

DIRECTORS REPORT

The Members
HDB Financial Services Limited

Your Directors have pleasure in presenting the First Annual Report on the business and operations of your Company together with the Audited Accounts for the First Financial Year i.e. 4th June 2007 to 31st March 2008.

FINANCIAL PERFORMANCE

Particulars	(Rs. in lacs) 31 st March 2008
Total Income	48.23
Profit before Depreciation and Tax	(356.63)
Depreciation & Tax	35.71
Net Profit / (Loss) carried to Balance Sheet	(359.67)

The Company has posted total income of Rs. 48.23 lacs and net loss of Rs. 359.67 lacs during the first financial year ended 31st March 2008.

DIVIDEND

In view of the loss incurred in the period under review, your directors do not recommend any dividend.

FIXED DEPOSITS

The Company did not accept any Fixed Deposit during the period under review.

NBFC REGISTRATION

The Company has been registered as Non-Banking Financial Company (Non Deposit) i.e. NBFC-ND by the Reserve Bank of India vide their letter dated December 31, 2007

INCREASE IN SHARE CAPITAL

The Company was incorporated on 4th June 2007 with an initial paid-up share capital of Rs. 700,000/- divided into 70,000 equity shares of Rs. 10/- each. During the period under review, the Company has issued and allotted 1048.72 lacs equity shares of the face value of Rs. 10/- each whereby its paid-up share capital has increased to Rs. 10494.20 lacs divided into 1049.42 lacs equity shares of Rs. 10/- each. The aforesaid increase falls within the existing Authorised Share Capital of the Company.

During the period under review, the Company has allotted 1000.00 lacs equity shares to HDFC Bank Limited which constitute 95.29% of the total current paid-up share capital of the Company. Thus the Company has become subsidiary of HDFC Bank Limited.

BUSINESS

HDB Financial Services was incorporated on June 4, 2007 and it received its Commencement of Business Certificate on July, 31, 2007. The company applied for registration certificate with Reserve Bank of India and received the registration on December 31, 2007.

The Company has put in place its Management team. The company placed an order with Nucleus for its Lending system "Finnone". The application has since been installed and UAT completed. The company has also successfully implemented a GL System for its Finance Department and a mail system for the employees.

The company also prepared the business plans and also finalized premises for its some of the branches, its CPU operations at Hyderabad and Data Centre at Bangalore. First branch was started at Kodambakkam, Chennai and the CPU operations set up at Kukkatpally, Hyderabad. The Company commenced business by placing deposit with a corporate.

STATUTORY DISCLOSURES

1. The information required under Section 217(2A) of the Act and the rules made there under, are given in the annexure appended hereto and forms part of this report.
2. The provisions of Section 217(1)(e) of the Act relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing company.
3. The Company had No Foreign Exchange inflow and outgo for the period under review.

DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors hereby state that:

1. In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

DIRECTORS

Mr. Vinod Yennemadi, Mr. G. Subramanian and Mr. C. N. Ram were appointed as First Directors of the Company since the date of incorporation i.e. 4th June 2007, who were confirmed / appointed as directors of the Company in the Extraordinary General Meeting held on 31st December 2007. In the Extraordinary General Meeting held on 31st December 2007, Mr. Vinod Yennemadi has been appointed as part time Chairman of the Company for a period of 5 years i.e. from 1st July 2007 to 30th June 2012.

The Board at its meeting held on 31st August 2007 appointed Mr. Pralay Mondal and Mr. Aseem Dhru as Additional Directors of the Company as per the provisions of Section 260 of the Companies Act, 1956 to hold office till the conclusion of ensuing Annual General Meeting of the Company. The Company has received notices in writing under Section 257 of the Act, proposing candidatures of Mr. Mondal and Mr. Dhru for the office of Directors of the Company.

Mr. C. N. Ram has resigned from the Board w.e.f. 15th April 2008. Your directors wish to place on record their sincere appreciation for the contribution made by Mr. C. N. Ram during his tenure as Director of the Company.

Mr. G. Subramanian will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants were appointed by the Board as first Statutory Auditors of the Company who hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Your Directors recommend their re-appointment.

ACKNOWLEDGEMENT

The Directors of the Company wish to convey their gratitude to the Company's auditors, customers, bankers and shareholders for their valued support and look forward to their continued contribution in the progress of the Company.

By order of the Board

Vinod Yennemadi
Chairman

April 12, 2008

Regd. Office:
HDFC Bank House,
Final Plot No. 287,
Ellisbridge Township Scheme No. 3,
Navrangpura,
Ahmedabad 380 009 (Gujarat)

Annexure to the Directors' Report
HDB Financial Services Limited

STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2008.

Sr. No.	Name of the Employee	Designation	Function	Date of Joining	Qualification	Age	Exp.	Total (Rs.)	Last Employment
<u>Persons in service for the whole year and drawing emoluments more than Rs. 2,400,000/- per annum</u>									
None									
<u>Employed for part of the year</u>									
1	G Ramesh	Chief Operating Officer	Planning and Implementation	03-Sep-07	PGDM, IIM Lucknow	38	16	2,876,224	Enam AMC Ltd
2	Pavan Dhamija	Chief Business Officer	Lending	10-Dec-07	PGDM, IIM Ahmedabad	40	16	3,390,625	Standard Chartered Loans and Investments
3	Rohit Patwardhan	Head Risk	Risk and Collections	10-Dec-07	PGDM, Symbiosis Institute of Management	34	11	2,534,108	Citi Bank
4	Haren Parekh	Finance Controller	Finance	10-Oct-07	BCOM, FCA	46	22	1,559,238	Credit Information Bureau I Ltd
5	Sanjay Raghuraman	Head Operations	Operations	16-Jan-08	BCOM, ACA	37	13	756,104	Wipro BPO
6	Sarabjeet Singh	Regional Manager North	Sales	22-Feb-08	PGDM IMT Ghaziabad	36	12	345,044	GE Money

Notes :

- 1 Remuneration shown above includes basic salary, allowances, performance bonus, cash allowances in lieu of perquisites or taxable value of perquisites, if availed as computed as per Income-tax rules but excludes Gratuity, PF settlement & Super Annuity settlement if received.
- 2 All appointments are terminable by three month's notice as the case may be on either side.
- 3 Nature of employment is contractual.

On behalf of the Board of Directors

Mumbai, April 12, 2008

Vinod G Yennemadi
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF HDB FINANCIAL SERVICES LIMITED

1. We have audited the attached Balance Sheet of **HDB Financial Services Limited** as at 31st March 2008 and also the Profit and Loss Account and the cash flow statement for the period ended on that date, annexed thereto. 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, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to 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 purpose 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;
 - (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;
 - (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.
 - (e) On the basis of the written representations received from the directors of the Company as on 31st March 2008, and taken on record by the Board of Directors of the Company, we

report that none of the directors is disqualified as on 31st March 2008 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 financial statements together with the accounting policies and notes thereon and attached thereto 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 31st March, 2008 and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date.
 - (iii) in the case of cash flow statement, of the cash flows for the period ended on that date.

**For Haribhakti & Co.,
Chartered Accountants**

Place: Mumbai
Date: 12 April 2008

Manoj Daga
Partner
Membership No. 48523

The annexure referred to in Paragraph 4 of the Auditors' Report of even date to the members of HDB Financial Services Limited (the Company) on the accounts for the period ended 31st March 2008. We report that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets held for own use.
 2. We have been informed that, the company has a regular programme of verification of all the fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets and, no material discrepancies were noticed on such verification as compared to book records.
 3. Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the Company has not disposed off substantial part of its fixed assets during the year.
 4. As the Company does not hold any item of inventory defined in AS 2, the relevant clauses are not applicable.
 5. According to the information and explanations provided to us by the management, the Company has not granted and/or taken any loans, secured or unsecured to/from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
 6. 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 for the purchase of fixed assets. Further, on the basis of our examination, and according to the information and explanations given to us, we have not observed any instances of major weaknesses in the aforesaid internal control system.
- 7 a According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act 1956 is not exceeding the value of rupees five lakhs in respect of any party during the year.

8. According to the information and explanations provided to us, the Company has not accepted any deposits from the "public" attracting the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 or any other relevant provisions and the rules framed there under.
9. According to the books and records of the Company as produced and examined by us and according to the information and explanations provided to us, the Company is regular in depositing undisputed statutory dues with the appropriate authorities
10. According to the information and explanations provided to us, no undisputed amounts payable in respect Income Tax, cess and any other statutory dues were outstanding as at 31st March 2008 for a period of more than six months from the date they became payable.
11. According to the information and explanations given to us, there are no dues of sales tax, Income Tax, Custom duty, Wealth Tax, Excise Duty and cess which have not been deposited on account of any dispute.
12. According to the information and explanations provided to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions.
13. Based upon the audit procedures performed and the information and explanations provided to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
14. The following clauses of the Order are not applicable to the Company and hence the same are not reported upon:
Clause (vii), Clause (viii), Cause (x), Clause (xi), Clause (xii), Clause (xiii), Clause (xiv), Clause (xvi), Clause (xvii), Clause (xviii), Clause (xix), Clause (xx).

**For Haribhakti & Co.,
Chartered Accountants**

Place: Mumbai
Date: 12 April 2008

Manoj Daga
Partner
Membership No. 48523

HDB Financial Services Ltd

Balance Sheet as at March 31, 2008

	Schedule	Amount Rs. '000	Amount Rs. '000
SOURCES OF FUNDS			
Shareholders Fund			
Share Capital	1		1,049,420
Total			1,049,420
APPLICATION OF FUNDS			
Fixed Assets	2		
Gross Block		28,768	
Less Accumulated Depreciation		271	
Net Block			28,497
Current Assets, Loans & Advances			
Interest Accrued But Not Due		2,534	
Cash & Bank Balances	3	979,889	
Loans & Advances	4	27,176	
		1,009,599	
Less: Current Liabilities & Provisions			
Current Liabilities	5	24,232	
Provisions	6	411	
		24,643	
NET CURRENT ASSETS			984,956
Profit and Loss Account			35,967
Total			1,049,420

Accounting Policies and Notes to Accounts 8

The Schedules referred to herein form an integral part of the Balancesheet

As per our report of even date
For Haribhakti & Co.
Chartered Accountants

For and on behalf of the Board

Manoj Daga
Partner
Membership No.48523
12-Apr-08

Mr. Vinod Yennemadi
Chairman

Mr. Pralay Mondal
Director

HDB Financial Services Ltd		
Profit and Loss Account for the period ended March 31, 2008		
	Schedule	Amount Rs. '000
INCOME		
Interest Income		4,823
EXPENDITURE		
Administrative & Other expenses	7	19,715
Depreciation		271
Preliminary expense W/off		20,771
Profit/(Loss) Before tax		-35,934
<u>Provision for taxation</u>		
Fringe Benefit Tax		33
Profit/(Loss) After Taxation		-35,967
Balance Carried to Balance Sheet		-35,967
<u>Earning Per Share</u>		
Basic Earning per Share (annualized)		(9.93)
Diluted Earning per Share (annualized)		(9.93)
Face Value Per Share		10
Accounting Policies and Notes to Accounts	8	
The Schedules referred to herein form an integral part of the Profit and Loss Account		
As per our report of even date	For and on behalf of the Board	
For Haribhakti & Co.		
Chartered Accountants		
Manoj Daga	Mr. Vinod Yennemadi	
Partner	Chairman	
Membership No.48523		
12-Apr-08	Mr. Pralay Mondal	
	Director	

HDB Financial Services Ltd

Schedules forming part of Balance Sheet as at March, 31, 2008

SCHEDULES	Amount Rs. '000	Amount Rs. '000
SCHEDULE-1		
Share capital		
Authorised		
1,00,00,00,000 Equity Shares of Rs.10 each		10,000,000
Issued, Subscribed and Paid up		
10,49,42,000 Equity Shares of Rs.10 each fully paid up		1,049,420
SCHEDULE-3		
Cash and Balances with Scheduled Bank		
In Current Account	38,294	
In Deposit account	941,595	979,889
SCHEDULE-4		
Loans & Advances (Unsecured Considered good)		
Deposits	26,000	
Prepaid Expenses	143	
Other Advances	21	
Advance payment against taxes	1,012	27,176
SCHEDULE-5		
Current Liabilities		
Sundry Creditors	20,558	
Other liabilities	3,674	24,232
SCHEDULE-6		
Provisions		
Provisions for Fringe Benefit Tax	33	
Provisions for Gratuity	48	
Provisions for Compensated Absences	330	411

SCHEDULE 2										
FIXED ASSETS										Rs. '000
Particulars	Gross Block				Depreciation				Net Block	
	As at June 4 2007	Additions During the year	Deductions During the year	As at March 31 2008	As at June 4 2007	Additions During the year	Deductions During the year	As at March 31 2008	As at June 4 2007	As at March 31 2008
Computer Hardware	0	16,592	0	16,592	0	117	0	117	0	16,475
Leasehold Improvements	0	93	0	93	0	2	0	2	0	91
Office Equipment	0	219	0	219	0	6	0	6	0	213
Software	0	11,864	0	11,864	0	146	0	146	0	11,718
	0	28,768	0	28,768	0	271	0	271	0	28,497

**Schedules forming part of Profit and Loss Account
for the period ended March 31, 2008**

SCHEDULE-7	Amount Rs. '000	Amount Rs. '000
ADMINISTRATIVE AND OTHER EXPENSES		
1) PAYMENTS TO & PROVISION FOR EMPLOYEES		
Salaries	13,186	13,858
Contributions to Provident Fund	117	
Provision for Gratuity & Compensated Absence Liabilities	377	
Staff Housing	163	
Staff Insurance	12	
Staff welfare expenses	3	
2) OTHER EXPENSES		
Rent	2,729	5,745
Rates & Taxes	4	
Legal & Professional Fees	900	
Travelling & Conveyance	413	
Telephone	74	
Printing & Stationary	13	
Postage & Courier Charges	1	
Equipment Hire Charges	887	
Membership & Subscription	100	
Recruitment Expense	26	
Computer Expenses	4	
Car Expenses	160	
Sundry Expenses	287	
Commission & Brokerage	147	
3) AUDITORS REMUNERATION		
Statutory Audit	84	112
Tax Audit	28	
TOTAL		19,715

HDB Financial Services Ltd

Cash Flow Statement for the Period ended March 31, 2008

	(Rs. '000) Amount
<u>Cash flows from operating activities</u>	
Net profit before income tax	(35,934)
Adjustments for:	
Depreciation	271
(Profit)/Loss on Revaluation of Investments	-
Amortisation of premia on investments	-
Loan Loss provisions	-
Provision against standard assets	-
Provision for wealth tax	-
Contingency provision	-
Preliminary Expenses	-
Loss/(Profit) on sale of fixed assets	-
<u>Adjustments for :</u>	
(Increase) in Investments	-
(Increase) in Advances	(3,681)
(Decrease) in Borrowings	-
Increase in Deposits	-
(Increase) in Other assets	(26,000)
Preliminary Expenses	-
Increase in Other liabilities and provisions	24,608
(Increase)/Decrease in Deposit Placements	-
	(40,736)

Direct taxes paid (net of refunds)	(27)
Net cash flow from/(used in) operating activities	(40,763)
<u>Cash flows from investing activities</u>	
Purchase of fixed assets	(28,769)
Proceeds from sale of fixed assets	-
Long term investments	-
Net cash used in investing activities	(28,769)
<u>Cash flows from financing activities</u>	
Money received on exercise of stock options by employees	-
Proceeds from issue of Upper Tier II capital, Lower Tier II capital and Innovative Perpetual Debt Instruments	-
Redemption of subordinated debt	-
Issue of equity shares	1,049,420
Dividend during the year	-
Tax on Dividend	-
Net cash generated from financing activities	1,049,420
Net increase in cash and cash equivalents	979,888
Cash and cash equivalents as at 4 June, 2007	-
Cash and cash equivalents as at 31 March, 2008	979,888

As per our report of even date
For Haribhakti & Co.
Chartered Accountants

Manoj Daga
Partner
Membership No.48523
12-Apr-08

For and on behalf of the Board

Mr. Vinod Yennemadi
Chairman

Mr. Pralay Mondal
Director

HDB Financial Services Limited

Schedule 8

SIGNIFICANT ACCOUNTING POLICIES

OVERVIEW

HDB Financial Services Ltd., a Company, incorporated in Ahmedabad, is a Registered Non Banking Finance Company engaged in providing loans and other financial services and governed by the Indian Companies Act, 1956

The financial statements have been prepared in accordance with statutory requirements and in accordance with the Companies Act, 1956. . The accounting and reporting policies of HDB Financial Services Ltd used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (“Indian GAAP”), the guidelines issued by Reserve Bank of India (“RBI”) from time to time and practices generally prevalent in the industry in India. The company follows the accrual method of accounting, except where otherwise stated, and the historical cost convention.

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 expense for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

1 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit/ functioning capability from/of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are:

- Improvements to lease hold premises are charged off over the primary period of lease.
- Office equipment at 16.21% per annum
- Computers at 16.21% per annum
- Software and System development expenditure at 20.00% per annum

- Items costing less than Rs 5,000/- are fully depreciated in the year of purchase
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

2 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the profit and loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

3 Lease accounting

Lease payments for assets taken on operating lease are recognized in the profit and loss account over the lease term in accordance with the (AS) 19, Leases, issued by the Institute of Chartered Accountants of India.

4 Staff Benefits

Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, on death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company has not made annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Company accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually as at the balance sheet date.

Provident fund

In accordance with law, all employees of the Company are entitled to receive benefits under the provident fund. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Company contributes an amount (employee's basic salary upto a maximum level of Rs 6,500 per month) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution. The amount recognized in the profit and loss account is Rs.117

Compensated Absences

The Company does not have a policy of encashing unavailed leave for its employees. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits. The provision is based on an independent external actuarial valuation at the balance sheet date.

5 Revenue Recognition.

Interest income is recognised in the profit or loss account on an accrual basis,

6 Income tax

Income tax comprises the current tax provision, the net change in the deferred tax asset or liability in the year and fringe benefit tax. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognised subject to Management's judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the timing differences are expected to be received, settled or reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement in the period of enactment of the change.

7 Accounting for Provisions, Contingent Liabilities and Contingent Assets

As per (AS) 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Company recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for -

- a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- b) Any present obligation that arises from past events but is not recognised because -

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realized.

8. Preliminary Expenses

Expenses incurred in connection with Company incorporation are classified as Preliminary Expenses and are charged in the year in which it is incurred. .

NOTES FORMING PARTS OF ACCOUNTS

1. HDB Financial Services Ltd was incorporated on June 4 2007 & received commencement of Business certificate on July 31 2007. The company had applied to RBI to register as NBFC & received registration certificate on December 31 2007.
2. Since this, being the first year of the company's operations, previous year figures are not available. All figures are given in thousands unless otherwise stated.
3. Earnings per share as required by Accounting Standard 20 are calculated as under.

Net Profit/(Loss) as per profit and loss account	(35967)
Weighted average no. of shares outstanding	3621
Annualized EPS basic per share of Face value of Rs. 10/-	(9.93)

4. The Company's primary business is that of lending and there is no reportable segment for the purpose of Accounting Standard 17 on Segment Reporting. as of the date of Balance Sheet,
5. As per the information available with the Company, there are no Micro, Small and Medium Enterprises to whom any money has been due as on the date of Balance Sheet.

6. The total lease rent payable under operating leases by the company over the next 12 months amounts to Rs. 2763 and the total lease rent payable for the period exceeding one year but not more than five years amounts to Rs. 3796. Lease payments recognized in the statement of profit and loss for the period is Rs. 986/-
7. Legal & Professional fees include Rs 9,00 payable to Mr. Vinod Yennemadi, the Chairman of the company which shall be payable subject to Regulatory Approvals.
8. In accordance with Accounting Standard 22 on “Accounting for Taxes on Income”, The Company has deferred tax asset amounting to Rs. 2943. The Company has not recognized such asset in its books by virtue of not having reasonable certainty that there will be sufficient future taxable income against which such deferred tax assets can be realised. The components of deferred tax Assets are as under.

Particulars	Amount As per Books	Amount as per Income tax	Difference
Depreciation	271	8558	(+) 8286
Compensated Absences	330	0	(-) 330
Preliminary Expenses	20771	4154	(-) 16617

9 Related Party Disclosures

As per (AS) 18, Related Party Disclosure, issued by the Institute of Chartered Accountants of India, the Company's related parties are disclosed below:

Promoter

HDFC Bank Ltd.

Enterprises under common control of the promoter

HDFC Securities Limited

Key Management Personnel

Vinod Yennemadi Chairman

Transactions are not reported since there is single related party exposure.

10 Provisions, contingent liabilities and contingent assets

There are no contingent liabilities & Assets as on Balance Sheet date

11 Capital commitments as at balance sheet date are Rs. 10605 (net of advances)

For and on behalf of the Board

Mr. Vinod Yennemadi
Chairman

Mr. Pralay Mondal
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Submitted in terms of Part IV of schedule VI to the Companies Act, 1956)

I. Registration Details

Registration No.

0	5	1	0	2	8
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 State Code

0	4
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Balance Sheet Date

3	1
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0	3
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2	0	0	8
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II. Capital Raised during the year (Amount in Rs.)

Public Issue	Rights Issue																		
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
						N	I	L											
						N	I	L											
Bonus Issue	Private Placement																		
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
						N	I	L											
						N	I	L											

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.thousands)

Total Liabilities	Total Assets																			
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td>1</td><td>0</td><td>7</td><td>4</td><td>0</td><td>6</td><td>3</td></tr></table>			1	0	7	4	0	6	3	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td>1</td><td>0</td><td>7</td><td>4</td><td>0</td><td>6</td><td>3</td></tr></table>			1	0	7	4	0	6	3	
		1	0	7	4	0	6	3												
		1	0	7	4	0	6	3												
SOURCES OF FUNDS																				
Paid-up Capital	Reserves and Surplus																			
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td>1</td><td>0</td><td>4</td><td>9</td><td>4</td><td>2</td><td>0</td></tr></table>			1	0	4	9	4	2	0	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	
		1	0	4	9	4	2	0												
						N	I	L												
Secured Loans	Unsecured Loans																			
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	
						N	I	L												
						N	I	L												
APPLICATION OF FUNDS																				
Loans	Net Fixed Assets																			
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>2</td><td>7</td><td>1</td><td>7</td><td>6</td></tr></table>					2	7	1	7	6	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>2</td><td>8</td><td>4</td><td>9</td><td>7</td></tr></table>					2	8	4	9	7	
				2	7	1	7	6												
				2	8	4	9	7												
Capital work in Progress	Deferred Tax Asset																			
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table;"><tr><td></td><td>-</td><td></td><td></td><td></td><td></td><td>2</td><td>7</td><td>0</td><td>7</td></tr></table>		-					2	7	0	7
						N	I	L												
	-					2	7	0	7											
Investments	Net Current Assets																			
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td>9</td><td>8</td><td>4</td><td>9</td><td>5</td><td>5</td></tr></table>				9	8	4	9	5	5	
						N	I	L												
			9	8	4	9	5	5												
Accumulated Losses	Miscellaneous Expenditure																			
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>3</td><td>5</td><td>9</td><td>6</td><td>7</td></tr></table>					3	5	9	6	7	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>										
				3	5	9	6	7												

IV. Performance of the Company (Amount in Rs.thousands)

Total Income	Total Expenditure																		
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td>4</td><td>8</td><td>2</td><td>3</td></tr></table>						4	8	2	3	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>4</td><td>0</td><td>7</td><td>5</td><td>8</td></tr></table>					4	0	7	5	8
					4	8	2	3											
				4	0	7	5	8											
Profit Before Tax	Profit After Tax																		
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td>(3</td><td>5</td><td>9</td><td>3</td><td>4)</td></tr></table>				(3	5	9	3	4)	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td>(3</td><td>5</td><td>9</td><td>6</td><td>7)</td></tr></table>				(3	5	9	6	7)		
			(3	5	9	3	4)												
			(3	5	9	6	7)												
Earnings per Shares (in Rs.)	Dividend %																		
<table border="1" style="display: inline-table;"><tr><td></td><td>-1</td><td>0</td></tr></table>		-1	0	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L												
	-1	0																	
N	I	L																	

V. Generic Names of Three Principal Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

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Product Description

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