation and Amortisation | | 395,341,109 | | 332,741,853 |
| Net Block | | 451,364,933 | | 450,517,842 |
| Capital Advances | | 170,631,495 | | 44,920,776 |
| | | | 621,996,428 | 495,438,618 |
| Loans | 6 | | 510,898,356,529 | 380,813,837,015 |
| Investments | 7 | | 14,153,106,725 | 14,331,586,785 |
| Deferred Tax Asset (Net) | | | 1,697,767,478 | 890,211,401 |
| Current Assets, Loans and Advances | 8 | | | |
| Sundry Debtors | | 12,152,336 | | 12,935,401 |
| Cash and Bank Balances | | 4,374,786,151 | | 2,698,926,676 |
| Other Current Assets | | 3,416,236,207 | | 2,410,720,548 |
| Loans and Advances | | 1,448,578,655 | | 1,394,747,903 |
| | | 9,251,753,349 | | 6,517,330,528 |
| Less: Current Liabilities and Provisions | 9 | | | |
| Liabilities | | 36,082,893,998 | | 16,962,230,693 |
| Provisions | | 6,996,059,400 | | 4,078,100,669 |
| | | 43,078,953,398 | | 21,040,331,362 |
| Net Current Assets | | | (33,827,200,049) | (14,523,000,834) |
| Miscellaneous Expenditure | 10 | | 1,261,967 | 1,916,721 |
| (to the extent not written off or adjusted) | | | | |
| Total | | | 493,545,289,078 | 382,009,989,706 |
| Significant Accounting Policies and | | | | |
| Notes to Accounts | 17 | | | |

The Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.

Chartered Accountants

FRN 109574W

For Chokshi & Chokshi

Chartered Accountants

FRN 101872W

Vipul K. ChoksiPartner
M.No.37606**Vineet Saxena**Partner
M.No. 100770**T. S. Vijayan**

Chairman

D.K. Mehrotra

Managing Director

S.Ravi

Director

V.K. SharmaDirector &
Chief Executive

Place: Mumbai

Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary**N.K.Mittal**
General Manager
Accounts**Surinder Mohan**
CFO &
General Manager

Consolidated Profit and Loss Account for the year ended March 31, 2011

| | Schedule | March 31, 2011 Rupees | March 31, 2010 Rupees |
|---|----------|--------------------------|--------------------------|
| Income | | | |
| Operating income | 11 | 46,890,405,951 | 34,631,436,970 |
| Other income | 12 | 1,856,206,352 | 115,462,928 |
| Total | | 48,746,612,303 | 34,746,899,898 |
| Expenditure and Other Charges | | | |
| Interest on Loans and other charges (net) | 13 | 30,977,088,748 | 23,957,112,365 |
| Employees' Emoluments and Benefits | 14 | 750,121,146 | 524,025,412 |
| Establishment and other Expenses | 15 | 1,449,482,307 | 1,399,037,347 |
| Provisions / Write offs (Net) | 16 | 2,608,662,312 | (284,386,906) |
| Depreciation and Amortisation | | 64,061,751 | 65,200,170 |
| Total | | 35,849,416,264 | 25,660,988,388 |
| Profit Before Tax and Prior Period items | | 12,897,196,039 | 9,085,911,510 |
| Prior Period items (Refer Note 9 of Schedule 17) | | 2,254,325 | 9,530,171 |
| Profit Before Tax | | 12,899,450,364 | 9,095,441,681 |
| Provision for Tax: | | | |
| - Current Tax | | 4,013,215,686 | 2,434,900,060 |
| - Deferred Tax | | (807,556,077) | 57,224,502 |
| - Fringe Benefit Tax (In respect of earlier years) | | 9,578 | - |
| - In respect of earlier years | | 833,128 | (1,653) |
| Profit after Tax | | 9,692,948,049 | 6,603,318,772 |
| Share of Profit of Associate | | (177,675,487) | 285,030,659 |
| Minority Interest | | (3,529,397) | - |
| | | 9,518,801,959 | 6,888,349,431 |
| Add: Balance Brought Forward from Last Year | | 4,051,627,741 | 2,429,571,653 |
| Profit Available for Appropriation | | 13,570,429,700 | 9,317,921,084 |
| APPROPRIATIONS | | | |
| Special Reserve -II | | 2,620,000,000 | 1,600,000,000 |
| (in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and Section 29C of National Housing Bank Act, 1987) | | | |
| General Reserve | | 3,500,000,000 | 2,000,000,000 |
| Proposed Dividend | | 1,661,320,500 | 1,423,989,000 |
| Tax on Dividend | | 269,791,624 | 242,304,343 |
| Balance Carried to Balance Sheet | | 5,519,317,576 | 4,051,627,741 |
| Total | | 13,570,429,700 | 9,317,921,084 |
| Earnings Per Share: Basic and Diluted (Face Value of Rs. 2/-) (Refer Note 16 of Schedule 17) | | 20.05 | 15.28 |
| Significant Accounting Policies and Notes to Accounts | 17 | | |

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.
Chartered Accountants
FRN 109574W

For Chokshi & Chokshi
Chartered Accountants
FRN 101872W

Vipul K. Choksi
Partner
M.No.37606

Vineet Saxena
Partner
M.No. 100770

T. S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S.Ravi
Director

V.K. Sharma
Director &
Chief Executive

Place: Mumbai
Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary

N.K.Mittal
General Manager
Accounts

Surinder Mohan
CFO &
General Manager

Consolidated Cash Flow Statement for the year ended March 31, 2011

| | | March 31, 2011 | | March 31, 2010 |
|---|-----------------|--------------------------|---------------|-------------------------|
| | Rupees | Rupees | Rupees | Rupees |
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net Profit after Tax , Share of Associate & Minority Interest | 9,518,801,959 | | 6,888,349,431 | |
| Add : Provision for Tax | 3,206,502,315 | 12,725,304,274 | 2,492,122,909 | 9,380,472,340 |
| Add / (Less) : Adjustment for | | | | |
| Depreciation and Amortisation | 64,061,751 | | 65,200,170 | |
| Provisions/ Write offs | 2,608,125,937 | | (285,392,800) | |
| Long term investment written off (Non Trade) | - | | 1,440,000 | |
| Loss on sale of assets (Net) | 3,859,886 | | 1,808,629 | |
| Loss on account of write off | 64,306 | | 64,316 | |
| Profit on sale of investments-current | (599,706,079) | | (448,953,906) | |
| Profit on sale of investments-long term | (1,688,182,433) | | (250,224) | |
| Provision for diminution in value of long term Investments written back (Non-trade) | - | | (600,000) | |
| QIP Issue Expenses | - | | 96,007,603 | |
| Old and unclaimed amounts written back | (7,588,729) | | (6,365,491) | |
| Amount realised from Investment Written off | (15,500,000) | | - | |
| Interest income (net) | (1,279,694) | | (2,340,998) | |
| Provision for diminution in value of current Investments written back | - | | (347,461) | |
| Provision for diminution in value of current & Long Term investment | 285,658 | | - | |
| Miscellaneous Expenses Written off | 654,754 | | 293,050 | |
| | | 364,795,357 | | (579,437,112) |
| Operating Profit before Working Capital Changes | | 13,090,099,631 | | 8,801,035,228 |
| Adjustment for: | | | | |
| Decrease/(Increase) in sundry debtors | 783,065 | | (10,556,238) | |
| (Increase) in Other Current Assets | (1,005,515,659) | | (366,621,634) | |
| (Increase) in Loans and Advances | (81,141,975) | | (20,216,458) | |
| Increase in Liabilities and Provisions | 19,108,945,320 | | 3,555,946,175 | |
| | | 18,023,070,751 | | 3,158,551,845 |
| Cash generated from Operations | | 31,113,170,382 | | 11,959,587,073 |
| Direct taxes Paid | | (3,986,118,930) | | (2,754,348,141) |
| Net Cash from operations | | 27,127,051,452 | | 9,205,238,932 |
| (Increase) in Housing Loans | | (130,023,898,904) | | (103,970,975,855) |
| Net Cash used in operating activities (A) | | (102,896,847,452) | | (94,765,736,923) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Sale of Investments | | 496,002,979,304 | | 471,970,749,946 |
| Purchase of Investments | | (493,636,551,617) | | (474,367,648,248) |
| Amount realised from the investments written off | | 15,500,000 | | - |

Consolidated Cash Flow Statement for the year ended March 31, 2011

| | | March 31, 2011 | | March 31, 2010 |
|--|--------|------------------------|--------|------------------------|
| | Rupees | Rupees | Rupees | Rupees |
| Purchase of Fixed Assets (including capital advances) | | (195,127,463) | | (79,990,039) |
| Sale of Fixed Assets | | 583,710 | | 463,238 |
| Net Cash used in Investing Activities (B) | | 2,187,383,934 | | (2,476,425,103) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| QIP Issue proceeds | | - | | 6,580,000,000 |
| QIP Issue Expenses | | - | | (96,007,603) |
| Proceeds from Secured Loans (Net) | | 96,856,265,657 | | 74,910,319,675 |
| Proceeds from Unsecured Loans (Net) | | 7,190,495,027 | | 18,454,665,151 |
| Interest Income (net) | | 1,279,694 | | 2,340,998 |
| Dividend Paid | | (1,417,239,485) | | (1,097,433,967) |
| Increase in Minority Interest | | 504,079 | | - |
| Investor Protection Fund | | (3,677,636) | | (3,413,514) |
| Dividend Tax Paid | | (242,304,343) | | (187,645,840) |
| Net Cash generated from Financing Activities (C) | | 102,385,322,993 | | 98,562,824,900 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | 1,675,859,475 | | 1,320,662,874 |
| Cash and cash equivalents at the beginning of the year | | 2,698,926,676 | | 1,378,263,802 |
| Cash and cash equivalents at the end of the year | | 4,374,786,151 | | 2,698,926,676 |
| Notes: | | | | |
| 1. Cash and cash equivalents include: | | | | |
| Cash and cheques on Hand | | 1,367,525,632 | | 539,437,081 |
| Bank balances | | 3,007,260,519 | | 2,159,489,595 |
| Total cash and cash equivalents | | 4,374,786,151 | | 2,698,926,676 |

- The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements notified under Companies (Accounting Standards) Rules, 2006
- Fixed Deposit with Banks includes Rs. 162,099,208 (Previous Year Rs. 12,099,208) kept with designated banks for repayment to public deposit holders. The Company has the complete beneficial interest on the income earned from these deposits

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.
Chartered Accountants
FRN 109574W

For Chokshi & Chokshi
Chartered Accountants
FRN 101872W

Vipul K. Choksi
Partner
M.No.37606

Vineet Saxena
Partner
M.No. 100770

T. S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S.Ravi
Director

V.K. Sharma
Director &
Chief Executive

Place: Mumbai
Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary

N.K.Mittal
General Manager
Accounts

Surinder Mohan
CFO &
General Manager

Schedules Forming Part of Consolidated Balance Sheet

as at March 31, 2011

| | | As at March 31, 2011 | As at March 31, 2010 |
|---|----------------|-------------------------|-------------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 1 | | | |
| SHARE CAPITAL | | | |
| Authorised | | | |
| 750,000,000 Equity Shares of Rs. 2/- each (Previous year 150,000,000 Equity Shares of Rs. 10/- each) | | 1,500,000,000 | 1,500,000,000 |
| Issued, Subscribed and Paid Up: | | | |
| 474,663,000 Equity Shares of Rs. 2 each (Previous Year 94,932,600 of Rs.10/- each) fully paid up | | 949,326,000 | 949,326,000 |
| Add: Amount received on forfeited shares | | 637,475 | 637,475 |
| | | 949,963,475 | 949,963,475 |
| SCHEDULE 2 | | | |
| RESERVES AND SURPLUS | | | |
| Capital Reserve | | | |
| As per last Balance Sheet | | 4,793,333 | 4,793,333 |
| Securities Premium | | | |
| As per last Balance Sheet | 9,012,854,875 | | 2,532,854,875 |
| Received during the year | - | | 6,480,000,000 |
| Add: Share in the security premium of LIC Nomuara Asset Management Co. Ltd | 158,000,000 | | - |
| | | 9,170,854,875 | 9,012,854,875 |
| Special Reserve - I | | | |
| (in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and Section 29C of National Housing Bank Act, 1987) | | | |
| (Up to financial year 1996-97) | | | |
| As per last Balance Sheet | | 389,800,000 | 389,800,000 |
| Special Reserve - II | | | |
| (in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and Section 29C of National Housing Bank Act, 1987) | | | |
| (From financial year 1997-98) | | | |
| As per last Balance Sheet | 11,924,901,385 | | 10,324,901,385 |
| Add: Transfer from Profit and Loss Account | 2,620,000,000 | | 1,600,000,000 |
| | | 14,544,901,385 | 11,924,901,385 |
| General Reserve | | | |
| As per last Balance Sheet | 8,094,481,141 | | 6,094,481,141 |
| Add /(Less) : Opening Adjustments (Refer Note 3 (ii) of Schedule 17) | (257,655,226) | | - |
| Add: Transfer from Profit and Loss Account | 3,500,000,000 | | 2,000,000,000 |
| | | 11,336,825,915 | 8,094,481,141 |
| Surplus in Profit and Loss Account | | 5,519,317,576 | 4,051,627,741 |
| | | 40,966,493,084 | 33,478,458,475 |

Schedules Forming Part of Consolidated Balance Sheet

as at March 31, 2011

| | | As at March 31, 2011 | As at March 31, 2010 |
|---|----------------|-------------------------|-------------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 3 | | | |
| SECURED LOANS | | | |
| Non-Convertible Debentures (refer note below) | | 248,142,500,000 | 168,615,000,000 |
| Zero Coupon Debentures ***** | 11,000,000,000 | | 2,000,000,000 |
| Less : Discount not written off | (241,768,110) | | (80,969,473) |
| | | 10,758,231,890 | 1,919,030,527 |
| Loans from banks: | | | |
| Term Loans and Line of credit from scheduled banks | | 125,286,165,395 | 116,515,995,391 |
| Other loans: | | | |
| From National Housing Bank (Refinance) | | 15,334,941,411 | 12,914,131,121 |
| From Life Insurance Corporation of India | | 7,484,249,000 | 10,185,665,000 |
| Security : | | | |
| Loans from banks and other loans and advances are secured by a negative lien on all assets of the Company and an irrevocable Power of attorney given by the Company for creation of Mortgage on the properties of the borrowers of Housing Loans and for recovery of monies directly from the borrowers of Housing Loans. | | | |
| | | 407,006,087,696 | 310,149,822,039 |

Note :

The Debentures are redeemable at par. The Debentures are secured by way of a pari passu mortgage and charge in favour of the Debenture Trustees on the Company's immovable property to the extent of Rs.2,429,600/- and are further supplemented by a negative lien on all other assets.

SCHEDULE 3 SECURED LOANS (contd.)

The details of Non Convertible Redeemable Debentures (NCD) are as under:

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|-----------------------------------|--------------------|--------------------------------|------------------|------------------|
| 17 NCD's of Rs.2,500,000 each* | 1-Nov-11 | | 42,500,000 | 85,000,000 |
| 75 NCD's of Rs.2,000,000 each | 18-Feb-11 | - | - | 150,000,000 |
| 75 NCD's of Rs.2,000,000 each | 18-Feb-12 | - | 150,000,000 | 150,000,000 |
| 240 NCD's of Rs.10,000,000 each | 11-Apr-12 | - | 2,400,000,000 | 2,400,000,000 |
| 50 NCD's of Rs.10,000,000 each | 11-Sep-12 | - | 500,000,000 | 500,000,000 |
| 55 NCD's of Rs.2,000,000 each | 2-Nov-10 | - | - | 110,000,000 |
| 55 NCD's of Rs.2,000,000 each | 2-Nov-11 | - | 110,000,000 | 110,000,000 |
| 55 NCD's of Rs.2,000,000 each | 2-Nov-12 | - | 110,000,000 | 110,000,000 |
| 100 NCD's of Rs.10,000,000 each | 25-Nov-17 | - | 1,000,000,000 | 1,000,000,000 |
| 285 NCD's of Rs.10,000,000 each | 27-Jun-18 | - | 2,850,000,000 | 2,850,000,000 |
| 1650 NCD's of Rs.1,000,000 each | 17-Mar-11 | - | - | 1,650,000,000 |
| 6000 NCD's of Rs.1,000,000 each # | 11-Aug-12 | 11-Aug-10 | - | 6,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 9-Mar-16 | - | 5,000,000,000 | 5,000,000,000 |
| 600 NCD's of Rs.1,000,000 each | 9-Jun-11 | - | 600,000,000 | 600,000,000 |
| 2500 NCD's of Rs.1,000,000 each | 20-Oct-11 | - | 2,500,000,000 | 2,500,000,000 |

**Schedules Forming Part of Consolidated Balance Sheet**

as at March 31, 2011

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|-------------------------------------|--------------------|--------------------------------|------------------|------------------|
| 2650 NCD's of Rs.1,000,000 each | 15-Jan-17 | - | 2,650,000,000 | 2,650,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 23-Feb-17 | - | 5,000,000,000 | 5,000,000,000 |
| 7500 NCD's of Rs.1,000,000 each** | 13-Mar-16 | - | 7,500,000,000 | 7,500,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 14-May-17 | - | 2,000,000,000 | 2,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 27-Aug-17 | - | 3,000,000,000 | 3,000,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 22-Oct-10 | - | - | 2,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 22-Oct-17 | - | 5,000,000,000 | 5,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 23-Nov-14 | 23-Nov-12 | 3,000,000,000 | 3,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 16-Jan-11 | - | - | 3,000,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 16-Jan-18 | - | 2,000,000,000 | 2,000,000,000 |
| 1500 NCD's of Rs.1,000,000 each | 24-Mar-18 | - | 1,500,000,000 | 1,500,000,000 |
| 750 NCD's of Rs.1,000,000 each | 24-Apr-10 | - | - | 750,000,000 |
| 2500 NCD's of Rs.1,000,000 each | 07-Apr-13 | - | 2,500,000,000 | 2,500,000,000 |
| 1000 NCD's of Rs.1,000,000 each | 25-Apr-13 | - | 1,000,000,000 | 1,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 21-Jul-13 | - | 5,000,000,000 | 5,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 13-Aug-18 | - | 3,000,000,000 | 3,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 25-Aug-18 | - | 5,000,000,000 | 5,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each*** | 05-Sep-18 | - | 5,000,000,000 | 5,000,000,000 |
| 4000 NCD's of Rs.1,000,000 each | 27-Sep-10 | - | - | 4,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each**** | 27-Sep-18 | - | 5,000,000,000 | 5,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 21-Oct-18 | - | 5,000,000,000 | 5,000,000,000 |
| 4000 NCD's of Rs.1,000,000 each | 19-Nov-10 | - | - | 4,000,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 24-Jun-10 | - | - | 2,000,000,000 |
| 2750 NCD's of Rs.1,000,000 each | 01-Jan-12 | - | 2,750,000,000 | 2,750,000,000 |
| 2100 NCD's of Rs.1,000,000 each | 15-Apr-10 | - | - | 2,100,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 09-Oct-10 | - | - | 2,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 23-Apr-12 | - | 3,000,000,000 | 3,000,000,000 |
| 3300 NCD's of Rs.1,000,000 each | 23-Apr-11 | - | 3,300,000,000 | 3,300,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 13-May-11 | - | 2,000,000,000 | 2,000,000,000 |
| 11000 NCD's of Rs.1,000,000 each | 21-Jul-12 | - | 11,000,000,000 | 11,000,000,000 |
| 3000 NCD's of Rs.1,000,000 each | 14-Jan-11 | - | - | 3,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 06-Nov-12 | - | 5,000,000,000 | 5,000,000,000 |
| 4150 NCD's of Rs.1,000,000 each | 08-Jan-12 | - | 4,150,000,000 | 4,150,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 28-Sep-11 | - | 5,000,000,000 | 5,000,000,000 |
| 4000 NCD's of Rs.1,000,000 each | 26-Aug-11 | - | 4,000,000,000 | 4,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 26-Feb-12 | - | 5,000,000,000 | 5,000,000,000 |
| 7200 NCD's of Rs.1,000,000 each | 09-Jun-11 | - | 7,200,000,000 | 7,200,000,000 |
| 2000 NCD's of Rs.1,000,000 each | 28-Jun-12 | - | 2,000,000,000 | 2,000,000,000 |
| 5000 NCD's of Rs.1,000,000 each | 12-Mar-13 | - | 5,000,000,000 | 5,000,000,000 |
| 6000 NCD's of Rs.1,000,000 each | 06-May-13 | - | 6,000,000,000 | - |
| 2960 NCD's of Rs.1,000,000 each | 31-May-20 | - | 2,960,000,000 | - |
| 5000 NCD's of Rs.1,000,000 each | 10-Jun-12 | - | 5,000,000,000 | - |
| 2090 NCD's of Rs.1,000,000 each | 10-Jun-13 | - | 2,090,000,000 | - |

Schedules Forming Part of Consolidated Balance Sheet

as at March 31, 2011

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|----------------------------------|--------------------|--------------------------------|------------------------|------------------------|
| 2000 NCD's of Rs.1,000,000 each | 29-Jun-12 | - | 2,000,000,000 | - |
| 4000 NCD's of Rs.1,000,000 each | 29-Jun-15 | - | 4,000,000,000 | - |
| 1500 NCD's of Rs.1,000,000 each | 08-Jul-15 | - | 1,500,000,000 | - |
| 5000 NCD's of Rs.1,000,000 each | 15-Jul-11 | - | 5,000,000,000 | - |
| 6300 NCD's of Rs.1,000,000 each | 10-Aug-20 | - | 6,300,000,000 | - |
| 6750 NCD's of Rs.1,000,000 each | 18-Aug-13 | - | 6,750,000,000 | - |
| 2000 NCD's of Rs.1,000,000 each | 31-Aug-12 | - | 2,000,000,000 | - |
| 2500 NCD's of Rs.1,000,000 each | 14-Sep-13 | - | 2,500,000,000 | - |
| 4150 NCD's of Rs.1,000,000 each | 15-Sep-12 | - | 4,150,000,000 | - |
| 7500 NCD's of Rs.1,000,000 each | 27-Sep-13 | - | 7,500,000,000 | - |
| 1050 NCD's of Rs.1,000,000 each | 29-Dec-11 | - | 1,050,000,000 | - |
| 4650 NCD's of Rs.1,000,000 each | 13-Oct-20 | - | 4,650,000,000 | - |
| 2400 NCD's of Rs.1,000,000 each | 11-Nov-13 | - | 2,400,000,000 | - |
| 3660 NCD's of Rs.1,000,000 each | 23-Nov-20 | - | 3,660,000,000 | - |
| 7500 NCD's of Rs.1,000,000 each | 08-Dec-12 | - | 7,500,000,000 | - |
| 1100 NCD's of Rs.1,000,000 each | 20-Dec-15 | - | 1,100,000,000 | - |
| 3000 NCD's of Rs.1,000,000 each | 20-Dec-13 | - | 3,000,000,000 | - |
| 2500 NCD's of Rs.1,000,000 each | 27-Apr-12 | - | 2,500,000,000 | - |
| 1070 NCD's of Rs.1,000,000 each | 04-Jan-21 | - | 1,070,000,000 | - |
| 3150 NCD's of Rs.1,000,000 each | 11-Jan-13 | - | 3,150,000,000 | - |
| 10000 NCD's of Rs.1,000,000 each | 18-Jan-21 | - | 10,000,000,000 | - |
| 1500 NCD's of Rs.1,000,000 each | 28-Jan-14 | - | 1,500,000,000 | - |
| 2500 NCD's of Rs.1,000,000 each | 07-Mar-21 | - | 2,500,000,000 | - |
| 3500 NCD's of Rs.1,000,000 each | 18-May-12 | - | 3,500,000,000 | - |
| 5000 NCD's of Rs.1,000,000 each | 16-Mar-14 | - | 5,000,000,000 | - |
| | | | 248,142,500,000 | 168,615,000,000 |

*Rs. 25,00,000 each redeemable on 01.11.2011

** Rs 3,33,333/- each redeemable on 13.03.14, 13.03.15 and Rs 3,33,334/- each redeemable on 13.03.16

***Rs 250,000/- each redeemable on 05.09.15, 05.09.16, 05.09.17 and 05.09.18

****Rs 250,000/- each redeemable on 27.09.15, 27.09.16, 27.09.17 and 27.09.18

Put option exercised by investors hence full amount redeemed

The details of Zero Coupon Debentures are as under: *****

| Description | Date of Redemption | Earliest Put/ Call Option Date | As at 31.03.2011 | As at 31.03.2010 |
|-------------------------------------|--------------------|--------------------------------|-----------------------|----------------------|
| 2000 NCD's of Rs.1,000,000 each* | 01-Dec-10 | - | - | 1,848,680,000 |
| 5000 NCD's of Rs.1,000,000 each** | 30-Jun-11 | - | 4,667,655,000 | - |
| 2500 NCD's of Rs.1,000,000 each*** | 03-Oct-11 | - | 2,304,620,000 | - |
| 3500 NCD's of Rs.1,000,000 each**** | 08-Aug-11 | - | 3,250,968,000 | - |
| | | | 10,223,243,000 | 1,848,680,000 |

* Discounted Value of Rs 9,24,340/- per Debenture

** Discounted Value of Rs 9,33,531/- per Debenture

*** Discounted Value of Rs 9,21,848/- per Debenture

**** Discounted Value of Rs 9,28,848/- per Debenture

**Schedules Forming Part of Consolidated Balance Sheet**

as at March 31, 2011

| | | As at March 31, 2011 | As at March 31, 2010 |
|--|---------------|-------------------------|-------------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 4 | | | |
| UNSECURED LOANS | | | |
| Public Deposits (See Note 1 below) | | 2,457,918,820 | 3,261,937,820 |
| Short -term loans: | | | |
| Commercial Paper | 5,350,000,000 | | 8,300,000,000 |
| Less : Discount not written off | (48,540,902) | | (148,242,642) |
| [Maximum amount outstanding during the year Rs.12,350,000,000 (Previous Year Rs.14,800,000,000)] | | 5,301,459,098 | 8,151,757,358 |
| Other loans: | | | |
| From Others: | | | |
| Subordinated Bonds (See Note 2 below) | | 15,000,000,000 | 10,000,000,000 |
| Upper Tier II Bonds (See Note 3 Below) | | 15,000,000,000 | 5,000,000,000 |
| Life Insurance Corporation of India | | 1,862,862,826 | 1,568,050,539 |
| Non- Convertible Debentures * | | 5,000,000,000 | 9,450,000,000 |
| | | 44,622,240,744 | 37,431,745,717 |

Note (1) : The company has designated the following liquid assets amounting to Rs. 1,227,749,208 (Previous Year Rs. 414,634,208) for the purpose of maintaining Statutory Liquid Ratio and floating charge on the fixed deposits with banks has been created in favour of the Trustee for Depositors.

| | | | |
|---------------------------------|--|----------------------|--------------------|
| Government Secutities | | 1,065,650,000 | 402,535,000 |
| Fixed Deposits Placed with Bank | | 162,099,208 | 12,099,208 |
| | | 1,227,749,208 | 414,634,208 |

Note:(2) : Subordinated bonds are repayable at par after ten years from the deemed date of allotment

Note:(3) : Upper Tier II Bonds are redeemable at the end of 15 years from the deemed date of allotment (with call option exercisable after 10 years) with prior approval of National Housing Bank.

* Due and payable within one year Rs. 5,000,000,000.

SCHEDULE 5 - FIXED ASSETS

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|---------------------------------------|----------------------------|---------------------------|-----------------------------|-----------------------------|----------------------------|-------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As at 1st April 2010 | Additions/ Adjustments | Deductions / Adjustments | As at 31st March 2011 | Upto 31st March 2010 | For the Year | Deductions / Adjustments | As at 31st March 2011 | As at 31st March 2011 | As at 31st March 2010 |
| Tangible Assets | | | | | | | | | | |
| Land | 57,956,537 | - | - | 57,956,537 | - | - | - | - | 57,956,537 | 57,956,537 |
| Building | 135,444,301 | 5,402,000 | - | 140,846,301 | 13,029,333 | 2,288,454 | - | 15,317,787 | 125,528,514 | 122,414,968 |
| Lease Hold Improvements | 99,015,953 | 12,977,208 | - | 111,993,161 | 56,401,765 | 14,124,290 | - | 70,526,055 | 41,467,106 | 42,614,188 |
| Furniture fittings & other equipments | 169,523,331 | 7,841,600 | 4,898,660 | 172,466,271 | 83,729,233 | 9,506,422 | 894,635 | 92,341,020 | 80,125,251 | 85,794,098 |
| Computers | 218,073,063 | 8,586,684 | 445,679 | 226,214,068 | 138,746,419 | 20,975,080 | 413,040 | 159,308,459 | 66,905,609 | 79,326,644 |
| Vehicles | 3,723,161 | 1,611,708 | 626,058 | 4,708,811 | 1,065,921 | 439,170 | 154,820 | 1,350,271 | 3,358,540 | 2,657,240 |
| Intangible Assets | | | | | | | | | | |
| Software | 99,523,349 | 32,997,544 | - | 132,520,893 | 39,769,182 | 16,728,335 | - | 56,497,517 | 76,023,376 | 59,754,167 |
| Total | 783,259,695 | 69,416,744 | 5,970,397 | 846,706,042 | 332,741,853 | 64,061,751 | 1,462,495 | 395,341,109 | 451,364,933 | 450,517,842 |
| Previous Year | 714,426,846 | 79,626,735 | 10,793,886 | 783,259,695 | 275,999,386 | 65,200,170 | 8,457,703 | 332,741,853 | | |
| Capital Advances | | | | | | | | | 170,631,495 | 44,920,776 |
| | | | | | | | | | 621,996,428 | 495,438,618 |

Schedules Forming Part of Consolidated Balance Sheet

as at March 31, 2011

| | | As at March 31, 2011 | As at March 31, 2010 |
|---|--------------------|--------------------------|----------------------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 6 | | | |
| LOANS (Secured, unless otherwise stated) | | | |
| [Refer Note 3(i) of Schedule 17] | | | |
| Individuals | | 467,307,369,723 | 339,491,433,339 |
| * [Unsecured Rs. 103,289,087 (Previous Year Rs.101,989,932) (Refer Note 5 of Schedule 17)] | | | |
| Corporate bodies | | 87,507,718 | 130,998,135 |
| Builders and Co-operative societies | | 43,503,479,088 | 41,191,405,541 |
| | | 510,898,356,529 | 380,813,837,015 |
| [Includes principal amount due from borrowers Rs.1,477,830,330; (Previous Year Rs. 1,352,865,442)] | | | |
| SCHEDULE 7 | | | |
| INVESTMENTS- (NON-TRADE) | | | |
| Long Term Investments- (Details appended) | | | |
| Government Securities | 1,065,650,000 | | 402,535,000 |
| Debentures | 1,380,063 | | 1,380,063 |
| Equity Shares | 16,000 | | - |
| Real Estate Venture Fund | 390,140,795 | | 540,031,426 |
| Mortgage Backed Pass Through Certificate (PTC) Class B | 3,551,783 | | 7,424,563 |
| | | 1,460,738,641 | 951,371,052 |
| Investment In Associate Company | | | |
| LIC Nomura Mutual Fund Asset Management Company Ltd. | 22,000,000 | | 39,300,000 |
| Add. Share of Profit Up to March 31, 2011 | 252,141,530 | | 559,711,388 |
| | 274,141,530 | | 599,011,388 |
| LIC Nomura Mutual Fund Trustee Co.Private Limited | 48,000 | | 48,000 |
| Add. Share of Profit Up to March 31, 2010 | 146,379 | | 146,379 |
| Less: - Adjustment on account of post acquisition changes | 194,379 | | - |
| | - | | 194,379 |
| | | 274,141,530 | 599,205,767 |
| Current Investments - (Details appended) | | | |
| Equity Shares | 406,165 | | 691,824 |
| Units of Mutual Funds | 12,417,820,389 | | 12,780,318,142 |
| | | 12,418,226,554 | 12,781,009,966 |
| | | 14,153,106,725 | 14,331,586,785 |
| Note: | | Cost (Rupees) | Market Value (Rupees) |
| Aggregate of Quoted Investments | | 1,066,056,165 | 1,059,444,765 |
| | | (403,226,824) | (397,441,424) |
| Aggregate of Unquoted Investments | | 13,087,050,560 | - |
| | | (13,928,359,961) | - |
| Total | | 14,153,106,725 | 1,059,444,765 |
| Figures in brackets are for the previous year | | (14,331,586,785) | (397,441,424) |

**Schedules Forming Part of Consolidated Balance Sheet**

as at March 31, 2011

| | | As at March 31, 2011 | As at March 31, 2010 |
|---|---------------|-------------------------|-------------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 8 | | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Sundry Debtors (considered Good) | | | |
| Outstanding for a period exceeding six months | | - | - |
| Other debts | | 12,152,336 | 12,935,401 |
| | | 12,152,336 | 12,935,401 |
| Cash and Bank Balances | | | |
| Cash on Hand | | 35,269,118 | 34,186,119 |
| Cheques on Hand | | 1,332,256,514 | 505,250,962 |
| Balances with Scheduled Banks: | | | |
| In Current Accounts | 2,790,951,155 | | 2,092,262,930 |
| In Deposit Accounts | 215,135,556 | | 66,809,947 |
| | | 3,006,086,711 | 2,159,072,877 |
| Balances with others: | | | |
| In current account with National Bank of Dubai | | 1,173,808 | 416,718 |
| [Maximum balance outstanding during the year Rs.1,581,602 (Previous Year, Rs.1,515,645)] | | | |
| | | 4,374,786,151 | 2,698,926,676 |
| Other Current Assets | | | |
| Interest accrued on: | | | |
| - Housing loans (including due Rs.358,486,418 Previous Year Rs. 247,794,169) | | 3,381,253,141 | 2,375,071,425 |
| - Investments | | 31,377,645 | 16,663,647 |
| - Fixed deposit with banks | | 3,605,421 | 3,304,253 |
| Fixed interest rate receivable on swap | - | | 587,857,945 |
| Floating interest rate payable on swap | - | | (572,176,722) |
| | | - | 15,681,223 |
| | | 3,416,236,207 | 2,410,720,548 |
| Loans and Advances | | | |
| (Unsecured, considered good unless otherwise stated) | | | |
| Advances against security of public deposit | | 240,000 | 240,000 |
| Loans and Advances to Employees * | | 45,273,286 | 33,470,085 |
| Advances recoverable in cash or in kind or for value to be received | | | |
| Considered good | 195,333,617 | | 125,366,603 |
| Considered doubtful | 2,478,416 | | 3,106,656 |
| | | 197,812,033 | 128,473,259 |
| Advance tax and tax deducted at source (Net of provision for tax) | | 1,207,731,752 | 1,235,671,215 |
| | | 1,451,057,071 | 1,397,854,559 |
| Less : Provisions | | 2,478,416 | 3,106,656 |
| | | 1,448,578,655 | 1,394,747,903 |

* Includes Loans and advances to employees secured by lien over Provident Fund balances and / or hypothecation of vehicles.

Schedules Forming Part of Consolidated Balance Sheet

as at March 31, 2011

| | | As at March 31, 2011 | As at March 31, 2010 |
|--|---------------|-------------------------|-------------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 9 | | | |
| CURRENT LIABILITIES AND PROVISIONS | | | |
| LIABILITIES | | | |
| Total Outstanding dues of Creditors | | 13,787,895,184 | 888,190,468 |
| Interest accrued but not due on loans / public deposits | | 11,001,508,115 | 7,209,725,581 |
| Temporary book overdraft | | 10,925,892,271 | 8,660,552,460 |
| Interest received in advance | | 33,677,494 | 37,832,884 |
| Other liabilities | | 285,022,851 | 136,587,803 |
| Floating interest rate payable on swap | 905,340,817 | | - |
| Fixed interest rate receivable on swap | (888,856,110) | | - |
| | | 16,484,707 | - |
| Unclaimed dividend | | 32,413,376 | 29,341,497 |
| | | 36,082,893,998 | 16,962,230,693 |
| Note : There is no amount due and outstanding payable to Investor Education and Protection Fund. | | | |
| PROVISIONS | | | |
| - For contingencies | | 125,519,090 | 129,172,638 |
| - For Investment Diminution | | 1,380,063 | 1,380,063 |
| - For gratuity | | - | 27,605,081 |
| - For leave encashment | | 100,768,195 | 85,744,402 |
| - For housing loan | | 4,837,279,928 | 2,167,905,142 |
| - For Proposed Dividend | | 1,661,320,500 | 1,423,989,000 |
| - For Tax on Dividend | | 269,791,624 | 242,304,343 |
| | | 6,996,059,400 | 4,078,100,669 |
| SCHEDULE 10 | | | |
| Miscellaneous Expenditure | | | |
| (To the extent not written off or adjusted) | | | |
| Opening Balance | | 1,916,721 | 2,209,771 |
| Less: Written off during the year | | 654,754 | 293,050 |
| | | 1,261,967 | 1,916,721 |

**Schedules Forming Part of Consolidated Profit And Loss Account**

for the year ended March 31, 2011

| | | March 31, 2011 | March 31, 2010 |
|---|-----------------|-----------------------|-----------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 11 | | | |
| OPERATING INCOME | | | |
| Interest on Housing Loans (Tax deducted at source Rs.582,810,204 Previous year Rs 592,688,786) | | 44,696,556,020 | 32,826,656,394 |
| Processing fees and other charges received | 1,786,479,319 | | 1,515,487,023 |
| Less : Processing fees and other charges paid | (285,465,438) | | (246,470,640) |
| | | 1,501,013,881 | 1,269,016,383 |
| Profit on Sale of Mutual fund (units)- current investments | | 599,706,079 | 448,953,906 |
| Interest received on Bank Deposit / Certificate of Deposit (Tax deducted at source Rs.1,151,249 Previous Year Rs.2,008,964) | | 3,135,335 | 7,196,280 |
| Residual Income on PTC B | | 3,316,726 | 8,679,555 |
| Commission Income | | 86,677,910 | 70,934,452 |
| | | 46,890,405,951 | 34,631,436,970 |
| SCHEDULE 12 | | | |
| OTHER INCOME | | | |
| Income from Investments (Refer Note 7 of Schedule 17) | | 1,742,585,475 | 23,109,843 |
| Miscellaneous Income (Tax deducted at source Rs 1,693,145 Previous year Rs 48,278) | | 113,620,877 | 92,353,085 |
| | | 1,856,206,352 | 115,462,928 |
| SCHEDULE 13 | | | |
| INTEREST ON LOANS AND OTHER CHARGES (NET) | | | |
| On Term Loans | | 11,856,034,334 | 10,645,364,729 |
| On Debentures | | 18,766,566,848 | 13,061,878,306 |
| On Public Deposit | | 273,583,701 | 242,712,733 |
| On Others | | 1,931,507 | 1,191,781 |
| Other Finance Charges | | 37,019,689 | 64,424,024 |
| Floating interest rate paid on swap | 1,595,447,272 | | - |
| Fixed interest rate received on swap | (1,553,494,603) | | - |
| | | 41,952,669 | - |
| | | 30,977,088,748 | 24,015,571,573 |
| Less: | | | |
| Fixed interest rate received on swap | | - | 1,252,832,202 |
| Floating interest rate paid on swap | | - | (1,194,372,994) |
| | | - | 58,459,208 |
| | | 30,977,088,748 | 23,957,112,365 |
| SCHEDULE 14 | | | |
| EMPLOYEES EMOLUMENTS AND BENEFITS | | | |
| Salaries and bonus | | 585,965,076 | 388,930,052 |
| Contribution to provident and other funds | | 95,968,830 | 70,377,317 |
| Staff training and welfare expenses | | 68,187,240 | 64,718,043 |
| | | 750,121,146 | 524,025,412 |

Schedules Forming Part of Consolidated Profit And Loss Account

for the year ended March 31, 2011

| | | March 31, 2011 | March 31, 2010 |
|---|--------|----------------------|----------------------|
| | Rupees | Rupees | Rupees |
| SCHEDULE 15 | | | |
| ESTABLISHMENT AND OTHER EXPENSES | | | |
| Rent, rates and taxes | | 153,430,297 | 144,571,397 |
| Repairs and maintenance - building | | 1,556,491 | 1,974,049 |
| Repairs and maintenance - others | | 9,853,842 | 9,952,838 |
| Travelling and conveyance | | 42,848,865 | 39,976,646 |
| Directors sitting fees | | 1,218,100 | 974,371 |
| Advertisement & Publicity expenses | | 120,731,485 | 172,417,701 |
| Competition Prizes & Conference Expenses | | 27,830,075 | 23,910,353 |
| Printing and stationery | | 28,281,133 | 27,863,045 |
| Postage, telephones and telex | | 67,240,697 | 66,397,173 |
| Computer Expenses | | 21,814,070 | 21,496,830 |
| Legal and professional fees | | 9,126,392 | 11,505,263 |
| Electricity expenses | | 33,959,966 | 33,250,354 |
| Insurance | | 729,646 | 584,149 |
| Loss on sale of assets (Net) | | 3,859,886 | 1,808,629 |
| Loss on account of write Off of Fixed Assets | | 64,306 | 64,316 |
| Miscellaneous expenses | | 57,140,595 | 51,754,836 |
| Service Charges for Safe Custody of Documents | | 13,292,632 | 11,898,381 |
| Listing Fees and Payment to Share Transfer Agents | | 1,442,515 | 1,490,422 |
| Commission and Brokerage | | 845,460,320 | 663,513,143 |
| Commission paid for purchase of property | | 1,366,250 | - |
| Share issue Expenses (QIP issue) /Expenses for Split of Shares | | 3,765,988 | 96,007,603 |
| Recovery Expenses (Net) | | (5,172,494) | 12,058,388 |
| Service Tax on Mututal Fund commission & Brokerage | | 6,168,443 | 5,274,410 |
| Fund establishment Exepnses | | 2,818,053 | - |
| Preliminary Expenses written off | | 654,754 | 293,050 |
| | | 1,449,482,307 | 1,399,037,347 |
| SCHEDULE 16 | | | |
| PROVISIONS/WRITE OFFS | | | |
| Housing loans written off | | 6,315,871 | 7,659,344 |
| Long term investment written off (Non Trade) | | - | 1,440,000 |
| Provision for diminution in value Of current investment | | 285,658 | - |
| Provision for Housing Loans | | 2,669,374,786 | - |
| | | 2,675,976,315 | 9,099,344 |
| Less : | | | |
| Provisions for Housing Loans written back | | - | 234,643,853 |
| Housing loans written off recovered | | 66,936,481 | 57,698,101 |
| Provision for diminution in value of long term Investments written back (non-trade) | | - | 600,000 |
| Provision for diminution in value of current Investments written back (non-trade) | | - | 347,461 |
| Provisions for Contingency written back | | 377,522 | 196,835 |
| | | 2,608,662,312 | (284,386,906) |



Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

PRINCIPLES OF CONSOLIDATION:

1. The consolidated financial statements relate to LIC Housing Finance Limited ("the Company") and its subsidiaries and associates, which together constitute the Group. The consolidated financial statements have been prepared on the following basis :
 - a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006.
 - b) In case of associates, where the Company directly or indirectly through subsidiaries holds more than 20% of equity or exercises significant influence over the investee, investments are accounted for using equity method in accordance with Accounting Standard (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006.
 - c) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
 - d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and appropriate adjustments are made to the financial statements of subsidiaries when they are used in preparing the consolidated financial statements that are presented in the same manner as the Company's separate financial statements except for accounting policy followed by the four subsidiaries namely, LICHFL Care Homes Limited, LICHFL Financial Services Ltd., LICHFL Asset Management Company Ltd. and LICHFL Trustee Company Private Ltd. for amortization of preliminary expenses incurred by the said subsidiaries after 1st April, 2003 over a period of ten years as against charging off of such expenses to the Profit and Loss Account by the Company.
 - e) The financial statements of the subsidiaries and associates for the purpose of consolidation are drawn up to March 31, 2011 which are the same reporting period of the Company.
2. As required by Accounting Standard (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006, the carrying amounts of investments in Associates is adjusted for post acquisition change in the Company's share in the net assets of the associates after eliminating unrealized profits or losses, if any.
3. The consolidated financial statements of LIC Housing Finance Limited, its subsidiaries and associate companies have been prepared in accordance with Accounting Standard (AS) - 21 'Consolidated Financial Statements' and Accounting Standard (AS-23) - 'Accounting for Investments in Associates in Consolidated Financial Statements' notified under the Companies (Accounting Standards) Rules, 2006.
 - i) The details of such enterprises are as under:

| Name of the company | Nature of relationship | Proportion of ownership interest / voting power (Current Year) | Proportion of ownership interest / voting power (Previous Year) | Country of Incorporation |
|---|---------------------------|--|---|--------------------------|
| LICHFL Care Homes Limited | Subsidiary | 100.00% | 100.00% | India |
| LICHFL Financial Services Limited | Subsidiary | 100.00% | 100.00% | India |
| LICHFL Asset Management Company Ltd. (Formerly known as LICHFL Asset Management Company Private Ltd.) | Subsidiary | 90.00% | 100.00% | India |
| LICHFL Trustee Company Private Ltd. | Subsidiary | 100.00% | 100.00% | India |
| LIC Nomura Mutual Fund Trustee Company Private Limited (Formerly Known as LIC Mutual Fund Trustee Company Pvt. Ltd.) | Associate till 14.01.2011 | 16.00% | 48.00% * | India |
| LIC Nomura Mutual Fund Asset Management Company Limited (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.) | Associate | 20.00 % | 39.30 % | India |

* It includes 0% (Previous year 12%) share capital held by LICHFL Care Homes Ltd., a wholly owned subsidiary.

Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

- ii) Consequent to the above changes in the ownership interest, certain previous year balances have been considered on current ownership and accordingly the same is reflected in the 'General Reserve' as 'Opening Adjustments'.

SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India. The Financial Statements comply in all material aspects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956, the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 2010 as amended from time to time.

Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.

b. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

c. Revenue recognition

Interest on housing loans

Repayment of Housing Loan is by way of Equated Monthly Installments (EMI) comprising of principal and interest or by way of proceeds of Life Insurance Policies where interest is collected in monthly installment. Necessary appropriation is made out of these EMI collections to principal and interest. Interest income is recognized on accrual basis except in case of non-performing assets where interest is accounted on realization.

Fees and additional interest income on delayed EMI/Pre-EMI are recognized on receipt basis.

Income from Investment

Interest income on debt investment like Non convertible Debentures (NCD), Inter Corporate Deposits (ICD), Government Securities is recognized on accrual basis and Dividend income is accounted for in the year in which the same is declared in Annual General meeting and Company's right to receive / payment is established.

Other Income

In other cases, income is recognized when there is no significant uncertainty as to determination and realization.

d. Fixed assets

Fixed Assets are stated at cost of acquisition, or construction inclusive of expenses incidental thereto less accumulated depreciation and impairment loss, if any.

e. Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Cost of leasehold improvements is amortized over the period of the lease.

Depreciation on assets whose cost individually does not exceed up to Rs.5,000/- is fully provided in the year of purchase.

f. Impairment loss

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net



Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

g. Intangible assets

Intangible assets are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less amortization over estimated useful life. Software is amortized on straight line basis over five years. However old Software booked on which amortization was done on the basis of three years will continue to be amortized at same old rate.

h. Investments

In accordance with the Guidelines issued by National Housing Bank (NHB), current investments are carried at lower of cost and fair value and long term investments are carried at cost. However, provision is made to recognize decline other than temporary in the carrying amount of long term investments. Unquoted investments in the units of Mutual Funds in nature of current investment are valued at the Net Asset Value declared by Mutual Funds in respect of each particular scheme as per the guidelines issued by the NHB.

i. Employee benefits

Provident Fund

Contribution as required by Statute paid to the Government Provident Fund as also contribution paid to other recognized Provident Fund Trust is debited to the Profit and Loss Account.

Gratuity

- Gratuity liability is defined benefit obligation for employees. The Company has taken Group Gratuity-cum-Life Insurance Policy from Life Insurance Corporation of India (LIC) for employees other than those under deputation from LIC. Accordingly, the Company accounts for liability for future gratuity benefits based on actuarial valuation carried out at the end of each financial year and the Contribution by way of premium paid to LIC of India is charged to Profit/Loss Account. Actuarial gain or losses are immediately recognized in the Profit and Loss Account.
- In respect of employees under deputation from LIC an amount equal to five percent of aggregate of basic salary and dearness allowance of such employees, paid to LIC is charged to the Profit and Loss Account and is a defined contribution obligation.

Leave Benefits

Benefits for both short term and long term in the form of vesting and non vesting compensated absences are accounted for on an actuarial valuation determined as at the year end.

j. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognized as income or expense.

At the year end, monetary items denominated in foreign currency are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expense in the relevant year.

k. Derivative Transactions

Derivative transactions are considered off Balance Sheet items and the outstanding swap trades are disclosed at the fair value on the reporting date. The carry (difference between coupon rate liability and swap contract rate) is accounted on an

Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

accrual basis and the same is adjusted against the interest cost of the underlying liability. Gain realized on early termination of swap is amortized over the balance tenure of the swap or underlying liability whichever is less. Loss if any on early termination is charged to revenue in the same year.

l. 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 revenue.

m. Zero Coupon Instrument

The difference between the discounted amount mobilized and redemption value of Commercial Papers/ Zero Coupon Bond/ NCD is apportioned on time basis over the life of instrument and charged as interest expense.

n. Income Taxes

Income taxes are accounted for in accordance with Accounting Standard (AS)-22 – “Accounting for taxes on income”, notified under the Companies (Accounting Standards) Rules, 2006. Income tax comprises both current and deferred tax.

Current tax is measured on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using substantially enacted tax rates and tax regulations as of the Balance Sheet date.

Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization.

o. Provision for non-performing assets (NPA)

All loans and other credit exposures, where the installments are overdue for ninety days & above are classified as NPA. Provision is made in respect of NPA in accordance with the Prudential Norms as per Housing Finance Companies (NHB) Directions, 2010. Additional provisions (over and above the Prudential Norms) if required is made as per the Guidelines approved by the Board of Directors from time to time.

p. Provisions and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

q. Leases

Assets acquired on lease where significant portions of the risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

r. Securitised Assets

Derecognition of Securitised assets in the books of the Company, recognition of gain or loss arising on Securitisation and accounting for credit enhancement provided by the Company is based on the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India.

Securitised Assets are derecognized in the books of the Company based on the principal of surrender of control over the assets. Credit Enhancement provided by the Company by way of investments in subordinate Class B Pass Through Certificates is included under Investments in Pass Through Certificates in Schedule 7.



Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

NOTES TO ACCOUNTS

1. Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advance) are Rs.15,000,000 (Previous year Rs.13,601,880).
2. **Contingent liabilities in respect of :**
 - a) Corporate Undertaking of Rs.143,500,000 (Previous year Rs.143,500,000) for Securitization transactions.
 - b) Claims against the group not acknowledged as debts Rs.837,732 (Previous Year Rs.620,367).
 - c) The Company has received a demand of Rs.35,00,000, Rs.2,78,45,437 (including interest of Rs.82,68,945), Rs.6,33,61,000 (including interest of Rs.1,06,36,607), Rs.2,08,00,000, Rs.9,36,81,691 (including interest of Rs.7,21,90,337), Rs.35,71,94,000 (including interest of Rs.6,67,93,988), Rs.23,85,58,159 (including interest of Rs.1,38,71,157) and Rs.33,10,50,489 on completion of income tax assessment for the assessment years 1999-00, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 respectively. The said amounts are disputed and the Company has preferred an appeal against the same. The amounts for the respective years have been paid under protest to the Central Government.
 - d) Bank Guarantee outstanding of Rs.31,78,021 (Previous Year Rs. NIL) against the Bhuvneshwar Project of LICHFL Care Homes Ltd.
3. (i) Retail / Project Loans are secured, wholly or partly, by any or all of the following as applicable, based on their categorization :
 - a) Equitable / Registered Mortgage of Property
 - b) Assignment of Life Insurance Policies, NSC, KVP, FD of Nationalized Bank
 - c) Assignment of Lease Rent Receivables
 - d) Company guarantees or personal guarantees
 - e) Negative lien
 - f) Undertaking to create a security
- (ii) Loans to employees other than for Housing are secured by lien over Provident Fund balances and / or Hypothecation of Vehicles.
4. As per NHB Circular dated December 24, 2010 provision @2% is required on Teaser Loans (Standard). In order to comply with this circular, the Company vide its letter dated March 22, 2011 has sought clarification from NHB about the treatment of loans under different schemes as teaser loans, which is awaited. Based on Company's assessment, Retail Loans with outstanding balance of Rs.1,284,042.02 lacs (previous period Rs.Nil) have been classified as Teaser Loans (Standard) and provision of Rs.25,680.84 lacs (previous period Rs.Nil) has been made.
5. Housing Loans include loans amounting to Rs.93,948,812 (Previous year Rs.95,116,460) against which the company has taken possession of the properties under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and held such properties for disposal. Of this, fair value of the assets possessed, against the loans of Rs.11,427,401 (Previous year Rs.16,794,754), is not available as at March 31, 2011. The balance loans amounting to Rs.82,521,411 (Previous year Rs.78,321,705), have fair value of Rs.78,100,730 (Previous year Rs.75,010,517), being lower of the fair value of the asset possessed and the outstanding due under the loans as at March 31, 2011.
6. **Provision for contingencies includes:**
 - a) Provision for untapped corporate undertaking given for securitization of housing loans. The outflows in respect of untapped corporate undertaking would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitized receivables.

Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

- b) Provision for probable loss on account of bank reconciliation differences.

The movement in provisions is as below:

(Amount in Rupees)

| Particulars | Provision for un tapped corporate undertaking | Provision for probable loss on account of Bank Reconciliation differences |
|--|---|---|
| Opening balance | 120,287,567 (121,604,219) | 8,885,071 (20,000,000) |
| Add: Provision made during the year | - (-) | - (-) |
| Less: Amounts utilized during the year | 3,653,547 (1,316,652) | - (11,114,929) |
| Closing balance | 116,634,020 (120,287,567) | 8,885,071 (8,885,071) |

Figures in bracket are in respect of the previous year.

7. Income from Investments (non-trade)

| Particulars | Current Year Rupees | Previous year Rupees |
|-------------------------------------|----------------------|----------------------|
| Long Term: | | |
| Interest (net) | 48,667,800 | 22,859,619 |
| Dividend | 5,735,242 | - |
| Profit on sale of Investments (net) | 1,688,182,433 | 250,224 |
| Total | 1,742,585,475 | 23,109,843 |

8. a) LIC Housing Finance Ltd. has sold 1730 equity shares of Rs.10/- each of LIC Mutual Fund Asset Management Company Limited and 2000 equity shares of Rs.10/- each of LIC Mutual Fund Trustee Company Private Limited to Nomura Asset Management Strategic Investment Pte. Ltd. for a total consideration of Rs.1,384,092,086. Profit on sale of these equity shares amounting to Rs.1,351,822,428 is included under Income from Investment.
- b) LICHL Care Homes Limited has sold 1200 equity shares of Rs.10/- each of LIC Mutual Fund Trustee Company Private Limited to Nomura Asset Management Strategic Investment Pte. Ltd. for a total consideration of Rs.55,252. Profit on sale of these equity shares amounting to Rs.43,252 is included under Income from Investment.

9. Prior period items include:

| Particulars | Current Year Rupees | Previous year Rupees |
|---|---------------------|----------------------|
| Income: | | |
| Interest Income on Housing Loan | 2,432,155 | 1,966,445 |
| Interest Income on Bank Deposit | - | 29,569 |
| Service Tax paid utilized | - | 9,309,705 |
| Expenditure: | | |
| Interest & Other Expenses on Public Deposit | - | 434,336 |
| Miscellaneous Expenses | 177,830 | 261,362 |
| Competition Prize | - | 1,079,850 |
| Total Net Income / (Expenses) | 2,254,325 | 9,530,171 |

10. During the year LIC Housing Finance Limited has split its Equity Shares having face value of Rs.10/- each into Equity Shares having face value of Rs.2/- each.

Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

11. Derivative instruments:

- Interest Rate Swaps for hedging underlying liability aggregate to Rs.11,460,000,000 (Previous year Rs.6,000,000,000).
- For underlying liability of Rs.6,500,000,000 (Previous year Rs.6,500,000,000), Coupon Swap has been entered into which remains unhedged in respect of movement in respective currencies affecting the coupon amount.
- The Company as on March 31, 2011 had outstanding interest rate and coupon swaps covering the underlying liability aggregating to Rs.17,960,000,000 (Previous year Rs.12,500,000,000). The fair value of all such Swaps as at March 31, 2011 was unfavourable to the extent of Rs.1,913,600,263 (Previous year Rs.1,606,912,869).

12. Disclosure in respect of Gratuity Liability and Leave Encashment:-

Gratuity Liability

(Amount in Rupees)

| Changes in the Benefit Obligation | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-------------|-------------|-------------|-------------|
| Liability at the Beginning of the year | 91,582,773 | 65,579,682 | 50,749,802 | 42,262,463 |
| Interest Cost | 7,326,622 | 5,467,526 | 4,328,541 | 3,527,512 |
| Current Service Cost | 8,316,690 | 5,597,097 | 4,718,208 | 3,544,780 |
| Past Service Cost | 10,174,368 | | | |
| Benefit Paid | (1,871,112) | (1,256,110) | (2,695,577) | (3,426,693) |
| Actuarial Loss on obligations | 15,458,345 | 16,194,578 | 8,478,708 | 4,841,740 |
| Liability at the end of the year | 130,987,686 | 91,582,773 | 65,579,682 | 50,749,802 |

| Fair Value of the Plan Asset | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|--------------|--------------|-------------|-------------|
| Fair Value of Plan Asset at the beginning of the year | 63,977,692 | 57,085,723 | 46,365,466 | 37,203,468 |
| Expected Return on Plan Asset | 5,118,215 | 4,745,096 | 4,335,593 | 3,581,693 |
| Contributions | 69,933,173 | 2,856,030 | 9,177,241 | 9,281,042 |
| Benefit paid | (1,871,112) | (1,256,110) | (2,695,577) | (3,426,698) |
| Actuarial Gain / (Loss) on Plan Assets | 1,402,871 | 5,46,953 | (97,000) | (274,044) |
| Fair value of Plan Assets at the end of the year | 138,560,839 | 63,977,692 | 57,085,723 | 46,365,466 |
| Total Actuarial Loss to be Recognized | (14,055,474) | (15,647,625) | (8,575,708) | (5,115,784) |

| Actual Return on Plan Assets: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-----------|-----------|-----------|-----------|
| Expected Return on Plan Assets | 5,118,215 | 4,745,096 | 4,335,593 | 3,581,693 |
| Actuarial Gain / (Loss) on Plan Assets | 1,402,871 | 5,46,953 | (97,000) | (274,044) |
| Actual Return on Plan Assets | 6,521,086 | 5,292,049 | 4,238,593 | 3,307,649 |

| Amount Recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-------------|--------------|-------------|-------------|
| Liability at the end of the year | 130,987,686 | 91,582,773 | 65,579,682 | 50,749,802 |
| Fair Value of Plan Assets at the end of the year | 138,560,839 | 63,977,692 | 57,085,723 | 46,365,466 |
| Amount recognized in the Balance Sheet | 7,573,153* | (27,605,081) | (8,493,959) | (4,384,336) |

*Restricted to NIL

| Expense Recognized in the Profit and Loss Account: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-------------|-------------|-------------|-------------|
| Current Service Cost | 8,316,690 | 5,597,097 | 4,718,208 | 3,544,780 |
| Interest Cost | 7,326,622 | 5,467,526 | 4,328,541 | 3,527,512 |
| Expected Return on Plan Assets | (5,118,215) | (4,745,096) | (4,335,593) | (3,581,693) |

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| Expense Recognized in the Profit and Loss Account: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|------------|------------|------------|-----------|
| Net Actuarial Loss to be recognized | 14,055,474 | 15,647,625 | 8,575,708 | 5,115,784 |
| Past Service Cost | 10,174,368 | | | |
| Expense recognized in the Profit and Loss Account under staff expenses | 34,754,939 | 21,967,152 | 13,286,864 | 8,606,383 |

| Reconciliation of the Liability recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|--------------|------------|------------|-----------|
| Opening Net Liability | 27,605,081 | 8,493,959 | 4,384,336 | 5,058,995 |
| Expense recognized | 34,754,939 | 21,967,152 | 13,286,864 | 8,606,383 |
| Contribution by the Company | 69,933,173 | 2,856,030 | 9,177,241 | 9,281,042 |
| Amount recognized in the Balance Sheet under "Provision for Retirement Benefits" | (7,573,153)* | 27,605,081 | 8,493,959 | 4,384,336 |

*Restricted to NIL

| Assumptions | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|-------------------------------|---------|---------|---------|---------|
| Discount Rate | 8.25% | 8.00% | 7.75% | 8.00% |
| Rate of Return on Plan Assets | 8.00% | 8.00% | 8.00% | 8.00% |
| Salary Escalation | 5.00% | 5.00% | 5.00% | 5.00% |

Gratuity Premium is paid to LIC of India under Gratuity Scheme of LIC.

The Company's best estimate of contributions expected to be paid to the plan during the annual period beginning after March 31, 2011 is Rs.12,630,116 (Previous Year Rs.22,869,846).

In the absence of detailed information regarding Plan Assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the total fair value of plan assets has not been disclosed.

The details of experience adjustments arising on account of plan assets and plan liabilities as required by paragraph 120(n) (ii) of AS 15 (Revised) on "Employee Benefits" are not readily available in the valuation statement received from LIC of India and hence, are not furnished.

Leave Encashment

(Amount in Rupees)

| Changes in the Benefit Obligation | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|-------------|------------|--------------|------------|
| Liability at the Beginning of the year | 85,744,402 | 54,846,558 | 54,316,739 | 46,678,209 |
| Interest Cost | 6,859,552 | 4,556,578 | 7,503,738 | 3,951,376 |
| Current Service Cost | 5,792,655 | 3,947,999 | 39,479,992 | 2,713,993 |
| Benefit Paid | - | - | - | - |
| Actuarial (Gain) / Loss on obligations | 2,371,586 | 22,393,267 | (46,453,911) | 973,161 |
| Liability at the end of the year | 100,768,195 | 85,744,402 | 54,846,558 | 54,316,739 |

| Amount Recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|---------------|--------------|--------------|--------------|
| Liability at the end of the year | 100,768,195 | 85,744,402 | 54,846,558 | 54,316,739 |
| Fair Value of Plan Assets at the end of the year | - | - | - | - |
| Amount recognized in the Balance Sheet | (100,768,195) | (85,744,402) | (54,846,558) | (54,316,739) |

Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

| Expense Recognized in the Profit and Loss Account: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|----------------|----------------|----------------|----------------|
| Current Service Cost | 5,792,655 | 3,947,999 | 39,479,992 | 2,713,993 |
| Interest Cost | 6,859,552 | 4,556,578 | 7,503,738 | 3,951,376 |
| Expected Return on Plan Assets | - | - | - | - |
| Net Actuarial (Gain) / Loss to be recognized | 2,371,586 | 22,393,267 | (46,453,911) | 973,161 |
| Expense recognized in the Profit and Loss Account under staff expenses | 15,023,793 | 30,897,844 | 529,819 | 7,638,530 |

| Reconciliation of the Liability recognized in the Balance Sheet: | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|----------------|----------------|----------------|----------------|
| Opening Net Liability | 85,744,402 | 54,846,558 | 54,316,739 | 46,678,209 |
| Expense recognized | 15,023,793 | 30,897,844 | 529,819 | 7,638,530 |
| Contribution by the Company | - | - | - | - |
| Amount recognized in the Balance Sheet under "Provision for Retirement Benefits" | 100,768,195 | 85,744,402 | 54,846,558 | 54,316,739 |

| Assumptions | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Retirement Age | 58 Years | 58 Years | 58 Years | 58 Years |
| Discount Rate | 8.25% | 8.00% | 7.75% | 8.00% |
| Salary Escalation | 5.00% | 5.00% | 5.00% | 5.00% |
| Attrition Rate | 2.00% | 2.00% | 2.00% | 2.00% |
| Mortality Table | LIC (1994-96) Ultimate | LIC (1994-96) Ultimate | LIC (1994-96) Ultimate | LIC (1994-96) Ultimate |

"The estimates of future salary increases, considered in actuarial valuation, include inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The above information is certified by the actuary and relied upon by the Auditors."

13. Segment reporting:

- The company is engaged in the business of providing loans for purchase, construction, repairs and renovation etc., of houses / flats to individuals, corporate bodies, builders and co-operative housing societies.
- LICHFL Care Homes Limited, a wholly owned subsidiary is engaged in the business of setting up, running and maintaining assisted living community centre/ care homes for senior citizens.
- LICHFL Financial Services Limited, a wholly owned subsidiary is engaged in the business of marketing various financial products and services.
- LICHFL Asset Management Company Limited (Formerly Known as LICHFL Asset Management Company Private Limited), a subsidiary with 90% shareholding is engaged in business of managing, advising, administering mutual funds, unit trusts, investment trusts and to act as financial and investment advisors and render financial advisory services.
- LICHFL Trustee Company Private Limited, a wholly owned subsidiary acts as a trustee to venture capital trusts and funds.
- LIC Nomura Mutual Fund Trustee Company Private Limited (Formerly Known as LIC Mutual Fund Trustee Company Pvt. Ltd.), an associate till 14.01.2011, acts as trustee for LIC Nomura Mutual Fund.
- LIC Nomura Mutual Fund Asset Management Company Limited (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.), an associate acts as asset manager for LIC Nomura Mutual Fund.

Further, the Group has its operations primarily within India. The scale of operations of the Company far exceeds those of the subsidiaries and associates and the business segments as mentioned above, do not meet the criteria of reportable segments as defined in Accounting Standard (AS)-17, 'Segment Reporting' notified under the Companies (Accounting Standards) Rules, 2006, and hence, segment information for business and geographical segments has not been disclosed.

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for the year ended March 31, 2011

14. Related party disclosure:

a) Details of related parties:

| Sr. No. | Name of the related party | Nature of relationship |
|---------|--|---|
| 1. | Life Insurance Corporation of India (LIC) | Enterprise having significant influence |
| 2. | LIC Nomura Mutual Fund Asset Management Company Limited | Associate |
| 3. | LIC Nomura Mutual Fund Trustee Company Private Limited | Associate till 14.01.2011 |
| 4. | Mr. R. R. Nair, Director & Chief Executive (Up to 29-11-2010) | Key Management Personnel |
| 5. | Mr. V.K. Sharma, Director and Chief Executive (From 01-12-2010) | Key Management Personnel |
| 6. | Mr. A. P. Singh, Director and Chief Executive of LICHFL Care Homes Ltd. (Up to 31-05-2010) | Key Management Personnel |
| 7. | Mr. H. C. Mishra, Director and Chief Executive of LICHFL Care Homes Ltd. (From 01-06-2010) | Key Management Personnel |

b) Details of transactions with related parties:

| Related Party | Nature of transactions | Volume of Transaction | |
|---------------|--|-----------------------|----------------------|
| | | Current Year Rupees | Previous Year Rupees |
| LIC of India | Issue of non convertible debentures | 15,000,000,000 | - |
| | Repayment of non convertible debentures | 8,000,000,000 | - |
| | Unsecured loans taken (consequent to tripartite agreement between West Bengal Infrastructure Development Finance Corporation, LIC and the Company) | 294,812,287 | 273,886,265 |
| | Repayment of secured loan | 2,701,416,000 | 3,214,875,000 |
| | Issue of Upper Tier II Bonds | 10,000,000,000 | 5,000,000,000 |
| | Taking over Housing Loan Portfolio of LIC Employee | 12,446,598,955 | - |
| | Issue of Equity Share Capital | 4,944,000 | - |
| | Interest expenses on Secured and Unsecured loans | 7,693,845,989 | 7,145,285,875 |
| | Dividend Payment | 520,327,485 | 450,950,487 |
| | Advertisement Income received | 291,667 | 291,667 |
| | Commission Income received on Insurance Business | 3,168,746 | 2,495,650 |
| | Consultancy Charges | 1,423,600 | 1,650 |
| | Rent Expenses | 26,842,932 | 25,119,427 |
| | Reimbursement of Municipal Taxes, etc. | 289,657 | 1,256,082 |
| | Reimbursement of Electricity Expenses | 3,715,509 | 4,633,204 |
| | Payment for Staff training, Conference, etc. | 210,830 | 232,391 |
| | Payments towards Renovation & Repairs Work carried out by them | 7,696,038 | 11,823,021 |
| | Reimbursement of Gratuity for staff on deputation from LIC | 1,553,728 | 1,215,647 |
| | Balance as at the year end | 94,341,613,486 (Cr.) | 79,698,508,866 (Cr.) |

**Schedules Forming Part of Consolidated Financial Statements**

for the year ended March 31, 2011

| Related Party | Nature of transactions | Volume of Transaction | |
|--|----------------------------|------------------------|-------------------------|
| | | Current Year Rupees | Previous Year Rupees |
| LIC Nomura Mutual Fund Asset Management Company Ltd. (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.) | Dividend Income | 29,475,000 | 19,650,000 |
| | Other Income | 19,500 | 30,000 |
| | Interest expenses on NCD | 27,410,959 | 21,533,561 |
| | Balance as at the year end | 500,000,000 (Cr.) | 1,000,000,000 (Cr.) |
| LIC Nomura Mutual Fund Trustee Co. Pvt. Ltd. (Formerly Known as LIC Mutual Fund Trustee Co. Pvt. Ltd.) | Dividend Income | - | 19,200 |
| Mr. R. R. Nair (Up to 29-11-2010) | Managerial remuneration | 1,704,311 | 855,995 |
| Mr. V. K. Sharma (From 01-12-2010) | Managerial remuneration* | 458,114 | - |
| Mr. A.P. Singh (Up to 31-05-2010) | Managerial remuneration | 117,411 | 924,576 |
| Mr. H. C. Mishra (From 01-06-2010) | Managerial remuneration | 1,152,274 | - |

*As the Provision for Performance Linked Incentive (PLI) is accrued for the Company as a whole and not decided individually, hence not included.

Note:

- There are no amounts written off or written back during the year for debts due from or to related parties.
- Related Party relationship is as identified by the Company.

15. Operating Leases:

The group has taken various office and residential premises on cancelable operating lease basis for periods which range from 11 to 120 months with an option to renew the lease by mutual consent on mutually agreeable terms. Lease payments recognized in the Profit and Loss Account for such premises are Rs.150,215,631 (Previous year Rs.139,449,523).

16. Earning per share:

Earning per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:

| Particulars | Current Year | Previous Year |
|--|---------------|---------------|
| Profit after tax attributable to equity shareholders (Rupees) | 9,518,801,959 | 6,888,349,431 |
| Weighted average number of equity shares outstanding during the year | 474,663,000 | 450,690,395* |
| Basic / Diluted Earnings per share (Rupees) | 20.05 | 15.28* |
| Nominal value per share (Rupees) | 2.00 | 2.00* |

* The nominal face value of equity shares of the Company was sub-divided from Rs.10/- each to Rs.2/- each with effect from January 1, 2011. Accordingly, the number of shares and the earning per share of the previous year have been restated to make the same comparable.

17. Current tax:

Provision for current tax is made on the basis of accounting practices consistently followed by the Company, including method of accounting for interest on housing loans and is after availing deduction under section 36(1)(viii) of the Income Tax Act, 1961. For the purpose of determining the quantum of deduction available under section 36(1)(viii), the methodology applied for the bifurcation of income and expenses for long term housing finance has been relied upon by the auditors.

Schedules Forming Part of Consolidated Financial Statements

for the year ended March 31, 2011

18. The components of deferred tax assets and (liabilities) are as under :

| Particulars | Current Year Rupees | Previous Year Rupees |
|---|------------------------|-------------------------|
| Deferred tax assets | | |
| Provision for Housing Loans | 1,569,455,472 | 736,870,957 |
| Provision for Contingencies –Fire Insurance Premium | 804,122 | 1,055,952 |
| Provision for Tapping Corporate Undertaking | 37,824,975 | 40,885,744 |
| Unamortized one-time gain | 86,161,963 | 104,139,048 |
| Provision for Employee Benefit | 32,694,241 | 38,527,489 |
| Carry Forward Losses | 19,825 | - |
| Preliminary Expenses | 67,060 | - |
| (A) | 1,727,027,658 | 921,479,190 |
| Deferred tax liabilities | | |
| Differences in written down value of fixed assets between tax and books records | 29,260,180 | 31,267,789 |
| (B) | 29,260,180 | 31,267,789 |
| Net deferred tax assets [(A) – (B)] | 1,697,767,478 | 890,211,401 |

19. Previous year's figures are regrouped wherever necessary to correspond with the figures of the current year.

Signatures to Schedules 1 to 17

As per our attached report of even date

For and on behalf of the Board of Directors

For Shah Gupta & Co.
Chartered Accountants
FRN 109574W

For Chokshi & Chokshi
Chartered Accountants
FRN 101872W

Vipul K. Choksi
Partner
M.No.37606

Vineet Saxena
Partner
M.No. 100770

T. S. Vijayan
Chairman

D.K. Mehrotra
Managing Director

S.Ravi
Director

V.K. Sharma
Director &
Chief Executive

Place: Mumbai
Date : April 28, 2011

Nitin K. Jage
General Manager &
Company Secretary

N.K.Mittal
General Manager
Accounts

Surinder Mohan
CFO &
General Manager



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NOTES



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स्वगृहाय अर्थसहायः

www.lichousing.com



स्वगृहाय अर्थसहायः

LIC HOUSING FINANCE LTD.

Registered Office:
Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai 400 001.

NOTICE

NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of the members of LIC Housing Finance Limited will be held at "M. C. Ghia Hall", Bhogilal Hargovindas Building, 2nd Floor, 18 / 20 Kaikhushru Dubash Marg, behind Prince of Wales Museum, Mumbai – 400 001 on Wednesday, 20th July, 2011 at 3.00 p.m. to transact the following business : -

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011, the Profit and Loss Account for the year ended 31st March, 2011 together with Reports of the Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri Dhananjay Mungale, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S. Ravi, who retires by rotation and being eligible, offers himself for re-appointment.

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special**

Resolution :-

"RESOLVED THAT pursuant to Section 224A of the Companies Act, 1956 M/s. Chokshi & Chokshi, Chartered Accountants, Mumbai and M/s. Shah Gupta & Co., Chartered Accountants, Mumbai be and are hereby appointed as Joint Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on a remuneration to be determined by the Board of Directors in consultation with them plus applicable service tax and reimbursement of out-of-pocket expenses incurred by them for the purpose of audit of the Company's accounts at the Registered and Corporate Office as well as few Back Offices.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to appoint in consultation with the Company's Joint Statutory Auditors any person or persons qualified for appointment as Auditor or Auditors of the Company under section 226 of the Companies Act, 1956, to conduct audit of other Back Offices in India on such terms and conditions as may be mutually agreed depending upon the nature and scope of their work."

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :-

“RESOLVED THAT pursuant to provisions of sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such sanctions as may be necessary, approval be and is hereby given to the appointment of Shri V. K. Sharma as Director in whole time employment of the Company for the period from 1st December, 2010 to 30th November, 2013 on terms and conditions set out in the Explanatory Statement attached to this notice.

RESOLVED FURTHER THAT consent of the Members be and is hereby accorded under section 269 and section 309 of the Companies Act, 1956 to Shri V. K. Sharma continuing to hold the position of Chief Executive of the Company and to draw a monthly remuneration as applicable from time to time within the limits specified in said sections.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution”.

By Order and on behalf of the Board

NITIN K. JAGE

*General Manager (Taxation) &
Company Secretary*

28th April, 2011

Registered Office:

Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai 400 001.

NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND SUCH A PROXY NEED NOT BE A MEMBER.

THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

- (2) The Explanatory Statement as required under section 173(2) of the Companies Act, 1956, in respect of item No.5 & 6 of the Notice convening the Meeting is annexed hereto.

- (3) The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 6th July, 2011 to Wednesday, 20th July, 2011 (both days inclusive).

- (4) The dividend on equity shares, if declared at the meeting, will be paid on or after 21st July, 2011.

(i) to those members holding shares in physical form, whose names would appear on the Register of Members of the Company, at the close of business hours on Wednesday, 20th July, 2011 after giving effect to all valid transfers in physical form lodged with the Company on or before Tuesday, 5th July, 2011 and

(ii) in respect of the shares held in electronic form, on the basis of the details furnished by NSDL and CDSL at the close of business hours on Tuesday, 5th July, 2011.

- (5) Members holding shares in electronic form may please note that dividend in respect of the shares held by them will be credited to their bank account as per the details furnished by the respective Depositories to the Company as per the applicable regulations

of the Depositories and the Company will not be in a position to entertain any direct request from such members for change / deletion in such bank details. Further, instructions, if any, already given by members in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants (DP).

- (6) The Company proposes the payment of dividend, if declared, through National Electronic Fund Transfer (NEFT) or by way of dividend warrants with Bank Details as furnished by the members. Members holding shares in physical mode are advised to immediately submit the NEFT / Bank Details alongwith IFSC code to the Company's Registrar and Transfer Agent – Sharex Dynamic (India) Private Limited (SDIL) or notify the changes, if any, to SDIL and Members holding the shares in dematerialization mode are advised to submit the Bank Details alongwith IFSC code to their respective DP or notify the changes, if any, in their Bank Details to their respective DP.
- (7) Re-appointment of Directors :[As required under clause 49(VI)(A)]

Shri Dhananjay Mungale

Shri Dhananjay Mungale, Director of the Company retires by rotation at the ensuing Annual General Meeting.

Shri Dhananjay Mungale is a Chartered Accountant and a Law Graduate by Profession, has spent the major part of his career in banking and investment banking in India and Europe with Bank of America and DSP Merrill Lynch Limited. He is presently acting as advisor to select corporations in India and Europe. He is on the Board of various Public and Private Limited Companies. He has been on the

board of the Company since 4th June, 2004. He is a Member of Audit Committee of Directors.

The details of other Directorships/committee memberships of Shri Dhananjay Mungale are as follows:

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|---|---------------------------|---|
| Inestor Advisores Private Limited | Director | - |
| Mentor Technologies Private Limited | Director | - |
| Snowcem Paints Private Limited | Director | - |
| Vayugrid Marketplace Services Private Limited | Director | - |
| J P Morgan Asset Management India Private Limited | Director | - |
| LICHFL Trustee Company Private Limited | Director | - |
| Lavgan Dockyard Private Limited | Director | - |
| Indoco Remedies Limited | Director | Chairman of Audit Committee |
| Mahindra & Mahindra Financial Services Limited | Director | Chairman of Audit Committee, |
| Chowgule Steamships Limited | Director | Chairman of Audit Committee |
| Camlin Limited | Director | - |
| Kalpataru Limited | Director | Member of Audit Committee |
| National Organic Chemical Limited | Director | Member of Audit Committee |
| Sical Logistics Limited | Director | Member of Audit Committee |

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|---------------------------------|--------------------|--|
| Tamilnadu Petroproducts Limited | Director | - |
| Mahindra Composites Limited | Director | Member of Audit Committee |
| Samson Maritime Limited | Director | Member of Audit Committee |

Shri S. Ravi

Shri S. Ravi, Director of the Company retires by rotation at the ensuing Annual General Meeting.

Shri S. Ravi is a postgraduate in Commerce and fellow member of Institute of Chartered Accountants of India. He is promoter partner of M/s. Ravi Rajan & Company Private Limited. He has to his credit wide experience in banking and specialization in the field of accounting, auditing, financial and management consulting, business valuation, merger, acquisition, restructuring, business advisory services etc. He was appointed as Director on 26th June 2005. He is a Chairman of Audit Committee and member of Investors' Grievance Committee of Directors.

The details of other Directorships/committee memberships of Shri S. Ravi are as follows:

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|--------------------------------------|--------------------|--|
| Mahindra Ugine Steel Company Limited | Director | Member of Audit Committee, Member of Investors' Grievance Committee |

| Names of Companies | Nature of Interest | Chairmanship / Membership of Board Committee as per Clause 49 of Listing Agreement |
|---|--------------------|--|
| IDBI Capital Markets Limited | Director | Chairman of Audit Committee |
| UTI Trustee Company Private Limited | Director | - |
| Canbank Venture Capital Fund Limited | Director | - |
| Union Bank of India | Director | Chairman of Audit Committee |
| Maharishi Housing Development Finance Corporation Limited | Director | Member of Audit Committee |
| GMR Chennai Outer Ring Road Private Limited | Director | - |
| SME Rating Agency of India Limited | Director | - |
| Bharat Heavy Electricals Limited | Director | - |
| S. Ravi Financial Management Services Private Limited | Director | - |

- (8) Members are requested to bring Attendance Slip to the meeting. Members who hold shares in dematerialized form are requested to bring their Depository Account Number for identification.
- (9) As per the amended provisions of the Companies Act, 1956, the facility for making nomination is now available to the members in respect of the shares held by them. Nomination forms can be obtained from the Company's Registrar and Transfer Agent – SDIL or can be downloaded from the Company's website.
- (10) Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios along with relevant share certificates to the Company's Registrar & Transfer Agent- SDIL.

- (11) Members are requested to notify immediately any change in their address / bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the company – SDIL in respect of their physical share folios.
- (12) The unclaimed dividend for the financial years upto 2002-2003, has been transferred to the Investor Education and Protection Fund of the Central Government on expiry of seven years from the date of declaration in terms of the provisions of Section 205A of the Companies Act, 1956. The unpaid dividend for the financial year 2003-2004 will become due for transfer to the Fund, on 16th September, 2011. Members who have not yet encashed the dividend warrants for any of the financial years from 2003-2004 to 2009-2010 and Interim Dividend warrants for the financial year 2006-2007, are once again requested to make their claims immediately to the Company or the Company's Registrar & Transfer Agents namely, SDIL for issuance of duplicate / revalidated dividend warrant/s.
- (13) The Members desiring any information as regards to accounts are requested to write to the Company at an early date, so as to enable the Company to keep information ready.
- (14) As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5

As the Public Financial Institutions are holding more than 25 per cent shares of the Company, the appointment / re-appointment of Auditors is required to be made by a Special Resolution under section 224A of the Companies Act, 1956.

M/s. Chokshi & Chokshi, Chartered Accountants, Mumbai and M/s. Shah Gupta & Co., Chartered Accountants,

Mumbai have been proposed for appointment of Joint Statutory Auditors of the Company. The Board of Directors recommends their re-appointment as Joint Statutory Auditors.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No.6

Shri V. K. Sharma, Chief Executive was appointed as Additional Director of the Company by the Board of Directors on 29th November, 2010 under section 260 & 269 of the Companies Act, 1956, and holds Office upto the date of the Twenty Second Annual General Meeting of the Company.

The terms and conditions of his appointment are,

- 1 His appointment is for the period from 1st December, 2010 till 30th November, 2013 or his ceasing to be Chief Executive of LIC Housing Finance Limited whichever is earlier.
- 2 He will not be entitled to any additional salary as Director from LIC Housing Finance Limited, as he is already getting salary from the Company as Chief Executive of LIC Housing Finance Limited.

The Board of Directors recommends the passing of the resolution at Item No.6 of the Notice. None of the Directors, except Shri V. K. Sharma is concerned or interested in the Resolution.

By Order and on behalf of the Board

NITIN K. JAGE

*General Manager (Taxation) &
Company Secretary*

28th April, 2011.

Registered Office:

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IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the appropriate column in the members feedback form which has already been sent by post and register the same with Sharex Dynamic (India) Private Limited. **Postage for sending the feedback form will be borne by the Company.**



LIC HOUSING FINANCE LTD.

Registered Office: Bombay Life Building, 2nd Floor, 45/47, Veer Nariman Road, Mumbai 400 001.

ATTENDANCE SLIP

Name and Address of the Member / Proxy

| | |
|----------------------------------|--|
| Reg. Folio No./ Client ID No. | |
|----------------------------------|--|

| | |
|--------------------|--|
| No. of Shares held | |
|--------------------|--|

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 20th July, 2011 at 3.00 p.m. at 'M. C. Ghia Hall', Bhogilal Hargovindas Building, 2nd Floor, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001.

Member's / Proxy's Signature.....

Please fill in the Attendance Slip and hand it over at the entrance of the meeting hall, Joint Shareholders may obtain additional Attendance Slip on request. Please bring your copy of the Annual Report for reference at the Meeting.



LIC HOUSING FINANCE LTD.

Registered Office: Bombay Life Building, 2nd Floor, 45/47, Veer Nariman Road, Mumbai 400 001.

PROXY FORM

| | |
|----------------------------------|--|
| Reg. Folio No./ Client ID No. | |
|----------------------------------|--|

| | |
|--------------------|--|
| No. of Shares held | |
|--------------------|--|

I/Weof.....being member/members of LIC Housing Finance Limited hereby appoint.....ofof failing him/her.....ofas my/our proxy to vote for me/us on my/our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 20th July, 2011 at 3.00 p.m. and at any adjournment thereof.

Signed thisday of2011

Signature.....

Affix
1 Rupee
Revenue
Stamp



Note: This form duly completed and signed must be deposited at the Registered & Corporate Office of the Company not less than 48 hours before the meeting.

