



CREATING
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ENTREPRENEURS



Subsidiary Companies Financial Statement 2007 - 08

Srei Infrastructure Finance Limited

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DIRECTORS

Mr. Salil K. Gupta - *Chairman*
 Mr. Hemant Kanoria - *Vice Chairman & Managing Director*
 Mr. Sunil Kanoria - *Joint Managing Director*
 Mr. Bertrand Gousset - *Vice Chairman*
 Mr. Thierry Bonetto
 Mr. Frederic Amoudru

CHIEF EXECUTIVE OFFICER

Mr. D. K. Vyas

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

COMPANY SECRETARY

Mr. Sanjay Chaurasia

Directors' Report

Dear Shareholders,

The Board of Directors of your Company have pleasure in presenting the Second Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

Srei Infrastructure Finance Limited (SIFL) was holding 20,00,000 Equity shares of 10/- each fully paid-up per share total aggregating to Rs. 2 crore (Rupees Two crore only). During the year, SIFL has further invested a sum of Rs. 23 crore (Rupees Twenty Three crore only) being 2,30,00,000 Equity shares of Rs. 10/- each fully paid-up per share in the Equity capital of your Company, thereby SIFL now holds 2,50,00,000 Equity shares of Rs. 10/- each fully paid-up per share aggregating to Rs. 25 crore (Rupees Twenty Five crore only).

In accordance with the Scheme of Arrangement entered into between the Company and Srei Infrastructure Finance Limited (SIFL) and sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 28th January, 2008, the equipment finance division and Srei Insurance Broking Private Limited would be operating under the aegis of your Company from the Appointed Date i.e. 1st January, 2008. The aforesaid Scheme has become effective w.e.f. 2nd April, 2008 consequent upon filing of the Certified copy of the Order of the Hon'ble High Court at Calcutta with the Registrar of Companies, West Bengal on 2nd April, 2008.

Accordingly, the operations and financial results of your Company comprise of the equipment finance business for a period of 3 (three) months from 1st January, 2008 to 31st March, 2008.

The summarised financial performance of your Company for the year ended 31st March, 2008 is as under:

Rupees in Lacs

| Particulars | Consolidated | Standalone | |
|--|--------------------------------|--------------------------------|----------------------------------|
| | Year ended 31st March, 2008 | Year ended 31st March, 2008 | Period ended 31st March, 2007 |
| Total Income | 22,125.00 | 22,088.00 | 8.49 |
| Total Expenditure | 16,777.00 | 16,746.00 | 5.74 |
| Profit before Depreciation | 5,348.00 | 5,342.00 | 2.75 |
| Depreciation | 1,262.00 | 1,261.00 | 0.00 |
| Profit before Provisions and Tax | 4,086.00 | 4,081.00 | 2.75 |
| Bad Debts / Provisions | 539.00 | 539.00 | 0.00 |
| Profit Before Tax | 3,547.00 | 3,542.00 | 2.75 |
| Provision for Taxation | 1,156.00 | 1,152.00 | 0.93 |
| Profit After Tax | 2,391.00 | 2,390.00 | 1.82 |
| Profit available for Appropriation | 2,393.00 | 2,392.00 | 1.82 |
| Paid up Equity Share Capital | 205.00 | 205.00 | 200.00 |
| Reserves | 2,428.00 | 2,423.00 | 1.82 |
| Net Worth | 2,106.00 | 2,102.00 | 202.00 |

PARTICIPATION BY BNP PARIBAS LEASE GROUP (BPLG)

BNP Paribas Lease Group is a 100% BNP Paribas subsidiary specialised in financing investments made by companies and professionals, either through the intermediary of its partners (manufacturers, importers and vendors of equipment) or directly to the customers. BNP Paribas Lease Group has been in this business for 50 years and is today the European and French market leader with a global balance sheet of Euro 20 billion. BNP Paribas Lease Group is present directly in Austria, Belgium, France, Germany, Hungary, India, Italy, Netherlands, Poland, Portugal, Spain and the UK, and through BNP Paribas Group entities in Algeria, Greece, Morocco (BMCI Leasing), Turkey (TEB Leasing), Ukraine (ULC) and USA (Trinity Vendor Finance).

BNP Paribas Lease Group has invested Rs. 775 crore (Rupees Seven Hundred Seventy Five crore only) in your Company through infusion of fresh capital (2,50,00,000 Equity shares of Rs. 10/- each at a premium of Rs. 300/- per share). BNP Paribas Lease Group will also assist and support the Company to raise resources at lower cost to improve the profitability of the organisation.

CHANGE OF NAME OF THE COMPANY

During the year under review, your Company was converted into a Private Limited Company w.e.f. 28th September, 2007 to carry out the business in a more convenient and economic manner. Consequently, the name of your Company was also rechristened as 'Srei Infrastructure Development Finance Private Limited' consequent upon conversion of your Company into a private limited Company and finally to 'Srei Equipment Finance Private Limited' w.e.f. 30th May, 2008 in order to reflect your Company's main line of business activity.

SUBSIDIARY COMPANY

Pursuant to the Scheme of Arrangement between your Company and Srei sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 28th January, 2008, the entire shareholding of Srei Insurance Broking Private Limited will now be held by your Company.

DIVIDEND

In order to conserve the resources of your Company, the Board of Directors of your Company does not recommend any dividend for the year ended 31st March, 2008.

FIXED DEPOSIT

Your Company is a Non-deposit taking Non Banking Financial Institution and accordingly has not accepted any fixed deposit during the year under review.

AUDIT COMMITTEE

The Board of Directors of your Company has constituted an Audit Committee and the same comprises of Mr. Salil K. Gupta, Chairman of the Committee, Mr. Sunil Kanoria and Mr. Thierry Bonetto.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to

the Directors' Report.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Your Company has no activity relating to Conservation of Energy and Technology Absorption as stipulated in the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

During the year under review, the total foreign exchange earnings and expenditure of your Company was Rs. 17 lacs (previous year Rs. Nil) and Rs. 4744 lacs (previous year Rs. Nil) respectively.

DIRECTORS

Mr. Salil K. Gupta, Mr. Hemant Kanoria and Mr. Sunil Kanoria were appointed as Directors of your Company at the 1st Annual General Meeting of the Company held on 20th June, 2007.

Post implementation of the Scheme of Arrangement between Srei Infrastructure Finance Limited (SIFL) and the Company and in terms of the Share Subscription Agreement and the Shareholders Agreement both dated May 31, 2007 and entered into between (i) BNP Paribas Lease Group (BPLG); (ii) the Company; (iii) Srei Infrastructure Finance Limited (SIFL); and (iv) Mr. Hemant Kanoria and Mr. Sunil Kanoria, the Board of Directors of your Company was reconstituted to provide for the appointment of two directors nominated by BPLG and two directors nominated by SIFL as directors not liable to retire rotation and appointment of one independent director by each of BPLG and SIFL liable to retirement by rotation.

Accordingly, Mr. Bertrand Gousset and Mr. Jean Michel Vendassi, two directors nominated by BPLG were appointed as Additional Directors of your Company w.e.f. 2nd April, 2008. Mr. Hemant Kanoria and Mr. Sunil Kanoria, were nominated by SIFL as its nominated directors. Mr. Salil K. Gupta, recommended by SIFL as its Independent Director and Mr. Frederic Amoudru, recommended by BPLG as its Independent director, were appointed as Directors of your Company w.e.f. 2nd April, 2008 as directors liable to retirement by rotation.

Further, in terms of Share Subscription Agreement and the Shareholders Agreement, Mr. Salil K. Gupta, SIFL nominated Independent Director, was appointed as Chairman, Mr. Hemant Kanoria was appointed as Vice Chairman and Managing Director, Mr. Bertrand Gousset was appointed as Vice Chairman and Mr. Sunil Kanoria was appointed as Joint Managing Director of your Company w.e.f. 2nd April, 2008.

The aforesaid appointments were thereafter approved by the shareholders of your Company at the Extra-ordinary General Meeting held on 2nd April, 2008.

Subsequent to the aforesaid appointment, Mr. Jean Michel Vendassi, BPLG Nominee Director, resigned as Director of your Company and Mr. Thierry Bonetto, BPLG Nominee Director, was appointed as Additional Director of your Company w.e.f. 13th June, 2008.

However, Mr. Thierry Bonetto will hold office as Additional Director upto the date of the ensuing Annual General Meeting. Your Company has received a notice under Section 257 of the Companies Act, 1956 from a member signing

his intention to move resolution for the appointment of Mr. Thierry Bonetto, as BPLG Nominee Director of your Company not liable to retirement by rotation.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your directors confirm:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 period and of the profit of the Company for that period.
- (iii) that the Directors have taken proper and sufficient care 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.
- (iv) that the Directors have prepared the annual accounts for the year ended 31st March, 2008 on a going concern basis.

AUDITORS

M/s. Singhi & Co., Chartered Accountants were re-appointed as Auditors of your Company at the 1st Annual General Meeting of the Company held on 20th June, 2007 to hold the office till the conclusion of the next Annual General

Meeting of the Company. However, M/s. Singhi & Co. had thereafter resigned and your Company had appointed M/s. Deloitte Haskins & Sells, Chartered Accountants as Auditors of your Company at the Extra-ordinary General Meeting held on 30th July, 2007 to fill the casual vacancy caused by the resignation of M/s. Singhi & Co.

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the excellent support and co-operation received from the Financial Institutions, Banks, Government Authorities, Reserve Bank of India, Credit Rating Agencies, Customers, Manufacturers, Suppliers, Depositors, Shareholders and other Stakeholders during the year under review. Your Directors also place on record their deep appreciation of the valuable contribution of the employees at all levels for the progress of your Company during the year and look forward to their continued co-operation in realisation of the corporate goals in the years ahead.

On behalf of the Board of Directors

Place : Kolkata
Date : 13th June, 2008

Salil K. Gupta
Chairman

Particulars of Employees

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 referred to in the Directors' Report for the year ended 31st March, 2008 and forming part thereof.

| Sl. No. | Name | Age | Designation | Qualification | Remuneration (Rs.) | Date of commencement of employment | Working Experience (years) | Previous Employment |
|---------|-------------------------|-----|------------------------------|------------------------------------|--------------------|------------------------------------|----------------------------|--|
| 1. | Mr. D. K. Vyas | 39 | Chief Executive Officer | B. Com., ACA | 10,80,358/-* | 01-04-1997 | 16 | G. P. Agrawal & Co. Chartered Accountants |
| 2. | Mr. Kaushik Chaudhuri | 40 | Chief Operating Officer | B. Com. (Hons.), CA, ICWA | 7,61,000/-* | 23-11-2005 | 17 | Satyam Computer Services Ltd. |
| 3. | Mr. Mudit Gupta | 35 | Senior Vice President | B. Com, PGDM | 7,31,027/-* | 01-03-2005 | 11 | ICICI Bank Ltd. |
| 4. | Mr. Prakash Chand Patni | 49 | Head - Resource Mobilisation | B. Com, FCA | 8,62,188/-* | 01-10-1996 | 24 | Aketa Ltd. |

* Employed for part of the year. Transferred from Srei Infrastructure Finance Ltd. (SIFL) with effect from 1st January, 2008 as per Scheme of Arrangement between SIFL and the Company. Hence, remuneration for three months period has been taken into consideration.

1. The aforesaid appointment is contractual and terminable by giving three months Notice by either side.
2. Remuneration includes Basic Salary, Commission, LTA, Medical, Leave encashment, Employer's Contribution to Provident Fund, Incentive and other perquisites.
3. None of the Employees hold 2% or more of paid up Share Capital of the Company.

Auditors' Report

To the Members,
Srei Equipment Finance Private Limited
(Formerly Srei Infrastructure Development Finance Limited)

We have audited the attached Balance Sheet of **Srei Equipment Finance Private Limited (formerly Srei Infrastructure Development Finance Limited)**, as at 31st March, 2008 and the Profit and Loss Account and Cash Flow Statement for the year ended 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.

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.

As required by the Companies (Auditors' Report) Order, 2003 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.

Further to our comments in the Annexure referred to above, we report that:

1. 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;
2. 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;
3. The Balance Sheet, Profit and Loss Account and Cash

Flow Statement dealt with by this report are in agreement with the books of account;

4. 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;
5. On the basis of representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2008 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins and Sells**
Chartered Accountants

A. Bhattacharya
Partner

Place : Kolkata
Date : 13th June, 2008

Membership No. 054110

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

The nature of the Company's business / activities during the year is such that clauses 4 (ii) (a) to (c), (vi), (viii), (xiii), (xiv) are not applicable to the Company.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. 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) The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses 4 (iii) (a) to (g) are not applicable to the Company.
- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. We have not observed any continuing failure to correct major weaknesses in such internal controls.
- iv) There were no contracts or arrangements referred to in Section 301 of the Companies Act, 1956, during the year that need to have been entered in the register maintained under that section. Accordingly, clauses 4(v) (a) and (b) are not applicable to the Company.
- (v) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (vi) In respect of statutory dues:
 - a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Cess, to the extent applicable and any other material statutory dues with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2008 on account of any dispute are given below:

| Name of Statute | Nature of dues | Amount (Rs.) | Period to which the amount relates | Forum where dispute is pending |
|--|----------------|--------------|------------------------------------|--|
| UP Trade Tax Act, 1948 | Sales Tax | 153,920 | 1995-96 | Deputy Commissioner (Appeals), Trade Tax, Kanpur |
| UP Trade Tax Act, 1948 | Sales Tax | 153,920 | 1997-98 | A.C.Assessment, Kanpur |
| UP Trade Tax Act, 1948 | Sales Tax | 153,920 | 1998-99 | Deputy Commissioner (Appeals), Trade Tax, Kanpur |
| UP Trade Tax Act, 1948 | Sales Tax | 113,997 | 1999-00 | A.C.Assessment, Kanpur |
| Karnataka Sales Tax Act, 1957 | Sales Tax | 756,000 | 2001-02 | High Court at Karnataka |
| Andhra Pradesh General Sales Tax Act, 1957 | Sales Tax | 52,424,312 | 2001-02 | High Court of Andhra Pradesh |
| Orissa Sales Tax Act, 1947 | Sales Tax | 1,370,769 | 2004-05 | Assistant Commissioner – Sales Tax, Cuttack |
| Finance Act, 1994 | Service Tax | 529,115,000 | 2002-03 to 2006-07 | High Court at Calcutta |

The levy of Service Tax on hire purchase and leasing transactions introduced with effect from 16th July, 2001 has been challenged by Trade Associations, before the Hon'ble High Court at Calcutta and Chennai High Court and a stay has been obtained. Pending disposal of writ petitions, the Company is not recognising service-tax on the aforesaid transactions.

- (vii) The Company has been registered for a period of less than five years. Accordingly, clause 4(x) is not applicable to the Company.
- (viii) 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.
- (ix) According to the information and explanations given to us, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (x) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- (xi) Term loans availed by the Company are deposited in centralised bank accounts from where utilisation is made. To the best of our knowledge and belief and according to the information and explanations given to us, these term loans availed 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.
- (xii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
- (xiii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xiv) According to the information and explanations given to us and the records examined by us, securities/charges have been created in respect of debentures issued, with the exception of debentures aggregating to Rs. 1,916,700,000, which is in the process of being created.
- (xv) The Company has not raised money by public issue during the year.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

A. Bhattacharya
Partner

Membership No. 054110

Place : Kolkata
Date : 13th June, 2008

Balance Sheet as at 31st March, 2008

Rupees in Lacs

| | Schedule | | 2008 | 2007 |
|---|----------|---------|----------------|------------|
| SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| Share Capital | 1 | 205 | | 200 |
| Reserves and Surplus | 2 | 2,423 | 2,628 | 2 |
| Loan Funds | | | | |
| Secured Loans | 3 | 345,253 | | - |
| Unsecured Loans | 4 | 126,963 | 472,216 | - |
| Deferred Tax Liability (net) (Refer Note II 18 of Schedule 18) | | | 1,136 | (1) |
| Total | | | 475,980 | 201 |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | | | | |
| Gross Block | 5 | 43,515 | | |
| Less: Depreciation | | 1,255 | | |
| Net Block | | | 42,260 | - |
| Investments | 6 | | 250 | - |
| Current Assets, Loans and Advances | | | | |
| Sundry Debtors | 7 | 805 | | - |
| Cash & Bank Balances | 8 | 18,205 | | 201 |
| Financial & Other Current Assets | 9 | 431,685 | | 4 |
| Loans & Advances | 10 | 33,922 | | - |
| | | 484,617 | | 205 |
| Less: Current Liabilities and Provisions | | | | |
| Current Liabilities | 11 | 46,807 | | 4 |
| Provisions | 12 | 4,866 | | - |
| | | 51,673 | | 4 |
| Net Current Assets | | | 432,944 | 201 |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | 13 | | 526 | - |
| Total | | | 475,980 | 201 |
| Significant Accounting Policies and Notes to the Financial Statements | 18 | | | |

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

Hemant Kanoria
Vice Chairman & Managing Director

Bertrand Gousset
Vice Chairman

Sanjay Chaurasia
Company Secretary

Place : Kolkata
Date : 13th June, 2008

10 Lacs is equal to 1 Million

Profit and Loss Account for the year ended 31st March, 2008

Rupees in Lacs

| | Schedule | For the year ended 31-Mar-08 | For the period from 13-Jun-06 to 31-Mar-07 |
|---|----------|------------------------------|--|
| INCOME | | | |
| Income from Operations | 14 | 21,854 | 5 |
| Other Income | 15 | 234 | 3 |
| Total | | 22,088 | 8 |
| EXPENDITURE | | | |
| Administrative & Other Expenses | 16 | 1,938 | 4 |
| Finance Charges | 17 | 14,788 | - |
| Depreciation | | 1,261 | - |
| Miscellaneous Expenditure written off | | 20 | 2 |
| Total | | 18,007 | 6 |
| Profit Before Bad Debts and Provisions | | 4,081 | 2 |
| Bad Debts written off | | 173 | - |
| Provisions as per the norms of Reserve Bank of India & Foreign Financial Institutions | | 366 | - |
| | | 539 | |
| Profit Before Tax | | 3,542 | 2 |
| Provision for Tax: | | | |
| - Current Tax | | 162 | 1 |
| - MAT credit entitlement | | (162) | |
| - Deferred Tax | | 1,137 | (1) |
| - Fringe Benefits Tax | | 15 | - |
| Profit After Tax | | 2,390 | 2 |
| Surplus brought forward from previous year | | 2 | - |
| Profit Available for Appropriation | | 2,392 | 2 |
| APPROPRIATIONS | | | |
| Special Reserve (As per Reserve Bank of India directions) | | 480 | - |
| Debt Redemption Reserve | | 1,630 | - |
| Surplus carried to Balance Sheet | | 282 | 2 |
| Total | | 2,392 | 2 |
| Earnings Per Equity Share (Basic) Rs. | | 116.93 | 0.09 |
| Earnings Per Equity Share (Diluted) Rs. | | 11.59 | 0.09 |
| (Face Value Rs. 10/- per Share) | | | |
| Significant Accounting Policies and Notes to the Financial Statements | 18 | | |

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

Hemant Kanoria
Vice Chairman & Managing Director

Bertrand Gousset
Vice Chairman

Sanjay Chaurasia
Company Secretary

Place : Kolkata
Date : 13th June, 2008

10 Lacs is equal to 1 Million

Cash Flow Statement for the year ended 31st March, 2008

Rupees in Lacs

| | For the year ended 31-Mar-08 | For the period from 13-Jun-06 to 31-Mar-07 |
|---|------------------------------|--|
| A. Cash Flow from Operating Activities | | |
| Net Profit Before Tax | 3,542 | 3 |
| Adjustment for: | | |
| Depreciation | 1,261 | - |
| Bad Debts written off | 173 | - |
| Provision for Non - Performing Assets | 366 | - |
| Loss on sale of Fixed Assets (net) | 1 | - |
| Interest Expenses | 14,788 | - |
| Miscellaneous Expenditure Written off | 20 | 2 |
| Operating Profit before Working Capital Changes | 20,151 | 5 |
| Adjustments for: | | |
| (Increase) / Decrease in Receivables / Others | (22,654) | (6) |
| (Increase) / Decrease in Financial Assets | (16,535) | - |
| (Decrease) / Increase in Trade Payables | (730) | 2 |
| Cash Generated from Operations | (19,768) | 1 |
| Interest Paid (net of foreign exchange fluctuation) | (11,776) | - |
| Advance Tax | (570) | - |
| Net Cash (Used in) / Generated from Operating Activities | (32,114) | 1 |
| B. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (3,503) | - |
| Proceeds from Sale of Fixed Assets | 394 | - |
| Net Cash (Used) / Generated in Investing Activities | (3,109) | - |
| C. Cash Flow from Financing Activities | | |
| Issue of Equity Capital | 5 | 200 |
| Net Increase in Borrowings | 40,734 | - |
| Net Cash (Used) / Generated in Financing Activities | 40,739 | 200 |
| Net Increase / (Decrease) in Cash & Cash Equivalents | 5,516 | 201 |
| Cash & Cash Equivalents as on 01.04.2007 | 201 | - |
| Cash and Cash Equivalents as at opening of 1st January, 2008 transferred to the Company as per Scheme of Arrangement* | 12,488 | - |
| Cash & Cash Equivalents as on 31.03.2008 | 18,205 | 201 |

* Refer Note II 3 of Schedule 18

Notes:

| | | |
|--|------------|------------|
| 1. The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' notified by Central Government under Companies (Accounting Standard) Rules, 2006. | | |
| 2. Cash and Cash Equivalent at the end of the year as per Balance Sheet | 18,205 | 201 |
| Less: Fixed Deposits under Lien | 17,265 | - |
| | 940 | 201 |
| 3. Previous year's figures have been regrouped, wherever necessary to conform to the current year's classification. | | |

For **Deloitte Haskins & Sells**
Chartered Accountants

On behalf of the Board

A. Bhattacharya

Hemant Kanoria

Bertrand Gousset

Sanjay Chaurasia

Partner

Vice Chairman & Managing Director

Vice Chairman

Company Secretary

Place : Kolkata

Date : 13th June, 2008

10 Lacs is equal to 1 Million

Schedules to the Balance Sheet as at 31st March, 2008

Rupees in Lacs

| | 2008 | 2007 |
|--|--------------|------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| *50,000,000 Equity Shares of Rs. 10/- each | 5,000 | 200 |
| (Previous year 2,000,000 shares of Rs. 10/- each) | | |
| | 5,000 | 200 |
| * Refer Note II 13 of Schedule 18 | | |
| Issued and Subscribed | | |
| 2,050,000 Equity Shares of Rs. 10/- each | 205 | 200 |
| (Previous year 2,000,000 shares of Rs.10/- each) | | |
| Paid up | | |
| *2,050,000 Equity Shares of Rs.10/- each fully paid up | 205 | 200 |
| (Previous year 2,000,000 shares of Rs. 10/- each) | | |
| | 205 | 200 |
| * Refer Note II 10 of Schedule 18 | | |

| | 2007 | Addition / Adjustment during the year | 2008 |
|---|----------|--|--------------|
| SCHEDULE 2 - RESERVES & SURPLUS | | | |
| Capital Reserves* | - | 31 | 31 |
| Other Reserves: | | | |
| Debt Redemption Reserve | - | 1,630 | 1,630 |
| Special Reserve as per Reserve Bank of India Guidelines | - | 480 | 480 |
| Surplus | | | |
| Profit and Loss Account | 2 | 280 | 282 |
| | 2 | 2,421 | 2,423 |
| * Refer Note II 3A(iv) of Schedule 18 | | | |

| | 2008 | 2007 |
|---|----------------|----------|
| SCHEDULE 3 - SECURED LOANS | | |
| Debentures | 85,395 | - |
| Term Loans: | | |
| Domestic Banks | 88,436 | - |
| Foreign Banks | 41,819 | - |
| Domestic Financial Institutions | 20,140 | - |
| Foreign Financial Institutions | 17,483 | - |
| Working Capital Facilities from Banks | 90,468 | - |
| Foreign Guaranteed Local Currency Bonds | 1,500 | - |
| Other Secured Loans | 12 | - |
| | 345,253 | - |

Schedules to the Balance Sheet as at 31st March, 2008

Rupees in Lacs

| | 2008 | 2007 |
|-------------------------------------|----------------|------|
| SCHEDULE 4 - UNSECURED LOANS | | |
| Subordinated Debentures / Loan # | 12,840 | - |
| Short Term Loans and Advances: | | - |
| Domestic Banks | 8,000 | - |
| Domestic Financial Institutions | 52,500 | - |
| Others | 238 | - |
| Other Loans and Advances: | | |
| Domestic Banks | 27,000 | - |
| Foreign Banks | 3,024 | - |
| Domestic Financial Institutions | 20,000 | - |
| Foreign Financial Institutions | 3,361 | - |
| | 126,963 | - |

Tier II Capital (Refer Note II 4 (i) and (ii) of Schedule 18)

Schedules to the Balance Sheet as at 31st March, 2008

SCHEDULE 5 - FIXED ASSETS

| Particulars | Gross Block | | | | | | Depreciation / Amortisation | | | | Net Block | |
|------------------------------------|---------------------|---|---------------------------|-------------------------------------|----------------------|---------------------|-----------------------------|-------------------------------------|----------------------|----------------------|----------------------|--|
| | As of April 1, 2007 | Transferred as per Scheme of Arrangement* | Additions during the year | Sales / Adjustments during the year | As of March 31, 2008 | As of April 1, 2007 | For the year | Sales / Adjustments during the year | As of March 31, 2008 | As of March 31, 2008 | As of March 31, 2007 | |
| Assets for Own use: | | | | | | | | | | | | |
| Freehold Land | - | 4 | - | - | 4 | - | - | - | - | 4 | - | |
| Buildings | - | 527 | - | - | 527 | - | 3 | - | 3 | 524 | - | |
| Furniture & Fixtures | - | 831 | 32 | - | 863 | - | 22 | - | 22 | 841 | - | |
| Motor Vehicles | - | 108 | 22 | 2 | 128 | - | 3 | - | 3 | 125 | - | |
| Machinery | - | 562 | 28 | - | 590 | - | 35 | - | 35 | 555 | - | |
| Total (A) | - | 2,032 | 82 | 2 | 2,112 | - | 63 | - | 63 | 2,049 | - | |
| Intangible Assets - Others | | | | | | | | | | | | |
| Software | - | 271 | - | - | 271 | - | 19 | - | 19 | 252 | - | |
| Tenancy Right | - | 8 | - | - | 8 | - | 1 | - | 1 | 7 | - | |
| Total (B) | - | 279 | - | - | 279 | - | 20 | - | 20 | 259 | - | |
| Total (C) (A+B) | - | 2,311 | 82 | 2 | 2,391 | - | 83 | - | 83 | 2,308 | - | |
| Assets for Operating Lease: | | | | | | | | | | | | |
| Aeroplanes/Aircraft | - | 2,141 | - | - | 2,141 | - | 34 | - | 34 | 2,107 | - | |
| Ships | - | 1,600 | - | - | 1,600 | - | 48 | - | 48 | 1,552 | - | |
| Earthmoving Equipments | - | 7,121 | - | 660 | 6,461 | - | 224 | - | 224 | 6,237 | - | |
| Motor Vehicles | - | 11,187 | 2,841 | 728 | 13,300 | - | 628 | 6 | 622 | 12,678 | - | |
| Plant & Machinery | - | 2,148 | - | - | 2,148 | - | 28 | - | 28 | 2,120 | - | |
| Wind Mills | - | 15,474 | - | - | 15,474 | - | 216 | - | 216 | 15,258 | - | |
| Total (D) | - | 39,671 | 2,841 | 1,388 | 41,124 | - | 1,178 | 6 | 1,172 | 39,952 | - | |
| Total (C+D) | - | 41,982 | 2,923 | 1,390 | 43,515 | - | 1,261 | 6 | 1,255 | 42,260 | - | |
| Previous Year | - | - | - | - | - | - | - | - | - | - | - | |

*Transferred to the Company as per Scheme of Arrangement (Refer Note II 3 of Schedule 18).

10 Lacs is equal to 1 Million

Schedules to the Balance Sheet as at 31st March, 2008

SCHEDULE 6 - INVESTMENTS, FULLY PAID UP

Long Term - At Cost

Rupees in Lacs

| Particulars | Face Value | Quantity | | Amount | |
|---|------------|-----------|------|---------------|------|
| | | 2008 | 2007 | 2008 | 2007 |
| In Subsidiary Company - In Equity Shares | | | | | |
| Unquoted - Other Investment | | | | | |
| Srei Insurance Broking Private Ltd. (formerly Srei Insurance Services Ltd.)* | 10 | 2,500,000 | - | 250.00 | - |
| Total | | | - | 250.00 | - |
| Aggregate Book Value of Unquoted Investment | | | | 250.00 | - |

* Transferred to the Company as per Scheme of Arrangement (Refer Note II 3 of Schedule 18).

| | 2008 | 2007 |
|---|----------------|------------|
| SCHEDULE 7 - SUNDRY DEBTORS * | | |
| Sundry Debtors Operating Lease - Secured, Considered good | | |
| Debts outstanding for a period exceeding six months | 122 | - |
| Other Debts | 683 | - |
| | 805 | - |
| * Refer Note II 9 of Schedule 18 | | |
| SCHEDULE 8 - CASH AND BANK BALANCES | | |
| Cash & Bank Balances | | |
| Cash in hand | 234 | - |
| With Scheduled Banks | | |
| - In Current Account | 520 | 1 |
| - In Fixed Deposit Account [includes Rs. 17,265 lacs under lien (previous year - Nil)] | 17,451 | 200 |
| | 18,205 | 201 |
| SCHEDULE 9 - FINANCIAL & OTHER CURRENT ASSETS | | |
| Interest accrued on Fixed deposits | 267 | 4 |
| Financial Assets (Refer Note II 9 of Schedule 18) | 431,418 | - |
| | 431,685 | 4 |

Schedules to the Balance Sheet as at 31st March, 2008

SCHEDULE 6 - INVESTMENTS, FULLY PAID UP

Long Term - At Cost

Rupees in Lacs

| Particulars | Face Value | Quantity | | Amount | |
|---|------------|-----------|------|---------------|------|
| | | 2008 | 2007 | 2008 | 2007 |
| In Subsidiary Company - In Equity Shares | | | | | |
| Unquoted - Other Investment | | | | | |
| Srei Insurance Broking Private Ltd. (formerly Srei Insurance Services Ltd.)* | 10 | 2,500,000 | - | 250.00 | - |
| Total | | | - | 250.00 | - |
| Aggregate Book Value of Unquoted Investment | | | | 250.00 | - |

* Transferred to the Company as per Scheme of Arrangement (Refer Note II 3 of Schedule 18).

| | 2008 | 2007 |
|---|----------------|------------|
| SCHEDULE 7 - SUNDRY DEBTORS * | | |
| Sundry Debtors Operating Lease - Secured, Considered good | | |
| Debts outstanding for a period exceeding six months | 122 | - |
| Other Debts | 683 | - |
| | 805 | - |
| * Refer Note II 9 of Schedule 18 | | |
| SCHEDULE 8 - CASH AND BANK BALANCES | | |
| Cash & Bank Balances | | |
| Cash in hand | 234 | - |
| With Scheduled Banks | | |
| - In Current Account | 520 | 1 |
| - In Fixed Deposit Account [includes Rs. 17,265 lacs under lien (previous year - Nil)] | 17,451 | 200 |
| | 18,205 | 201 |
| SCHEDULE 9 - FINANCIAL & OTHER CURRENT ASSETS | | |
| Interest accrued on Fixed deposits | 267 | 4 |
| Financial Assets (Refer Note II 9 of Schedule 18) | 431,418 | - |
| | 431,685 | 4 |

Schedules to the Profit and Loss Account for the year ended 31st March, 2008

Rupees in Lacs

| | For the year ended 31-Mar-08 | For the period from 13-Jun-06 to 31-Mar-07 |
|--|---------------------------------|--|
| SCHEDULE 14 - INCOME FROM OPERATIONS | | |
| Income from Financial Assets | 18,786 | - |
| Income from Operating Lease | 2,807 | - |
| Interest on Fixed Deposits | 261 | 5 |
| | 21,854 | 5 |
| SCHEDULE 15 - OTHER INCOME | | |
| Interest income | 99 | - |
| Other Income | 135 | 4 |
| | 234 | 4 |
| SCHEDULE 16 - ADMINISTRATIVE & OTHER EXPENSES | | |
| Salaries, Allowances & Bonus | 669 | - |
| Contribution to Provident and Other Funds | 70 | - |
| Staff Welfare Expenses | 19 | - |
| Communication Expenses | 72 | - |
| Legal & Professional Fees | 275 | 3.10 |
| Electricity Charges | 15 | - |
| Rent | 88 | - |
| Rates and Taxes | 27 | 0.02 |
| Brokerage and Service Charges | 212 | - |
| Auditors' Remuneration | 20 | 0.36 |
| Repairs and Maintenance - Machinery | 49 | - |
| - Others | 59 | - |
| Travelling and Conveyance | 237 | - |
| Insurance | 6 | - |
| Printing and Stationery | 31 | 0.15 |
| Advertisement and Subscription | 31 | - |
| Loss on sale of Fixed Assets (net) | 1 | - |
| Miscellaneous Expenses | 57 | - |
| | 1,938 | 4* |
| * Rounded off | | |
| SCHEDULE 17 - FINANCE CHARGES | | |
| Interest on Debentures | 2,758 | - |
| Interest on Other Fixed Loans: | | |
| Term Loans from Domestic Banks / Financial Institutions | 4,814 | - |
| Term Loans from Foreign Banks / Financial Institutions | 4,536 | - |
| Bonds | 434 | - |
| Interest on Working Capital Facilities | 1,805 | - |
| Interest - Others | 5 | - |
| Other Financial Charges | 436 | - |
| | 14,788 | - |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

I. Significant Accounting Policies

1. Basis of Preparation

- 1.1 The financial statements are prepared in accordance with Historical Cost Convention and Accrual Basis of Accounting.

These are presented in accordance with Generally Accepted Accounting Principles in India, provisions of the Companies Act, 1956, Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and the guidelines issued by the Reserve Bank of India, wherever applicable.

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 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.

2. Revenue Recognition

Income from Operations is recognised in the Profit and Loss Account on accrual basis as stated herein except in the case of non-performing assets where it is recognised, upon realisation, as per the Prudential Norms Directions of the Reserve Bank of India.

2.1 Income from Financial Assets:

It is recognised based on the internal rate of return to provide a constant periodic rate of return on the net investment outstanding over the period of the contract.

2.2 Income from Operating Lease:

It is recognised as rentals, as accrued over the period of lease, net of value added tax.

2.3 Securitisations, Assignments and Co-Branded Arrangements:

Income arising from securitisation and assignment of Financial Assets is amortised over the life of the contract. In case of co-branded arrangements income is accounted on accrual basis over the life of the contract as provided under respective arrangements. These are included in income from financial assets under Income from Operations.

2.4 Other Income:

Dividend is accounted when the right to receive the payment is established. All other income is accounted for on accrual basis.

3. Fixed Assets and Depreciation / Amortisation

- 3.1 Fixed Assets include assets given under Operating Lease. Fixed Assets are stated at Cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the assets.

- 3.2 Intangible Assets expected to provide future enduring economic benefits are stated at cost less amortisation. Cost comprises purchase price and directly attributable expenditure on making the asset ready for its intended use.

- 3.3 Depreciation is provided on straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956 (read with Note II 6) which are as follows:

Asset for Own use:

| | |
|--------------------------------|--------|
| i. Building | 1.63% |
| ii. Furniture and Fixtures | 6.33% |
| iii. Motor Vehicles | 9.50% |
| iv. Computers | 16.21% |
| v. General Plant and Machinery | 4.75% |

Asset for Operating Lease:

| | |
|------------------------------|--------|
| vi. Aeroplanes / Aircraft | 5.60% |
| vii. Ships | 10.00% |
| viii. Earthmoving Equipments | 11.31% |
| ix. Motor Vehicles | 16.21% |
| x. Plant and Machinery | 4.75% |
| xi. Wind Mills | 5.28% |

Fixed assets costing less than Rs. 5,000/- 100.00%

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.4 Leasehold assets are amortised over the period of the lease.

3.5 Intangible assets are amortised over their best estimated useful life ranging upto 6 years on straight line method.

4. Impairment of Fixed Assets

Wherever events or changes in circumstances indicate that the carrying value of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognises an impairment loss as the difference between the carrying value and value in use.

5. Investments

5.1 Investments are classified into "Long Term" and "Current" investment.

5.2 All long term investments including investments in Subsidiary Companies are stated at cost. Provision for diminution in value, other than temporary, is considered wherever necessary on an individual basis.

5.3 Cost is arrived at on weighted average method for the purpose of valuation of investment.

6. Financial Assets

6.1 Financial Assets includes assets under Loan / Hypothecation facility. These are shown net of assets securitised.

6.2 Financial Assets are valued at net investment amount including installments fallen due and net of unmatured / unearned finance charges etc., amounts received and assets not paid for.

7. Provision for Non Performing Assets and Bad Debts

7.1 Provisions for non performing assets are considered in the financial statements according to Prudential Norms prescribed by the Reserve Bank of India. Additional provision as per the requirement of Foreign Financial Institutions has also been made as follows:

Financial Assets:

| Asset Classification | Arrear Period | Provision as per Reserve Bank of India | Provision as per Foreign Financial Institution | Provision adopted by the Company |
|----------------------|----------------------------------|--|--|----------------------------------|
| | | % of Portfolio | % of Portfolio | % of Portfolio |
| Standard | Less than 90 days | Nil | Nil | Nil |
| | 90 to 180 days | Nil | 20 | 20 |
| Sub-Standard | 181 to 360 days | 10 | 50 | 50 |
| | 361 to 365 days | 10 | 100 | 100 |
| Doubtful (Unsecured) | More than 12 months to 24 months | 10 | 100 | 100 |
| | More than 24 months | 100 | 100 | 100 |
| Doubtful (Secured) | More than 24 months to 36 months | 20 | 100 | 100 |
| | More than 36 months to 60 months | 30 | 100 | 100 |
| | Above 60 months | 50 | 100 | 100 |
| Loss | As per Management discretion | 100 | 100 | 100 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Operating Lease Assets:

| Asset Classification | Arrear Period | Provision as per Reserve Bank of India | Provision as per Foreign Financial Institution | Provision adopted by the Company |
|----------------------|----------------------------------|--|--|----------------------------------|
| | | % of Outstanding | % of Outstanding | % of Outstanding |
| Standard | Less than 90 days | Nil | Nil | Nil |
| | 91 to 180 days | Nil | 20 | 20 |
| | 181 to 360 days | Nil | 50 | 50 |
| | 361 to 365 days | Nil | 100 | 100 |
| Sub-Standard | More than 12 months to 24 months | 10 | 100 | 100 |
| | More than 24 months to 30 months | 40 | 100 | 100 |
| Doubtful | More than 30 months to 36 months | 40 | 100 | 100 |
| | More than 36 months to 48 months | 70 | 100 | 100 |
| | Above 48 months | 100 | 100 | 100 |
| Loss | As per Management discretion | 100 | 100 | 100 |

7.2 Financial Assets overdue for more than four years are considered as bad debts and written off.

8. Foreign Currency Transactions

8.1 Foreign currency transactions are recorded at the exchange rates prevailing at the time of transaction.

8.2 Assets and liabilities expressed in foreign currencies are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date and any loss or gain arising there from has been included in Finance Charges as per the provisions of Accounting Standard 16 and 11 notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

8.3 In respect of forward exchange contracts entered into by the Company, the difference between the forward rate and the exchange rate on the date of the transaction are recognised as income or expense over the life of the contract. Gain / loss on settlement of transactions arising on renewal / cancellation are recognised as income or expense in the period in which these are renewed or cancelled.

8.4 In respect of Derivative contracts, premium paid, gains / losses on settlement and provisions for losses determined on category wise basis, are recognised in the Profit and Loss Account.

9. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary items having material impact on the financial affairs of the Company are disclosed.

10. Employee Benefits

10.1 Short term employee benefits

Short term employee benefits based on expected obligation on undiscounted basis are recognised as expense in the Profit and Loss Account of the period in which the related service is rendered.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

10.2 Defined contribution plan

Company's contribution towards Provident Fund with respect to some employees paid / payable during the period to the Provident Fund Authority are charged to the Profit and Loss Account.

Contributions to Employee State Insurance Corporation are charged to the Profit and Loss Account.

10.3 Defined benefit plan

Company's liability towards gratuity is a defined benefit plan. Such liabilities are ascertained by an independent actuarial valuation as per the requirements of Accounting Standard – 15 (revised 2005) "Employee Benefits".

The employees and the Company make monthly fixed contributions to the Srei International Finance Provident Fund Trust equal to a specified percentage of the covered employee's salary, which is a defined benefit plan. The interest rate payable by the trust to the beneficiaries is being notified by the Government every year. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

11. Taxes on Income

11.1 Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.

11.2 Deferred tax is recognised on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

12. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

13. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, Earnings Per Share notified by the Central Government under the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share have been computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings during the year adjusted for effects of all dilutive potential equity shares per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

14. Assets under Management

14.1 Contracts securitised or assigned are derecognised from the books of accounts. Co-branded loan transactions are originated by the Company on behalf of partner bank / financial institution.

14.2 Contingent liabilities, if any, for such contracts are disclosed separately.

15. Miscellaneous Expenditure

Miscellaneous Expenditure represents:

Expenses incurred on issue of Equity Shares, Global Depository Receipts (GDRs), Long Term Bonds and Debentures, which are amortised as follows:-

a) The expenses on issue of Equity Shares and GDRs are amortised over a period of ten years.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- b) The expenses on issue of Bonds and Debentures are being amortised over the tenure of the respective Bonds and Debentures.

II. Notes to the Financial Statements

1. The name of the Company has changed from "Srei Infrastructure Development Limited" to "Srei Infrastructure Development Finance Limited with effect from (w.e.f.) 16th April, 2007.

Further w.e.f. 28th September, 2007, the Company has changed its status from Public Limited Company to Private Limited Company and accordingly changed its name from "Srei Infrastructure Development Finance Limited" to "Srei Infrastructure Development Finance Private Limited". Thereafter, the name of the Company has changed from "Srei Infrastructure Development Finance Private Limited" to "Srei Equipment Finance Private Limited" with effect from 30th May, 2008. Necessary formalities for the same as required by Companies Act, 1956 have been complied with.

2. The Reserve Bank of India has granted Certificate of Registration dated 12th June, 2007 to the Company pursuant to Section 45IA of the Reserve Bank of India Act, 1934 to commence business of non banking financial institution without accepting public deposits.

3. Scheme of Arrangement

A. Background:

- i. The Board of Directors of the Company on 31st May, 2007 had given its consent for the execution of the Joint Venture Agreement, the Share Subscription Agreement and the Shareholders Agreement in connection with the formation of a joint venture between BNP Paribas Lease Group (a wholly owned subsidiary of BNP Paribas) ('BPLG') and Srei Infrastructure Finance Limited (SIFL). In accordance with these agreements, SIFL has been allotted 22,950,000 equity shares of Rs.10 each for a consideration of Rs. 229,500,000 and BPLG has been allotted 25,000,000 equity shares of Rs. 10 each at a premium of Rs. 300 per share aggregating to Rs. 7,750,000,000 on the effective date i.e. 2nd April, 2008, being the date of filing of Order of the Hon'ble High Court at Calcutta with the Registrar of Companies, West Bengal.
- ii. Pursuant to the Scheme of Arrangement ('the Scheme') approved by the shareholders and sanctioned by the Hon'ble High Court of Calcutta vide Order of 28th January, 2008, all business, assets and liabilities pertaining to the project finance business and asset based financing business of SIFL including its shareholding in Srei Insurance Broking Private Limited (SIBPL) (formerly known as Srei Insurance Services Limited) were transferred to the Company as a going concern on a slump sale basis, pursuant to Sections 391 to 394 and other relevant provisions of the Companies Act, 1956 with effect from 1st January, 2008 ('Appointed Date') and accordingly, the Scheme has been given effect to in these accounts. All such transferred assets and liabilities have been incorporated in the books of the Company at their respective book values as at the opening of 1st January, 2008.
- iii. The consideration for the transfer of all business, assets and liabilities pertaining to the project finance business and asset based financing business of SIFL including its shareholding in SIBPL amounting to Rs. 3,750,000,000/- against the net book value of assets and liabilities of Rs. 3,753,136,469/- was paid by the Company to SIFL on 3rd April, 2008.
- iv. The surplus of Rs. 3,136,469/- being the difference between the net book value of assets and liabilities transferred and the consideration has been accounted for as Capital Reserve in the books of the Company.
- v. In view of the aforesaid transfer of all business, assets and liabilities of the project finance business and asset based financing business of SIFL including its shareholding in SIBPL into the Company with effect from January 1, 2008, the figures for the current year are not comparable with those of the Previous Period.

B. Business carried on in Trust

Pursuant to the Scheme of Arrangement, with effect from the Appointed Date upto and including the Effective Date, SIFL shall be deemed to have been carrying on all business and activities relating to business, assets and liabilities pertaining to the project finance business and asset based financing business including its shareholding in SIBPL, in trust for the

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Company. Accordingly all business and activities relating to business, assets and liabilities pertaining to the project finance business and asset based financing business of SIFL including its shareholding in SIBPL have been carried on in Trust by SIFL for the Company from 1st January, 2008 being the Appointed Date upto 2nd April, 2008 being the Effective Date.

Pending completion of relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme, such assets and liabilities remain included in the books of the Company under the name of SIFL.

4. Loan Funds

i. Unsecured Subordinated Redeemable Non Convertible Debentures

1,000 Unsecured Subordinated Redeemable Non Convertible Debentures of Rs. 10 Lacs each allotted by SIFL on Private Placement basis forming part of Tier II Capital aggregating to Rs. 10,000 Lacs for cash at par on 3rd August, 2007.

Each debenture is having an overall tenure of 10 years, reckoned from the date of allotment. The face value of such debentures shall be redeemed at the end of 10 years from the date of allotment i.e. on 3rd August, 2017, Interest is payable annually @ 12% p.a.

ii. Unsecured Subordinated Loan

Tier II Capital includes 5 Million Euros received during 2002-03 by SIFL in the form of unsecured subordinated loan repayable in ten years period with moratorium of first five years.

This unsecured subordinated loan is translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date and any loss or gain arising therefrom is taken to Profit & Loss Account. The amount of such loss during the year is Rs. 277 Lacs (Previous Period - Nil).

iii. Loans

- a) Working Capital facilities from banks are secured by hypothecation of assets covered by Financial assets/ hypothecation agreements and receivables arising therefrom ranking pari passu, (excluding assets which are specifically charged to others) and counter guarantee by the directors of SIFL in certain cases.
- b) Term loans from Domestic and Foreign Financial Institutions are secured by hypothecation of specific assets covered by Financial assets / hypothecation agreements and receivables arising therefrom and counter guarantees by directors of SIFL in certain cases.
- c) Other Secured Loans include deferred payment credits secured by hypothecation of assets covered by the related Financial assets / agreement and receivables arising therefrom and counter guarantees by directors of SIFL.
- d) Foreign Guaranteed Local Currency Bonds {AAA(SO) rated by CRISIL} having coupon rate of 9.95% p.a. allotted on 18th October, 2001 by SIFL are to be redeemed in 16 equal semi annual installments commencing from 30th month i.e. 18th April, 2004 until the end of 120th month i.e. 18th October, 2011. The guarantee provided by Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V (FMO), Netherlands on the said bonds is secured by certain Financial assets / hypothecated assets.
- e) SIFL has issued on private placement basis Non - Convertible debentures aggregating to Rs. 895,200 Lacs during the year (Previous Period Nil). The outstanding position as on 31.03.2008 was Rs. 85,395 Lacs (Previous Year Nil). All the debentures are payable at par. Details of such privately placed Non-convertible debentures are :

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(A) CARE PR1 + Rating Category*:

| Date of Allotment by SIFL | Amount Rs. in Lacs 2008 | Amount Rs. in Lacs 2007 | Earliest Redemption Date |
|---------------------------|-------------------------|-------------------------|--------------------------|
| 01.10.2007 | 2,500 | - | 25.09.2008 |
| 03.10.2007 | 4,000 | - | 26.09.2008 |
| 09.10.2007 | 2,500 | - | 03.10.2008 |
| 05.12.2007 | 4,500 | - | 02.06.2008 |
| 14.01.2008 | 4,000 | - | 11.04.2008 |
| 14.01.2008 | 1,000 | - | 08.04.2008 |
| 18.02.2008 | 300 | - | 16.05.2008# |
| 29.02.2008 | 500 | - | 28.05.2008 |
| 01.03.2008 | 2,000 | - | 28.05.2008 |
| 12.03.2008 | 1,500 | - | 09.06.2008 |
| 14.03.2008 | 5,000 | - | 11.06.2008 |
| 14.03.2008 | 3,000 | - | 11.06.2008 |
| 18.03.2008 | 5,000 | - | 13.06.2008 |
| 24.03.2008 | 1,500 | - | 19.06.2008 |
| 25.03.2008 | 1,000 | - | 25.04.2008 |
| 25.03.2008 | 200 | - | 20.06.2008 |
| 27.03.2008 | 1,500 | - | 24.06.2008 |
| 28.03.2008 | 3,000 | - | 27.03.2009 |
| 31.03.2008 | 3,000 | - | 27.06.2008 |
| Sub Total (A) | 46,000 | - | |

* These debentures are secured by carving out of the tied up working capital facility.

With Put / Call option.

(B) CARE AA Rated Paper**:

| Date of Allotment by SIFL | Amount Rs. in Lacs 2008 | Amount Rs. in Lacs 2007 | Earliest Redemption Date |
|---------------------------|-------------------------|-------------------------|--------------------------|
| 24.05.2006 | 1,948.50 | - | 26.06.2006 |
| 10.11.2006 | 2,779.50 | - | 09.12.2006 |
| 15.05.2007 | 5,000.00 | - | 14.05.2010 |
| 14.08.2007 | 4,167.00 | - | 30.01.2008 |
| 07.01.2008 | 2,500.00 | - | 20.06.2009 |
| 07.01.2008 | 2,500.00 | - | 27.06.2009 |
| 13.02.2008 | 5,000.00 | - | 12.02.2010 |
| Sub Total (B) | 23,895.00 | - | |

** These debentures are secured by hypothecation of certain financial assets and pari passu charge over an immovable property.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(C) ICRA A1+ Rated Paper***:

| Date of Allotment by SIFL | Amount Rs. in Lacs 2008 | Amount Rs. in Lacs 2007 | Earliest Redemption Date |
|---------------------------|-------------------------|-------------------------|--------------------------|
| 12.12.2007 | 5,000 | - | 09.06.2008 |
| 03.01.2008 | 2,500 | - | 19.12.2008 |
| 03.01.2008 | 2,500 | - | 24.12.2008 |
| 07.01.2008 | 2,500 | - | 15.12.2008 |
| 03.03.2008 | 1,000 | - | 30.05.2008 |
| 24.03.2008 | 500 | - | 24.03.2009 |
| 27.03.2008 | 1,500 | - | 24.06.2008 |
| Sub Total (C) | 15,500 | - | |
| Total (A+B+C) | 85,395 | - | |

*** These debentures are secured by carving out of the tied up working capital facility.

- f) Secured Loans and advances from Domestic Banks and Financial Institutions include Rs. 56,901 Lacs (Previous Period NIL) guaranteed by directors of SIFL.
- g) Other Unsecured Loans and Advances from Domestic Banks and Financial Institutions includes amount repayable within one year amounting to Rs. 82,500 Lacs (Previous Period NIL).
- h) Other Unsecured Loans and Advances from Foreign Banks and Financial Institutions includes amount repayable within one year amounting to Rs. 1,426 Lacs (Previous Period NIL).
- i) SIFL has entered into Option and Swaps / Forward contracts (being derivative instruments) which are not intended for trading or speculation purpose for hedging currency and interest rate related risks. Option and Swap contracts outstanding as on 31.03.08 are as follows :

Category – Options and Swaps

Amount in Million

| Sl. No. | Currency | 2008 | 2007 |
|---------|-----------|--------------|------|
| 1. | USD / INR | USD 95 | - |
| 2. | Yen / USD | Yen 5,439.26 | - |

There are no forward contracts outstanding as on 31st March, 2008.

Foreign currency exposure that are not hedged by derivative instruments as on 31st March, 2008 amounts to Rs. 14,905 Lacs (Previous Period Nil).

In accordance with the principles of prudence and other applicable guidelines, the Company has charged an amount of Rs. 168 Lacs, to the Profit & Loss Account, in respect of derivative contracts outstanding as at 31st March, 2008.

5. Assets under Management

i. Securitisation

In terms of Reserve Bank of India Guidelines on securitisation of assets issued on 1st February, 2006, details of financial assets securitised by SIFL are as under.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Rupees in Lacs

| Particulars | Rupees in Lacs | |
|---|----------------|------|
| | 2008 | 2007 |
| Total number of contracts securitised during the year by SIFL | 1,702 | - |
| Book Value of contracts securitised (on date of securitisation) | 85,013 | - |
| Sale consideration (on date of securitisation) | 85,361 | - |
| Gain / (Loss) (net) on securitisation (on date of securitisation)* | 348 | - |
| Subordinated assets as on balance sheet date | - | - |
| Bank / Other deposits provided as collateral as on balance sheet date | 9,850 | - |
| Guarantee against securitised contracts | NIL | - |

* Gains from Securitisation are amortised over the life of the contracts & loss is charged off upfront in Profit & Loss Account.

ii. Assignment of Receivables

During the year, SIFL has assigned financial assets to the extent of Rs. 47,226 Lacs (Previous Period Rs. Nil) for purchase consideration of Rs. 48,826 Lacs (Previous Period Rs. Nil). Assets assigned are derecognised from the books of account. The Company has provided corporate guarantee as separately stated under Para 21 hereunder and bank deposits of Rs. 4,190 Lacs (Previous Period Rs. Nil) as collateral against these contracts outstanding at the year end.

iii. Co-Branded Arrangements:

During the year, SIFL has entered into agreements with Bank / Financial Institution to make disbursements on their behalf. Such disbursements made during the year SIFL amounts to Rs. 9,808 Lacs (Previous Period Rs. Nil).

- iv. The aggregate amount of assets derecognised / loan originated in terms of foregoing paragraph 5(i) to 5(iii) above that are Assets Under Management of the Company are as under :

Rupees in Lacs

| Particulars | Amount Outstanding as at | |
|---------------------------|--------------------------|----------|
| | 2008 | 2007 |
| Securitisation | 76,784 | - |
| Assignment of Receivables | 65,224 | - |
| Co-Branded Arrangements | 23,669 | - |
| Total | 165,677 | - |

- Depreciation with respect to assets transferred to the Company pursuant to the Scheme of Arrangement has been charged over the remaining useful life of the assets on straight line basis from the Appointed Date. As a result of this, such rates are higher than the rates prescribed by Schedule XIV to the Companies Act, 1956.
- Benefit of the GDR issue made by SIFL accrues to the Company. Expenses related to such issue are amortised over a period of 10 years.
- The levy of service-tax on hire purchase and leasing transactions introduced with effect from 16.07.2001 has been challenged by Trade Associations, before the Hon'ble High Courts of Calcutta and Madras and a stay has been obtained by SIFL. Pending disposal of writ petitions, the Company is not recognising service-tax on the aforesaid transactions.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

9. Performance wise classification of assets and total provision made thereon:

Financial Assets:

Rupees in Lacs

| Asset Classification | Arrear Period | Book Value as at March 31, 2008 | Provisions as at March 31, 2008 | | Total Provision as at March 31, 2008 |
|----------------------|----------------------------------|---------------------------------|---------------------------------|---|--------------------------------------|
| | | | As per Reserve Bank of India | Additional Provision as per Foreign Financial Institution | |
| Standard | Less than 90 days | 424,949 | - | - | - |
| | 90 to 180 days | 1,435 | - | 287 | 287 |
| | Sub Total | 426,384 | - | 287 | 287 |
| Sub-Standard | 181 to 360 days | 1,277 | 128 | 511 | 639 |
| | 361 to 365 days | - | - | - | - |
| | More than 12 months to 24 months | 1702 | 170 | 1,532 | 1,702 |
| | Sub Total | 2,979 | 298 | 2,043 | 2,341 |
| Doubtful (Unsecured) | More than 24 months | - | - | - | - |
| Doubtful (Secured) | More than 24 months to 36 months | 894 | 179 | 715 | 894 |
| | More than 36 months to 60 months | 1,161 | 348 | 813 | 1,161 |
| | Above 60 Months | - | - | - | - |
| | Sub Total | 2,055 | 527 | 1,528 | 2,055 |
| Loss | As per Management Discretion | - | - | - | - |
| | Sub Total | - | - | - | - |
| Grand Total | | 431,418 | 825 | 3,858 | 4,683 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Operating Lease Assets:

Rupees in Lacs

| Asset Classification | Arrear Period | Book Value as at March 31, 2008 | Provisions as at March 31, 2008 | | Total Provision as at March 31, 2008 |
|----------------------|----------------------------------|---------------------------------|---------------------------------|---|--------------------------------------|
| | | | As per Reserve Bank of India | Additional Provision as per Foreign Financial Institution | |
| Standard | Less than 90 days | 654 | - | - | - |
| | 90 to 180 days | 29 | - | 6 | 6 |
| | 181 to 360 days | 60 | - | 30 | 30 |
| | 361 to 365 days | - | - | - | - |
| | Sub Total | 743 | - | 36 | 36 |
| Sub-Standard | More than 12 months to 24 months | 59 | 6 | 53 | 59 |
| | More than 24 months to 30 months | 3 | 1 | 2 | 3 |
| | Sub Total | 62 | 7 | 55 | 62 |
| Doubtful | More than 30 months to 36 months | - | - | - | - |
| | More than 36 months to 48 months | - | - | - | - |
| | More than 48 months | - | - | - | - |
| | Sub Total | - | - | - | - |
| Loss | As per Management discretion | - | - | - | - |
| | Sub Total | - | - | - | - |
| | Grand Total | 805 | 7 | 91 | 98 |

10. Issue of Equity Shares on Preferential Allotment basis

During the year on 15th May, 2007 the Company has issued 50,000 equity shares of Rs.10/- each, fully paid up by way of preferential allotment.

The net proceeds from the equity issue have been used for financing business and augmenting working capital of the Company.

- Assets given on Operating lease are for periods which range from 1.5 years to 12 years based on nature of equipment.
- None of the Company's Fixed Assets are considered impaired as on the Balance Sheet date.
- The Authorised Capital of the Company has increased from 2,000,000 Equity shares of Rs. 10 each to 5,000,000 Equity shares of Rs. 10 each (on 12th May, 2007) and to 50,000,000 Equity shares of Rs. 10 each (on 20th February, 2008). Necessary formalities for the same as required by Companies Act, 1956 have been complied with.
- During the year the Company has created Debt Redemption Reserve of Rs. 1630 Lacs (Previous Period Nil) towards redemption of Unsecured Subordinated Debenture / Debt i.e. Mezzanine Capital (Tier II Capital).
- During the year, the Company has adopted the revised Accounting Standard – 15 (revised 2005) "Employee Benefits" Contribution to Provident Fund Authority charged to Profit and Loss Account aggregates to Rs. 12 Lacs (Previous Period – Nil).

Gratuity benefits to employees have been funded under separate arrangement with the Life Insurance Corporation of India (LIC).

The following table sets out the details of amount recognised in the financial statements in respect of employee benefit schemes:

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Rupees in Lacs

| Employee Benefits | Gratuity | Provident Fund |
|--|-------------|----------------|
| Defined benefit plans | | |
| As per actuarial valuation as at 31st March, 2008 | | |
| I. Components of employer expenses | | |
| 1. Current Service Cost | - | 21 |
| 2. Interest cost | - | 0 |
| 3. Expected return on plan assets | - | (0) |
| 4. Curtailment cost / (credit) | - | - |
| 5. Settlement cost / (credit) | - | - |
| 6. Past Service Cost | - | - |
| 7. Actuarial Losses / (Gains) | 31 | - |
| 8. Other Adjustments | 6 | - |
| 9. Actual Contributions | | 21 |
| 10. Total expenses recognised in the Statement of Profit & Loss Account. (Total 1 to 9) | 37 | 21 |
| II. Actual Contribution and Benefits Payments for year ended 31st March, 2008 | | |
| 1. Actual benefit payments | (6) | (10) |
| 2. Actual Contributions | 11 | 21 |
| III. Net assets / (liability) recognised in balance sheet as at 31st March, 2008 | | |
| 1. Present value of Defined Benefit Obligation | 117 | 372 |
| 2. Fair value of plan assets | 47 | 372 |
| 3. Funded status [Surplus / (Deficit)] | (70) | - |
| 4. Unrecognised past service cost | - | - |
| 5. Net asset / (liability) recognised in balance sheet | (70) | - |
| IV. Change in Defined Benefit Obligations during the year ended 31st March, 2008 | | |
| 1. Present Value of DBO at beginning of year | - | - |
| 2. Current Service cost | - | 21 |
| 3. Interest cost | - | 0 |
| 4. Curtailment cost / (credit) | - | - |
| 5. Settlement cost / (credit) | - | - |
| 6. Plan amendments | - | - |
| 7. Acquisitions | 85 | 340 |
| 8. Actuarial (Gains) / Losses | 38 | - |
| 9. Benefits paid | (6) | (10) |
| 10. Employee Contribution | - | 21 |
| 11. Other Adjustments | - | - |
| 12. Present Value of DBO at the end of year | 117 | 372 |
| V. Change in Fair value of Assets during the year ended 31st March, 2008 | | |
| 1. Plan assets at beginning of period | - | - |
| 2. Acquisition / Settlement Adjustment | 36 | 340 |
| 3. Expected return on plan assets | - | 0 |
| 4. Actual company contribution | 11 | 21 |
| 5. Employees contribution | | 21 |
| 6. Benefits paid | (6) | (10) |
| 7. Actuarial Gains / (Losses) | 7 | - |
| 8. Other Adjustments | | - |
| 9. Plan assets at the end of the year | 47 | 372 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | | Rupees in Lacs | | | | |
|-----------------------------------|---|---------------------------|---|----|----|----|
| Employee Benefits | | Gratuity | Provident Fund | | | |
| VI. Actuarial Calculation | | | | | | |
| 1. | Experience Adjustment on plan liabilities | 15 | - | | | |
| 2. | Actuarial Loss / (Gain) due to change in assumptions | 23 | - | | | |
| 3. | Actuarial (Gains) / Losses on Defined Benefit Obligations | 38 | - | | | |
| 4. | Experience Adjustment on plan assets | 7 | - | | | |
| VII. Actuarial Assumptions | | | | | | |
| 1. | Discount Rate | 8.70% | 8.70% | | | |
| 2. | Expected return on plan assets | 9.15%* | 8.45% * (for 3 years), 8.60% thereafter | | | |
| 3. | Salary Increases | 10.00% | - | | | |
| 4. | Mortality | LIC (1994-96) Ultimate | Indian Assured Lives Mortality (1994-96) (Modified) Ultimate | | | |
| 5. | Retirement / Superannuation Age | 60 yrs. | 60 yrs. | | | |
| 6. | Withdrawal Rate for Gratuity: | | | | | |
| Age (yrs.) | 20 | 25 | 30 | 35 | 50 | 55 |
| Attrition Rate | 5% | 3% | 2% | 1% | 2% | 3% |

* The rate of return declared by LIC has been taken as expected rate of return on plan assets with respect to gratuity while with respect to Provident Fund the rate of return earned by the Provident Fund Trust during the financial year 2007-08 on its investment has been considered as the expected rate of return.

16. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

17. Interest income wherever applicable includes tax deducted at source of Rs. 548 Lacs (Previous Period Rs. Nil).

18. The Deferred tax liability of Rs.1,136 Lacs arising out of timing difference as on 31st March, 2008 is on account of the following :

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| Components of Deferred Tax | Rupees in Lacs | |
|---|----------------|------|
| | 2008 | 2007 |
| Deferred Tax Liability arising out of Timing Difference relating to Depreciation | 2,797 | - |
| Deferred Tax Asset arising out of Timing Difference relating to Unabsorbed Depreciation | (1,661) | - |
| Deferred Tax Asset arising out of Timing Difference relating to Miscellaneous Expenditure | - | (1) |
| Deferred Tax Liability (Net) | 1,136 | (1) |

Considering the future profitability and taxable positions in the subsequent years, the Company has recognised deferred tax asset relating to unabsorbed depreciation.

19. Provision for Income Tax has been computed on the basis of Minimum Alternate Tax (MAT) in accordance with Section 115JB of the Income Tax Act, 1961. Considering the future profitability and taxable positions in the subsequent years, the Company has recognised 'MAT credit entitlement' of Rs. 162 Lacs (Previous Period Nil) as an asset by crediting to the Profit and Loss Account an equivalent amount and included under "Loans and Advances" in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India.

| 20. Auditors' Remuneration | Rupees in Lacs | |
|----------------------------|----------------|------|
| | 2008 | 2007 |
| Audit Fees | 15 | 0.11 |
| Others | 5 | 0.25 |
| Reimbursement of Expenses | - | - |
| | 20 | 0.36 |

| 21. Contingent Liabilities | Rupees in Lacs | |
|---|----------------|------|
| | 2008 | 2007 |
| 21.1 Estimated amount of capital contracts remaining to be executed (Net of advances) | 49 | - |
| 21.2 Disputed sales tax demand * | 553 | - |
| 21.3 Disputed service tax demand* | 5,290 | - |
| 21.4 Bank guarantees | 495 | - |
| 21.5 Guarantee against receivables assigned | 3,668 | - |
| 21.6 Guarantee against co-branded arrangements | 690 | - |

* Refer Annexure II

22. Financial assets include assets pending to be given on finance amounting to Rs. 5,298 Lacs (Previous Period Nil).

23. Other financial expenses include Rs. 339 Lacs (Previous Period Nil) paid towards upfront fees on loan processing.

24. Segment Reporting

The Company is primarily engaged in a single business segment of "Asset Finance". As such there are no separate reportable segments as per Accounting Standard -17 "Segment Reporting" notified by the Central Government under Companies (Accounting Standards) Rules, 2006.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

25. Related Party Transactions

| Holding Company | Subsidiaries |
|--|--|
| Srei Infrastructure Finance Limited | Subsidiary |
| | Srei Insurance Broking Private Limited. (w.e.f. 01.01.08)* |
| | Fellow Subsidiaries: |
| | Srei Capital Markets Limited |
| | Global Investment Trust Limited |
| | Srei Forex Limited |
| | Srei Sahaj e-Village Limited |
| | Srei Infrastructure Advisors Limited |
| | Srei Venture Capital Limited |
| | Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Capital Markets Limited) |
| | Hyderabad Information Technology Venture Enterprises Limited. (Subsidiary of Srei Venture Capital Limited) |
| | Cyberabad Trustee Company Pvt. Limited. (Subsidiary of Srei Venture Capital Limited) |
| | IIS International Infrastructure Services GmbH, Germany |
| ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany) | |

* became 100% wholly owned subsidiary in accordance with the Scheme of Arrangement with effect from 1st January, 2008 being the Appointed date.

Summary of Transactions with Related Parties

Rupees In Lacs

| Name of the Related Party | Nature of Relationship | Nature of transaction | Amount | Outstanding at year end |
|-------------------------------------|------------------------|-------------------------------------|--------|-------------------------|
| Srei Infrastructure Finance Limited | Holding Company | Transfer as per the scheme | 37,531 | 37,500 |
| Srei Infrastructure Finance Limited | Holding Company | Unsecured Loan given (net) | 21,955 | 21,955 |
| Srei Infrastructure Finance Limited | Holding Company | Interest on Unsecured Loan (net) | 99 | 99 |
| Srei Sahaj e-Village Limited | Fellow Subsidiary | Financial Asset | 1,174 | 1,174 |
| Srei Sahaj e-Village Limited | Fellow Subsidiary | Interest / Finance Charges Received | 35 | - |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (Contd.)

26. Earnings per Share

Basic and Dilutive Earnings per Share

| Particulars | 2008 | 2007 |
|--|------------|-----------|
| 1. Net Profit after Tax (Rs. in Lacs) | 2,390 | 2 |
| 2. Weighted average number of Equity Shares Basic (Nos.) | 2,043,989 | 2,000,000 |
| 3. Weighted average number of Potential Equity Shares (Nos.) | 18,568,747 | - |
| 4. Weighted average number of Equity Shares Dilutive (Nos.) | 20,612,736 | 2,000,000 |
| 5. Nominal value of Equity per share (Rs.) | 10 | 10 |
| 6. Basic Earning per share (Rs.) | 116.93 | 0.09 |
| 7. Dilutive Earning per share (Rs.) | 11.59 | 0.09 |

Additional information pursuant to the provisions of Para 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

27. Schedule to the Balance Sheet as required by the Reserve Bank of India vide notification dated 29th March, 2003 (as per Annexure – I attached).

Rupees in Lacs

| | 2008 | 2007 |
|---|-------|------|
| 28.1 Expenditure in foreign currencies: | | |
| a) Finance charges | 4,698 | NIL |
| b) On Other matters | 46 | NIL |
| 28.2 Earning in foreign currencies: | | |
| Income from financial assets | 17 | NIL |

29. The Company being a 'Non Banking Financial Institution without accepting public deposits' is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 10% as per Notification No. DNBS.193 DG(VL)-2007 dated 22nd February, 2007, issued by the Reserve Bank of India. As explained in Note No II.3 of Schedule 18, on 2nd April, 2008 the assets and liabilities had to be transferred to the Company with effect from 1st January, 2008 being the Appointed Date in accordance with the Scheme of Arrangement as per Order of the Hon'ble High Court at Calcutta, which became effective on 2nd April, 2008. Capital infusion aggregating to Rs. 797.95 crore took place on 2nd April, 2008, being the Effective Date. On such capital infusion, the CRAR was in accordance with the prescribed norms of the Reserve Bank of India.

30. Previous Period figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedules 1 to 18.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

Hemant Kanoria
Vice Chairman & Managing Director

Bertrand Gousset
Vice Chairman

Sanjay Chaurasia
Company Secretary

Place : Kolkata

Date : 13th June, 2008

Annexure – I to the Notes to Financial Statements

Disclosure of details as required in terms of paragraph 13 of Non Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

Rupees in Lacs

| Particulars | Amount Outstanding | Amount Overdue |
|---|--------------------|----------------|
| Liabilities Side: | | |
| (1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid | | |
| (a) Debentures | | |
| - Secured | 87,064 | - |
| - Unsecured (Other than falling within the meaning of Public Deposit) | 10,796 | - |
| (b) Deferred Credits | 12 | - |
| (c) Term Loans | 233,965 | - |
| (d) Inter-corporate loans and borrowing | 250 | - |
| (e) Commercial Papers | - | - |
| (g) Other Loans | 150770 | - |

Assets Side :

Rupees in Lacs

| | Amount Outstanding |
|---|--------------------|
| (2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]: | |
| (a) Secured | - |
| (b) Unsecured | 33,922 |
| (3) Break-up of Leased Assets and Stock on Hire and other assets counting towards AFC activities | |
| (a) Financial assets | 426,120 |
| (b) Assets on operating Lease | 40,757 |
| (c) Repossessed Assets | 5,298 |
| Total (a) + (b) + (c) | 472,175 |
| (4) Break up of Investments | |
| Long Term Investments | |
| (1) Unquoted: | |
| (i) Shares: Equity | 250 |

Annexure – I to the Notes to Financial Statements

Disclosure of details as required in terms of paragraph 13 of Non Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (Contd.)

(5) Borrower group-wise classification of assets financed as in (2) and (3) above:

Rupees in lacs

| Category | Amount net of provisions | | |
|---------------------------------|--------------------------|-----------|----------------|
| | Secured | Unsecured | Total |
| 1. Related Parties | | | |
| (a) Subsidiaries | - | - | - |
| (b) Companies in the same group | 1,174 | - | 1,174 |
| (c) Other related parties | - | - | - |
| 2. Other than related parties | 466,220 | - | 466,220 |
| Total | 467,394 | - | 467,394 |

(6) Investor group wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

| Category | Market Value / Break up or fair value or NAV | Book Value (net of provisions) |
|--------------------|--|--------------------------------|
| 1. Related Parties | | |
| Subsidiaries | 250 | 250 |

(7) Other Information:

Rupees in Lacs

| Particulars | Amount |
|--|--------|
| i. Gross Non-Performing Assets | |
| (a) Related Parties | - |
| (b) Other than related Parties | 6,620 |
| ii. Net Non-Performing Assets | |
| (a) Related Parties | - |
| (b) Other than related Parties | 1,839 |
| iii. Assets acquired in satisfaction of debt | - |

Annexure – II to the Notes to Financial Statements

Disputed Tax demands as on 31st March, 2008

| Name of Statute | Nature of dues | Amount (Rupees in Lacs) | Period to which the amount relates | Refer Note Below |
|---|----------------|----------------------------|---------------------------------------|---------------------|
| UP Trade Tax Act, 1948 | Sales Tax | 2 | 1995-96 | 1 |
| UP Trade Tax Act, 1948 | Sales Tax | 2 | 1997-98 | 1 |
| UP Trade Tax Act, 1948 | Sales Tax | 2 | 1998-99 | 1 |
| UP Trade Tax Act, 1948 | Sales Tax | 1 | 1999-00 | 1 |
| Andhra Pradesh General Sales Tax Act, 1957 | Sales Tax | 524 | 2001-02 | 2 |
| Karnataka Sales Tax Act, 1957 | Sales Tax | 8 | 2001-02 | 3 |
| Orissa Sales Tax Act, 1947 | Sales Tax | 14 | 2004-05 | 4 |
| Finance Act, 1994 | Service Tax | 5,291 | 2002-03 to 2006-07 | 5 |

1. Tax has been paid at the point of origin but the concerned authorities have demanded tax at the point of use also, which has been contested by SIFL and the management is of the view that such demand is not sustainable.
2. The demand has been raised on the basis of double calculation of taxable turnover by the department against which SIFL has filed an appeal. The same is pending before High Court for hearing. The management is of the view that the demand is not sustainable.
3. Demand raised by Sales Tax Authorities, Karnataka on repossessed assets / stock transfer are contested by the Company before Commissioner of Commercial Taxes, Appeals. The Management is of the view that the demand is not sustainable.
4. The demand has been raised by the department on the basis of disallowance of claim for Declaration Form which was later produced. SIFL has filed the Appeal along with the stay petition. The management is of the view that the demand is not sustainable.
5. Demand has been raised by Service Tax department on Financial Services and Business Auxiliary Services invoking extended period. Tax on Financial Services has not been paid based on the stay orders and writ filed by SIFL pending before High Court at Calcutta challenging the applicability of Service Tax on lease and hire purchase.

Balance Sheet Abstract

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO COMPANIES ACT, 1956 (AS AMENDED)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | |
|--------------------|-----------------------|------------|----|
| Registration No. | U70101WB2006PTC109898 | State Code | 21 |
| Balance Sheet Date | 31-Mar-08 | | |

II. Capital Raised during the year (Amount in Rs. Thousands)

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | 500 |

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

| | | | |
|-----------------------------|----------|------------------------------|----------|
| Total Liabilities | 52765257 | Total Assets | 52765257 |
| Source of Funds | | | |
| Paid Capital | 20500 | Reserves & Surplus | 242289 |
| Secured Loans | 34525323 | Unsecured Loans | 12696328 |
| | | Deferred Tax Liability (Net) | 113643 |
| Application of Funds | | | |
| Net Fixed Assets | 4225956 | Investments | 25000 |
| Net Current Assets | 43294632 | Miscellaneous Expenditure | 52495 |

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

| | | | |
|-----------------------------|---------|----------------------------|---------|
| Turnover | 2208781 | Total Expenditure | 1854610 |
| Profit Before Tax [+] | 354171 | Profit After Tax [+] | 238971 |
| (+ for Profit, - for Loss) | | (+ for Profit, - for Loss) | |
| Earnings Per Share (in Rs.) | | Dividend Rate (%) | Nil |
| Basic | 116.93 | | |
| Dilutive | 11.59 | | |

V. Generic names of Three Principal Products / Services of Company (as per monetary terms)

| | | | |
|--------------------------|----------------|--|--|
| Item Code No (ITC Code) | Not Applicable | | |
| Products Description | Asset Finance | | |
| Item code No. (ITC Code) | - | | |
| Products Description | - | | |
| Item Code No. (ITC Code) | - | | |
| Products Description | - | | |

On behalf of the Board

Place : Kolkata
Date : 13th June, 2008

Hemant Kanoria
Vice Chairman & Managing Director

Bertrand Gousset
Vice Chairman

Sanjay Chaurasia
Company Secretary

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

| Name of the Subsidiary Company | Srei Insurance Broking Private Ltd. * |
|--|--|
| Accounting year of the Subsidiary Company | March 31, 2008 |
| Shares of the Subsidiary Company | |
| a. Number and Face Value | 25,00,000 Equity Shares of Rs. 10/- each fully paid up |
| b. Extent of holding | 100% (w.e.f. 01.01.08)** |
| Net Aggregate amount of Profit/(Loss) of the Subsidiary Company so far as it concerns the members of Srei Equipment Finance Private Ltd. | |
| a. Not dealt with in the Account of Srei Equipment Finance Private Limited for the year ended March 31, 2008 | |
| i for the Subsidiary's financial year ended March 31, 2008 | Rs. 1,70,932 |
| ii for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary | Rs. Nil |
| b. Dealt with in the Account of Srei Equipment Finance Private Limited for the year ended March 31, 2008 | |
| i for the Subsidiary's financial year ended March 31, 2008 | Rs. Nil |
| ii for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary | Rs. Nil |

* Formerly Srei Insurance Services Ltd.

** became 100% wholly owned subsidiary in accordance with the Scheme of Arrangement with effect from 1st January, 2008, being the Appointed Date.

On behalf of the Board

Place : Kolkata
Date : 13th June, 2008

Hemant Kanoria
Vice Chairman & Managing Director

Bertrand Gousset
Vice Chairman

Sanjay Chaurasia
Company Secretary

DIRECTORS

Mr. R. N. Tripathi - *Chairman*
Mr. Gopal Dikshit
Mr. D. K. Vyas

AUDITORS

Singhi & Co.
Chartered Accountants

COMPANY SECRETARY

Mr. Chandra Sekhar Adhikary

Directors' Report

Dear Shareholders,

The Board of Directors of your Company have pleasure in presenting the Sixth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|--|-----------------------------------|-----------------------------------|
| Income | 12,458,252 | 1,18,03,087 |
| Expenditure | 11,839,280 | 1,16,23,610 |
| Profit Before Tax | 618,972 | 1,79,477 |
| Provision for Current Tax | 227,928 | 1,46,300 |
| Profit After Current Tax | 391,044 | 33,177 |
| Provision for Deferred Tax | 144,704 | (1,16,925) |
| Profit after Deferred Tax | 246,340 | 150,102 |
| Income Tax for earlier year | - | (14,868) |
| Profit After Tax carried forward to next year | 246,340 | 164,970 |

During the year under review, the income of your Company went up to Rs. 124.58 lacs from Rs. 118.03 lacs in the previous year, through focused marketing effort. Your Company has earned a profit of Rs. 2.46 lacs during the current Financial Year as compared to Rs. 1.65 lacs earned during the last year.

SUBSIDIARY OF SREI EQUIPMENT FINANCE PRIVATE LIMITED CONSEQUENT TO A SCHEME OF ARRANGEMENT

During the year under review, your Company which was earlier subsidiary of Srei Infrastructure Finance Limited (SIFL) has now become subsidiary of Srei Equipment Finance Private Limited pursuant to a Scheme of Arrangement.

FUTURE OUTLOOK

Previously Brokers had been playing a limited role under the tariffed regime of IRDA. However, various changes have been introduced by the IRDA and the same are going to bring long term positive impact on the Insurance Brokerage business. The much awaited and the major change being that the rates have been already detariffed w.e.f. 01.01.2007. Detariffing opens a new window for the brokers and gives an opportunity for fair play and better scope in realising their potential to the full extent. Your Company is confident of taking maximum advantage of this detariffed scenario

with a very strong technical team in place.

Your Company is in the stage of development and evolution, hence would take some more time to build a credible presence in the market of Insurance Broking Business and establish itself as a brand. The Company is in the process of penetrating the market in spite of stiff competition from the top players to capture a substantial market share.

Srei Insurance Broking Private Limited has already obtained ISO 9001 certificate which is first in the Srei Group & the third Insurance Broking Company in the country to get ISO certification.

BUSINESS STRATEGY

Your Company has already strengthened and has built a good reputation in the reinsurance broking business, which offers a very lucrative opportunity, especially in the detariffed scenario. The Company has signed a Business Co-Operation Agreement with M/s. Colemont Brokers, U.K. who are the leading Lloyds registered Insurance Broker in the world during the last year, which will also enable the Company to use the global network for providing cost effective re-insurance solutions with a very fast turnaround time to the clients. We are also having the plans to strengthen the Company's relationship with all leading National & International Insurance Companies, Global Re-insurance Companies & members of the Lloyds syndicate.

Your Company was able to establish a strong relationship with all leading insurance companies and the Company has already received an order from National Insurance Company Limited for placement of their surplus treaties. During last year, the Company has also signed MOU with United India Insurance Co. Limited as preferred Insurance Partner.

DIVIDEND

In order to conserve the resources of your Company, the Board of Directors of your Company does not recommend any dividend for the year.

FIXED DEPOSIT

Your Company has not accepted any fixed deposits during the year under review.

PARTICULARS OF EMPLOYEES

None of the employees of your Company is in receipt of remuneration requiring disclosures pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, hence no such particulars are annexed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Your Company has no activity relating to Conservation of Energy and Technology Absorption as stipulated in the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

During the year under review, there was no foreign exchange earnings and expenditure of your Company (previous year Rs. 3,96,171/- and Rs. 1,83,511/- respectively).

DIRECTORS

Mr. D. K. Vyas was appointed as Additional Director of your Company w.e.f. 12th June, 2008. In accordance with Article 26 of the Articles of Association of your Company, Mr. D. K. Vyas will hold office as Additional Directors upto the date of the ensuing Annual General Meeting of your Company.

Since your Company is a Private Limited Company now, none of the Directors of your Company are liable to retire from office by rotation in accordance with the Article 27 of the Articles of Association of your Company.

Mr. K. K. Mohanty resigned as Director of your Company w.e.f. 12th June, 2008. The Board placed on record its deep appreciation for the valuable services rendered by him during his tenure as Director of your Company.

COMPANY SECRETARY

Ms. Bhavna Singh, tendered her resignation as Company Secretary of your Company w.e.f. 13th June, 2008 and Mr. Chandra Sekhar Adhikary was appointed as the Company Secretary of your Company w.e.f. 12th June, 2008.

CHANGE OF NAME AND CONVERSION OF THE COMPANY INTO A PRIVATE LIMITED COMPANY

During the year under review, the name of your Company was changed to 'Srei Insurance Broking Limited' w.e.f. 27th August, 2007 to properly reflect your Company's main line of activity of Insurance Broking.

The holding Company of your Company i.e. Srei Infrastructure Finance Limited had entered into a Joint Venture with BNP Paribas Lease Group, pursuant to which it was proposed to convert your Company into a Private Limited Company to reap the benefits of various exemptions available to a Private Limited Company and to carry out the affairs of the Company in a more convenient and economic manner. Accordingly, the name of your Company has been re-christened to 'Srei Insurance Broking Private Limited' w.e.f. 2nd April, 2008, vide necessary approval from the Statutory

Authorities along with consequential change in the Memorandum and Articles of Association of the Company. Also, your Company has now become subsidiary of Srei Equipment Finance Private Limited.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your directors confirm:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 year and of the profit of the Company for that year.
- (iii) that the Directors have taken proper and sufficient care 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 and
- (iv) that the Directors have prepared the annual accounts for the year ended 31st March, 2008 on a going concern basis.

AUDITORS

M/s. Singhi & Co., Chartered Accountants, retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation for the excellent support and co-operation received from the Insurance Regulatory and Development Authority (IRDA), Bankers, the holding company, Srei Equipment Finance Private Limited, Srei Infrastructure Finance Limited, various Insurance companies, clients and other regulatory authorities. Your Directors also wish to place on record their deep appreciation to the employees for their whole-hearted support and dedicated services.

On behalf of the Board of Directors

Place : Kolkata

Dated : 12th June, 2008

R. N. Tripathi

Chairman

Auditors' Report

To the Members,

Srei Insurance Broking Pvt. Ltd.

(Formerly Srei Insurance Services Limited)

We have audited the annexed Balance Sheet of **Srei Insurance Broking Pvt. Ltd. (Formerly Srei Insurance Services Limited)**, as at 31st March, 2008 and the Profit and Loss Account and Cash Flow Statement for the year 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. These 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.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227A of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the same order.

Further to our comments in the Annexure referred to above, we report that:

- i) 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.
- ii) 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.

- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account.
- iv) In our opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on the Balance Sheet date, from being appointed as a director in terms Section 274(1)(g) of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with other 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.
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Singhi & Co.**
Chartered Accountants

Place : Kolkata
Dated : 12th June, 2008

S. K. Kothari
Partner

Annexure to the Auditors' Report

- (i)
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Fixed assets are physically verified by management at reasonable intervals and no material discrepancies have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- (ii) Since the Company does not have any inventories and accordingly, paragraphs 4(ii) (a) to (c) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (iii)
 - (a) According to information and explanation given to us, the Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained U/s. 301 of the Companies Act, 1956, accordingly paragraphs 4(iii)(b) to (d) of the Order are not applicable.

- (b) The Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained U/s. 301 of the Companies Act, 1956, accordingly paragraphs 4(iii)(f) to (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for provision of services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) To the best of our knowledge and belief and according to the information and explanation given to us, the Company has not entered in any contracts or arrangements which are required to be entered in the register maintained U/s. Section 301 of the Companies Act, 1956. Accordingly no such entry has been made in the said Register.
- (vi) As the Company has not taken any deposits from the public U/s. 58A and 58AA of the Companies Act, 1956 the question of Compliance of the Companies Act under those sections does not arise.
- (vii) The Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) Maintenance of cost records is not applicable to the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the Books of Account, the Company has been regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Profession Tax and any other dues during the year with the appropriate authorities.
- The Company has challenged the constitutional validity of Fringe Benefit Tax before High Court of Calcutta and the Honorable High Court has granted interim stay on levy of such Fringe Benefit Tax on the Company. In view of this, the Company has not made payment of Fringe Benefit Tax.
- (b) According to the information and explanations given to us there are no disputed dues in respect of Income Tax etc. outstanding as on 31st March, 2008.
- (x) The Company has been registered for a period of less than five years. Hence, the related clause regarding accumulated losses and cash losses are not applicable to the Company.
- (xi) The Company does not have any dues to any banks or financial institutions.
- (xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures and other securities.
- (xiii) The Company is not a chit fund / nidhi / mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by other from banks or financial institutions.
- (xvi) The Company has not raised any term loan during the year.
- (xvii) On the basis of our overall examination of the Balance Sheet of the Company we report that, funds raised on short-term basis have not been used during the year for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained U/s. 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanation given to us and on an overall examination of the financial statements of the Company, we report that no fraud on or by the Company has been noticed or reported during the year.

For **Singhi & Co.**
Chartered Accountants

Place : Kolkata
Dated : 12th June, 2008

S. K. Kothari
Partner

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | | 2007 | |
|--|----------|------------|-------------------|------------|-------------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | | | | | |
| Share Capital | 1 | 25,000,000 | | 25,000,000 | |
| Reserves & Surplus | 2 | 518,413 | 25,518,413 | 540,977 | 25,540,977 |
| Total | | | 25,518,413 | | 25,540,977 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 3 | 191,680 | | 169,000 | |
| Less: Depreciation | | 73,775 | | 44,372 | |
| Net Block | | | 117,905 | | 124,628 |
| Current Assets, Loans & Advances | | | | | |
| Current Assets | 4 | 9,236,316 | | 9,791,907 | |
| Loans & Advances | 5 | 18,277,946 | | 16,446,114 | |
| | | 27,514,262 | | 26,238,021 | |
| Less: Current Liabilities & Provisions | | | | | |
| Current Liabilities | 6 | 1,655,809 | | 640,910 | |
| Provisions | 7 | 653,758 | | 425,830 | |
| Net Current Assets | | 2,309,567 | 25,204,695 | 1,066,740 | 25,171,281 |
| Deferred Tax Assets | | | 47,013 | | 71,468 |
| Miscellaneous Expenditure | | | | | |
| Preliminary Expenses to the extent not written off or adjusted | 8 | | 148,800 | | 173,600 |
| Total | | | 25,518,413 | | 25,540,977 |
| Significant Accounting Policies and Notes on Accounts | 10 | | | | |

Schedules referred to above form an integral part of the Accounts.

For **Singhi & Co.**
Chartered Accountants

S. K. Kothari
Partner

R. N. Tripathi
Chairman

Devendra Kr. Vyas
Director

On behalf of the Board

Chandra Sekhar Adhikary
Company Secretary

Place : Kolkata
Dated : 12th June, 2008

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|--|----------|-------------------|-------------------|
| INCOME FROM OPERATIONS | | | |
| Insurance Commission (TDS Rs. 6,02,218/-, Previous Year Rs. 8,75,113/-) | | 11,956,720 | 10,824,057 |
| Interest Received (TDS Rs. 12,647/-, Previous Year Rs. 9,167/-) | | 501,532 | 912,114 |
| Liabilities no longer required now written back | | - | 66,916 |
| | | 12,458,252 | 11,803,087 |
| EXPENDITURE | | | |
| Administrative & Other Expenses | 9 | 11,785,078 | 11,574,905 |
| Depreciation | | 29,402 | 23,905 |
| Miscellaneous Expenses Written Off | | 24,800 | 24,800 |
| | | 11,839,280 | 11,623,610 |
| Profit Before Tax | | 618,972 | 179,477 |
| Provision for Current Tax | | 227,928 | 146,300 |
| Charge (Credit) for Deferred Tax | | 144,704 | (116,925) |
| Income Tax for earlier year | | - | (14,868) |
| Profit After Tax | | 246,340 | 164,970 |
| Balance brought forward from last Year | | 540,977 | 376,007 |
| Less: Change on account of transitional provisions under Accounting Standard 15 (Revised) | | 268,904 | 272,073 |
| Balance carried to Balance Sheet | | 518,413 | 540,977 |
| Earnings Per Equity Share (Rs.) | | 0.10 | 0.07 |
| Significant Accounting Policies and Notes on Accounts | 10 | | |

Schedules referred to above form an integral part of the Accounts.

For **Singhi & Co.**
Chartered Accountants

On behalf of the Board

S. K. Kothari
Partner**R. N. Tripathi**
Chairman**Devendra Kr. Vyas**
Director**Chandra Sekhar Adhikary**
Company SecretaryPlace : Kolkata
Dated : 12th June, 2008

Cash Flow Statement for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|-------------|-------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit / (Loss) before tax | 618,972 | 179,477 |
| Adjustments for: | | |
| Depreciation | 29,402 | 23,905 |
| Preliminary Expenses written off | 24,800 | 24,800 |
| Interest Income | (501,532) | (912,114) |
| Liabilities no longer required Written Back | - | (66,916) |
| Loss on Sale of Investments | - | 322,200 |
| Operating Profit before Working Capital Changes | 171,642 | (428,648) |
| Adjustments for: | | |
| (Increase) / Decrease in Receivables / others | (1,646,332) | (5,249,368) |
| Increase / Decrease) in Trades Payables / others | 625,747 | 339,455 |
| Cash generated from Operating activities | (848,943) | (5,338,561) |
| Less: Advance Tax | 630,408 | (218,510) |
| Net Cash from Operating Activities | (1,479,351) | (5,120,051) |
| B. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (22,680) | (103,500) |
| Sale of Investments | - | 6,106,800 |
| Interest Received | 395,942 | 912,114 |
| Net Cash from Investing activities | 373,262 | 6,915,414 |
| C. Cash Flow from Financing Activities | | |
| Net Increase / (Decrease) in Cash & Cash Equivalents | (1,106,089) | 1,795,363 |
| Cash and Cash Equivalents as on 01.04.2007 | 8,366,513 | 6,571,150 |
| Cash and Cash Equivalents as on 31.03.2008 | 7,260,424 | 8,366,513 |

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' issued by The Institute of Chartered Accountants of India'.
- Cash and Cash equivalents represents Cash in Hand, Balances with Bank & Fixed Deposit with Bank.
- Cash and Cash equivalent at the end of the year consist of:

Amount in Rupees

| | 2008 | 2007 |
|---|------------------|------------------|
| a) Cash in hand | 30,778 | 7,357 |
| b) Balances with Banks in Current Account | 271,604 | 859,156 |
| c) Balances with Banks in Fixed Deposit Account | 6,958,042 | 7,500,000 |
| | 7,260,424 | 8,366,513 |

Schedules referred to above form an integral part of the Accounts.

For **Singhi & Co.**
Chartered Accountants

S. K. Kothari
Partner

R. N. Tripathi
Chairman

Devendra Kr. Vyas
Director

On behalf of the Board

Chandra Sekhar Adhikary
Company Secretary

Place : Kolkata
Dated : 12th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|------------------|------------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 25,00,000 Equity Shares of Rs. 10/- each | 25,00,000 | 25,00,000 |
| Issued, Subscribed & Paid-up | | |
| 25,00,000 (Previous Year 25,00,000) Equity Shares of Rs. 10/- each fully paid-up in cash | 25,00,000 | 25,00,000 |
| | 25,00,000 | 25,00,000 |
| Note : The entire Share Capital is held by Srei Equipment Finance Pvt. Ltd., the Holding Co. and its nominees | | |
| SCHEDULE 2 - RESERVES & SURPLUS | | |
| Profit and Loss Account | 518,413 | 540,977 |
| | 518,413 | 540,977 |

SCHEDULE 3 - FIXED ASSETS

Amount in Rupees

| Particulars | Gross Block | | | Depreciation | | | Net Block | |
|----------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------|---------------------|---------------------|---------------------|
| | As at 31.03.2007 | Addition during the year | As at 31.03.2008 | As at 31.03.2007 | For the year | As at 31.03.2008 | As at 31.03.2008 | As at 31.03.2007 |
| Computers | 169,000 | 8,996 | 177,996 | 44,373 | 28,753 | 73,126 | 104,870 | 124,627 |
| Furniture & Fixtures | - | 13,684 | 13,684 | - | 649 | 649 | 13,035 | - |
| Total | 169,000 | 22,680 | 191,680 | 44,373 | 29,402 | 73,775 | 117,905 | 124,627 |
| Previous Year | 65,500 | 103,500 | 169,000 | 20,467 | 23,905 | 44,372 | 124,628 | |

Amount in Rupees

| | 2008 | 2007 |
|---|-------------------|-------------------|
| SCHEDULE 4 - CURRENT ASSETS | | |
| Sundry Debtors | | |
| (Unsecured, Considered good) | | |
| - Debts Outstanding for a period exceeding six month | 11,238 | - |
| - Other Debts | 1,964,654 | 1,425,394 |
| Cash and Bank Balances | | |
| Cash In Hand | | |
| With Scheduled Banks | | |
| - In Current Account | 271,604 | 859,156 |
| - In Fixed Deposit Account (Under Lien with IRDA - Rs. 50 Lacs) | 6,958,042 | 7,500,000 |
| | 9,236,316 | 9,791,907 |
| SCHEDULE 5 - LOANS & ADVANCES | | |
| (Advance receivable in cash or in kind or for value to be received) | | |
| Interest Accrued on Fixed Deposit | 105,590 | - |
| Security Deposit | 15,000,000 | 13,950,000 |
| Advance Tax | 15,272 | - |
| Other Advances | 181,730 | 32,442 |
| Prepaid Expenses | 16,409 | 119,863 |
| Tax Deducted at Source | 2,958,945 | 2,343,809 |
| | 18,277,946 | 16,446,114 |

Schedules to the Balance Sheet as at 31st March, 2008

| | Amount in Rupees | |
|---|------------------|----------------|
| | 2008 | 2007 |
| SCHEDULE 6 - CURRENT LIABILITIES | | |
| Other Current Liabilities | 1,655,809 | 640,910 |
| | 1,655,809 | 640,910 |
| SCHEDULE 7 - PROVISION | | |
| Provision for Taxation | 653,758 | 425,830 |
| | 653,758 | 425,830 |
| SCHEDULE 8 - MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Opening Balance | 173,600 | 198,400 |
| Less: Written off during the Year | 24,800 | 24,800 |
| | 148,800 | 173,600 |

Schedules to the Profit and Loss Account for the year ended 31st March, 2008

| | Amount in Rupees | |
|---|-------------------|-------------------|
| | 2008 | 2007 |
| SCHEDULE 9 - ADMINISTRATIVE & OTHER EXPENSES | | |
| Salary & Allowances | 6,081,270 | 5,681,647 |
| Employer Contribution to P. F. | 402,692 | 360,993 |
| Traveling & Conveyance | 2,626,186 | 2,106,071 |
| Communication Expenses | 313,545 | 248,643 |
| Professional Charges | 475,887 | 1,306,084 |
| Printing & Stationery | 100,285 | 164,495 |
| Director Sitting Fees | 40,000 | 33,000 |
| Audit Fee | 26,900 | 12,500 |
| Rent, Rates and Taxes | 776,231 | 52,890 |
| Employee Training Expenses | 2,500 | 112,551 |
| Postage & Telegram | 79,858 | 48,437 |
| Repairs & Maintenance | 373,530 | 45,344 |
| Fees & Subscription | 224,663 | 492,903 |
| Business Promotion | 108,570 | 86,175 |
| Insurance | 86,301 | 112,240 |
| Bad Debts written off | - | 354,068 |
| Loss on Sale of Investment | - | 322,200 |
| Miscellaneous Expenses | 66,660 | 34,664 |
| | 11,785,078 | 11,574,905 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE – 10 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

A. Significant Accounting Policies

1. Basis of Accounting

The financial statements are prepared and presented in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The Company follows the accrual method of accounting under historical cost convention.

2. Recognition of Income and Expenditure

All income and expenditure are accounted on accrual basis.

3. Fixed Assets

- i) Fixed Assets are stated at their original cost of acquisition less accumulated depreciation.
- ii) Depreciation on Fixed Assets has been provided on straight-line method at rates prescribed under Schedule XIV to the Companies Act, 1956.
- iii) Fixed Assets costing less than Rs. 5,000/- are depreciated fully in the year of acquisition.

4. Impairment of Fixed Assets

Wherever events or changes in circumstances indicate that the carrying value of Fixed Assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal of such assets. If the assets are impaired, the Company recognises an impairment loss as the difference between the carrying value and fair value less costs to sell. None of the Company's fixed assets are considered impaired as on the Balance Sheet date.

5. Investments

Current Investments are valued at lower of Cost or Market value. All long-term investments are valued 'at cost'. However, provision for diminution in the value of long term investments is made by the Company to recognise permanent decline, if any, in value of investments individually.

6. Miscellaneous Expenditure

Preliminary expenses are being amortised in 10 equal installments. These expenses include expenses incurred at the time of incorporation of the Company.

7. Contingent Liabilities

Contingent Liabilities not provided for, if any, are separately shown by way of a note in this schedule.

8. Retirement and Other Benefits to Employees

i) Short term employee benefits

Short term employee benefits based on expected obligation on undiscounted basis are recognised as expense in the Profit and Loss Account of the period in which the related service is rendered.

ii) Defined benefit plan

Company's liability towards gratuity is a defined benefit plan. Such liabilities are ascertained by an independent actuarial valuation as per the requirements of Accounting Standard – 15 (revised 2005) "Employee Benefits".

9. Tax on Income

- i) Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- ii) Deferred Tax is recognised on timing difference; being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subjects to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

10. Earning per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, Earnings Per Share issued by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net profit

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE – 10 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

after tax by the weighted average number of equity shares outstanding for the year. Diluted earning per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

11. Segment Reporting

The business of the Company falls within a single primary business segment viz 'Composite Insurance Broking Services' and hence the disclosure requirement of Accounting Standard (AS-17) "Segment Reporting" issued by The Institute of Chartered Accountants of India is not applicable.

B. Notes on Accounts

- i. The name of the Company has been changed from "Srei Insurance Service Limited" to "Srei Insurance Broking Private Limited" w.e.f 23rd April, 2008.
- ii. The Company until 31st March, 2007 was recognising the provision for the employee retirement benefits as per Accounting Standard 15 "Accounting for Retirement Benefits". During the period, the Company has adopted the revised Accounting Standard – 15 (revised 2005) "Employee Benefits". This change does not have a material impact on the profit for the period. Adjustments relating to gratuity, bonus and leave travel assistance for earlier years upto 31st March, 2007 has been made with opening General Reserve as on 01.04.07 for Rs. 268,904/- (net of deferred tax Rs. 120,248)/- (as permitted under the transitional provision in the revised Accounting Standard – 15.

The following tables set out the details of amount recognised in the financial statements in respect of employee benefit schemes.

| Employee benefits | Gratuity |
|--|------------|
| Defined benefit plans | |
| As per actuarial valuation as at 31st March, 2008 | |
| I. Components of employer expenses | |
| 1. Current Service Cost | 94,180 |
| 2. Interest cost | 11,900 |
| 3. Expected return on plan assets | - |
| 4. Curtailment cost / (credit) | - |
| 5. Settlement cost / (credit) | - |
| 6. Past Service Cost | - |
| 7. Actuarial Losses / (Gains) | (14,910) |
| 8a. Expenses recognised in the Statement of Profit and Loss Account. (total 1 to 7) | 91,170 |
| 8b. Actual Contributions | |
| II. Net assets / (liability) recognised in balance sheet as at 31st March, 2008 | |
| 1. Present value of Defined Benefit Obligation | 2,35,420 |
| 2. Fair value of plan assets | - |
| 3. Funded status [Surplus / (Deficit)] | (2,35,420) |
| 4. Unrecognised past service cost | - |
| 5. Net asset / (liability) recognised in balance sheet | |
| III. Change in Defined Benefit Obligations during the period ended 31st March, 2008 | |
| 1. Present Value of DBO at beginning of period | 1,44,250 |
| 2. Current Service cost | 94,180 |
| 3. Interest cost | 11,900 |
| 4. Curtailment cost / (credit) | - |
| 5. Settlement cost / (credit) | - |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE – 10 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

| Employee benefits | | Gratuity |
|--|--|--|
| 6. | Plan amendments | - |
| 7. | Acquisitions | - |
| 8. | Actuarial (Gains) / Losses | 14,910 |
| 9. | Benefits paid | - |
| 10. | Present Value of DBO at the end of period (total 1 to 9) | 2,35,420 |
| IV. Change in Fair value of Assets during the period ended 31st March, 2008 | | |
| 1. | Plan assets at beginning of period | - |
| 2. | Acquisition Adjustment | - |
| 3. | Actual return on plan assets | - |
| 4. | Actual Company contribution | - |
| 5. | Benefits paid | - |
| 6. | Actuarial (Gains) / Losses | - |
| 7. | Plan assets at the end of the period | - |
| V. Actuarial Assumptions | | |
| 1. | Discount Rate | 8.70% |
| 2. | Expected return on plan assets | N/A |
| 3. | Salary Increases | 7.50% |
| 4. | Retirement / Superannuation Age | 60 |
| 5. | Withdrawal Rate for Gratuity: | |
| | Age (yrs.) | 20 25 30 35 50 55 |
| | Attrition Rate | 5% 3% 2% 1% 2% 3% |

- iii. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2008. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
- iv. The Company has challenged the constitutional validity of Fringe Benefits Tax before the High Court of Calcutta and the Hon'ble High Court has granted interim stay on levy of such Fringe Benefits Tax on the Company. In view of this, the Company has not provided any liability of Fringe Benefits Tax.
- v. Earnings in Foreign Currency – Rs. NIL (Previous Year Rs. 3,96,191/-)
- vi. Expenses in Foreign Currency – Rs. NIL (Previous Year Rs. 1,83,511/-)
- vii. Earnings Per Share

Basic / Dilutive Earnings per Share

| Particulars | Year ended March 31 | |
|------------------------------------|---------------------|-----------|
| | 2008 | 2007 |
| 1. Opening No. of Shares | 25,00,000 | 25,00,000 |
| 2. Total No. of Shares Outstanding | 25,00,000 | 25,00,000 |
| 3. Profit after Taxes (Rs.) | 246,340 | 1,64,970 |
| 4. Earning Per share (Rs.) | 0.10 | 0.07 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE - 10 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

viii. Related Party Transactions:

The Company has the following related parties:

| Holding Company | Fellow Subsidiaries | Key Management Personnel |
|---|--|--|
| *Srei Equipment Finance Private Limited Ultimate Holding Company | Srei Capital Markets Limited Srei Forex Limited Srei Sahaj e-Village Limited Srei Infrastructure Advisors Limited Srei Venture Capital Limited | Mr. Rajiv Riazada, Sr. Vice President |
| Srei Infrastructure Finance Limited | Global Investment Trust Limited Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Capital Markets Limited) IIS International Infrastructure Services, GmbH, Germany ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany) Hyderabad Information Technology Venture Enterprises Limited (Subsidiary of Srei Venture Capital Limited) Cyberabad Trustee Company Private Limited (Subsidiary of Srei Venture Capital Limited) | |

*became 100% holding company with effect from 1st January, 2008

Summary of Transactions with Related Parties:

| Name of the related party | Nature of relationship | Nature of transaction | Amount | Amount in Rupees |
|--|-----------------------------|--------------------------------|--------------------------|-----------------------------|
| | | | | Outstanding at the year end |
| Srei Infrastructure Finance Limited | Ultimate Holding Company | Short Term Advance Received | NIL (5,00,000) | NIL (NIL) |
| Srei Capital Markets Limited | Fellow Subsidiary | Rent Security Deposit | NIL 89,50,000 NIL | NIL (NIL) (89,50,000) |
| Mr. Rajiv Riazada, Sr. Vice President | Key Management Personnel | Salary and other allowances | 17,21,634 (12,31,667) | (NIL) |

Amount in brackets represent previous year figures.

ix. The previous year's figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedules 1 to 10.

Schedules referred to above form an integral part of the Accounts.

As per our report annexed.

For **Singhi & Co.**
Chartered Accountants

S. K. Kothari
Partner

R. N. Tripathi
Chairman

Devendra Kr. Vyas
Director

On behalf of the Board

Chandra Sekhar Adhikary
Company Secretary

Place : Kolkata
Dated : 12th June, 2008

Balance Sheet Abstract

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (AS AMENDED) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|--------------------------------|---------------------------|--------|
| I. Registration Details: | | | |
| Registration No. | 95019 | State Code | 21 |
| Balance Sheet Date | 31.03.2008 | | |
| II. Capital Raised During the year (Amount in Rs. Thousands) | | | |
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |
| III. Position of Mobilisation and deployment of Funds (Amount in Rs. Thousands) | | | |
| Total Liabilities | 27,828 | Total Assets | 27,828 |
| Sources of Funds | | | |
| Paid Up Capital | 25,000 | Reserves & Surplus | 518 |
| Secured Loans | Nil | Unsecured Loans | Nil |
| Application of Funds | | | |
| Net Fixed Assets | 118 | Investments | Nil |
| Net Current Assets | 25,205 | Misc. Expenditure | 149 |
| | | Deferred Tax Assets | 47 |
| IV. Performance of the Company (Amount in Rs. Thousands) | | | |
| Turnover (including other income) | 12,458 | Total Expenditure | 11,839 |
| Profit / (Loss) Before Tax | 619 | Profit / (Loss) After Tax | 246 |
| Earnings per Share (Rs.) | 0.10 | Dividend Rate (%) | Nil |
| V. Generic names of Three Principal Products / Services of Company (as per monetary terms) | | | |
| Item Code No. (ITC Code) | N.A. | | |
| Product Description | N.A. | | |
| Item Code No. (ITC Code) | N.A. | | |
| Product Description | Composite Insurance Broking | | |
| Item Code No. (ITC Code) | N.A. | | |
| Product Description | N.A. | | |

On behalf of the Board

S. K. Kothari
PartnerR. N. Tripathi
ChairmanDevendra Kr. Vyas
DirectorChandra Sekhar Adhikary
Company SecretaryPlace : Kolkata
Dated : 12th June, 2008

DIRECTORS

Mr. V. H. Pandya - *Chairman*
 Mr. Hemant Kanoria
 Mr. S. Krishna Kumar
 Mr. K. M. Lal
 Dr. R. Mandal
 Mr. Ashok Pareek - *Executive Director*

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

COMPANY SECRETARY

Mr. Rajesh Jain

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008. The summarised financial performance of your Company is as under:

FINANCIAL RESULTS AND OPERATIONS

Rupees in Lacs

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Income | 2064.67 | 458.91 |
| Expenditure | 1932.27 | 435.46 |
| Profit Before Tax | 132.40 | 23.44 |
| Profit After Current Tax | 84.67 | 13.17 |
| Add: Brought forward from last year | 91.27 | 87.99 |
| Balance carried to Balance Sheet | 175.94 | 101.16 |

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

Your Company, now, solely consists of the Investment Banking Division. During the year under review, the Infrastructure Advisory Division was transferred to the holding company, i.e., Srei Infrastructure Finance Limited, w.e.f. October 1, 2007.

During the year under review, your Company's total income was much higher than that of the last year. Your Company continues to make extensive marketing efforts and as a result was able to consolidate its position, rationalise costs and expand its market presence.

Your Company has been awarded with good number of mandates for Initial Public Offer. During the year under review, your Company had successfully raised funds for nine companies through Initial Public Offerings (IPOs). Your Company has also been able to build an effective and efficient team and has acquired the capability of handling multifaceted activities in the securities market. As a result of these continued activities, your Company has positioned itself as a key player in the Investment Banking sector in the Country. One of the most significant achievements of your Company in the year under review was that the market share of your Company grew to 10% of the total issues in India. As per Prime Database, your Company ranked 5th in the league of Lead Managers in India, in terms of number of issues managed during the financial

year 2007-08, as against the 19th position in the corresponding previous year.

Your Company is confident of further increasing its market presence and achieving better results in the years to come.

SUBSIDIARY COMPANY

Bengal Srei Infrastructure Development Limited (BSIDL), a subsidiary of your Company, which is a Joint Venture between your Company and WBIDC further improved its operations during the year 2007-08 handling a total of 20 projects valued at Rs. 813 crore. The Company made an entry into the Tourism sector being awarded 9 projects valued at Rs. 15 crore involving some 20 properties. Project Reports for water supply schemes involving an investment of Rs. 435 crore were prepared under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) which included first of its kind distribution network under micro tunneling method for Tallah Palta transmission mains on behalf of KMC.

BSIDL entered into a joint venture with West Bengal Industrial Infrastructure Development Corporation to establish a dedicated SPV styled 'Bengal Integrated Auto Industrial Park Private Limited' During the period under review, the Company earned an income of Rs. 15.84 lacs and declared a dividend of 40%.

DIVIDEND

In order to conserve the resources, the Board of Directors of your Company does not recommend any dividend for the year ended on 31st March, 2008.

FIXED DEPOSIT

Your Company has not accepted any fixed deposits during the year under review.

AUDIT COMMITTEE

As required under Section 292A of the Companies Act, 1956, the Audit Committee of your Company comprises of Mr. V. H. Pandya as Chairman, Mr. Hemant Kanoria, Mr. K. M. Lal and Dr. R. Mandal as members of the Committee.

Dr. R. Mandal has been appointed as a member of the Audit Committee w.e.f 11th June, 2008.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Since your Company is not a manufacturing unit, requirements as to Conservation of Energy and Technology Absorption are not applicable. However, your Company continues its endeavour to improve energy conservation and utilisation, safety and environment.

Your Company has utilised Rs. 18,429,671/- (Previous year Rs. 1,18,713/-) as foreign exchange during the year under review and has not earned any foreign exchange during the year under review.

DIRECTORS

Mr. Ashok Pareek was appointed as Additional Director of your Company w.e.f. 12th November, 2007. He was also appointed as Wholetime Director (Designated as 'Executive Director') of your Company for a period of 3 (Three) years w.e.f. 12th November, 2007. The shareholders approved appointment of Mr. Ashok Pareek as the Wholetime Director (Executive Director) at the Extraordinary General Meeting held on 20th December, 2007.

Mr. B. S. Lamba tendered his resignation as Director of your Company w.e.f. 12th November, 2007. The Board places on record its deep appreciation for the valuable services rendered by him during his tenure as Director of your Company. Dr. R. Mandal tendered his resignation as Wholetime Director of the Company w.e.f. 12th November, 2007. However Dr. Mandal continues as a Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Dr. R. Mandal and Mr. V. H. Pandya, Directors of your Company retire by rotation in the ensuing Annual General Meeting and being eligible, offer themselves for re- appointment.

COMPANY SECRETARY

Mr. Manoj Agarwal tendered his resignation as Company Secretary of the Company w.e.f. 12th November, 2007 and Mr. Rajesh Jain was appointed as the Company Secretary of the Company with effect from the same date. However, Mr. Manoj Agarwal continues to act as a Compliance Officer of the Company for the purpose of Securities and Exchange Board of India (SEBI) and Prevention of Money Laundering Act (PMLA) related matters.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your directors confirm:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 year and of the profit of the Company for that year.

- (iii) that the Directors have taken proper and sufficient care 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 and
- (iv) that the Directors have prepared the annual accounts for the year ended 31st March, 2008 on a going concern basis.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation for the excellent support and co-operation received from the Securities and Exchange Board of India (SEBI), Bankers, Investors, Clients and holding company, Srei Infrastructure Finance Limited. Your Directors also wish to place on record their deep appreciation of the contribution made by the employees and consultants, who through their competence, hard work and support have enabled your Company to achieve better performance and look forward to their continued support in the future as well.

On behalf of the Board of Directors

Place : Kolkata

V. H. Pandya

Dated : 11th June, 2008

Chairman

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 referred to in the Directors' Report for the year ended 31st March, 2008 and forming part thereof.

| Name | Age | Designation | Qualification | Remuneration (Rs.) | Date of commencement of Employment | Working Experience (Years) | Previous Employment |
|--------------------|--------|--------------------|---------------|--------------------|------------------------------------|----------------------------|---------------------|
| Ashok Kumar Pareek | 41 Yrs | Wholetime Director | B.Com, FCS | 40,65,210 | 11-09-2004 | 19 | A. K. Pareek & Co. |

Note

1. The appointment of Mr. Ashok Kumar Pareek is contractual.
2. Remuneration includes Basic Salary, Commission, LTA, Medical, Leave encashment, Employer's Contribution to Provident Fund, Incentive and other perquisites.
3. Mr. Pareek does not hold any share of the Company.
4. Mr. Pareek is responsible for overall management of the Company under the supervision and guidance of the Board of Directors.
5. Mr. Pareek is not related to any other Director of the Company.

Auditors' Report

To the Members,

Srei Capital Markets Limited

We have audited the attached Balance Sheet of **Srei Capital Markets Limited**, as at 31st March, 2008 and the Profit and Loss Account and Cash Flow Statement 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.

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.

As required by the Companies (Auditor's Report) Order, 2003 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.

Further to our comments in the Annexure referred to above, we report that:

1. 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;
2. 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;
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. 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;

5. On the basis of representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2008 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Deloitte Haskins and Sells
Chartered Accountants

A. Bhattacharya
Partner

Place : Kolkata

Date : 11th June, 2008

Membership No. 054110

Annexure to the Auditors' Report

(Referred to in our report of even date)

The nature of the Company's business / activities during the year is such that clauses 4 (ii), (viii), (xiii) and (xiv) are not applicable to the Company.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) 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) The Company has not granted / taken any loan, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4 (iii) (a) to (g) are not applicable to the Company.
- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (iv) To the best of our knowledge and belief and according to the information and explanation given to us, there are no contracts or arrangements referred to Section 301 that needed to be entered into the register, maintained under the said section.
- (v) The Company has not accepted deposits from the public within the provisions of Sections 58A and 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (vi) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (vii) In respect of Statutory dues:
 - (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess to the extent applicable and any other material statutory dues with the appropriate authorities during the year except for Service Tax where the Company has made delayed payment of Rs. 6,907,478 by over 5 months. These have however been deposited by the year end.
 - (b) According to the information and explanations given to us, there were no disputed statutory dues of Sales

Tax, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess, which have not been deposited as on 31st March, 2008.

- The Company has challenged constitutional validity of Fringe Benefits Tax before the Hon'ble High Court at Calcutta and the Hon'ble Court has granted interim stay on levy of such Fringe Benefits Tax on the Company. In view of this, the Company has not provided for any liability against Fringe Benefits Tax.
- (viii) The Company does not have any accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
 - (ix) The Company does not have any dues to financial institutions, banks or debenture holders.
 - (x) In our opinion, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - (xi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 - (xii) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not taken any term loan during the year.
 - (xiii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
 - (xiv) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (xv) According to the information and explanation given to us, no debentures have been issued by the Company.
 - (xvi) The Company has not raised any money by way of public issues during the year under review.
 - (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

A. Bhattacharya

Partner

Place : Kolkata

Date : 11th June, 2008

Membership No. 054110

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | | 2007 | |
|---|----------|------------|--------------------|------------|-------------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Funds | | | | | |
| Share Capital | 1 | 50,500,000 | | 50,500,000 | |
| Reserves & Surplus | 2 | 17,594,285 | 68,094,285 | 10,116,275 | 60,616,275 |
| Loan Funds | | | | | |
| Secured Loan-Others | | | - | | 48,859 |
| Unsecured Loan | | | 40,000,000 | | - |
| Deferred Tax Liability (net) (Refer Notes B4 of Schedule 14) | | | 357,366 | | 1,078,961 |
| | | | 108,451,651 | | 61,744,095 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 3 | 13,264,982 | | 10,519,556 | |
| Less: Depreciation | | 7,031,343 | | 5,781,158 | |
| Net Block | | | 6,233,639 | | 4,738,398 |
| Investments | 4 | | 50,382,399 | | 382,399 |
| Current Assets, Loans & Advances | | | | | |
| Sundry Debtors | 5 | 977,790 | | 15,186,861 | |
| Cash and Bank Balance | 6 | 6,767,098 | | 1,673,712 | |
| Loans & Advances | 7 | 61,849,684 | | 53,016,468 | |
| | | | | | 69,877,041 |
| Less: Current Liabilities & Provisions | | | | | |
| Current Liabilities | 8 | 17,224,369 | | 12,974,569 | |
| Provisions | 9 | 534,590 | | 296,408 | |
| | | | | | 13,270,977 |
| Net Current Assets | | | 51,835,613 | | 56,606,064 |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | 10 | | - | | 17,234 |
| | | | 108,451,651 | | 61,744,095 |
| Significant Accounting Policies & Notes on Accounts | | | | | |
| | 14 | | | | |

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

V. H. Pandya
Chairman

Ashok Kr. Pareek
Executive Director

Rajesh Jain
Company Secretary

Place : Kolkata

Date : 11th June, 2008

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|--|----------|--------------------|-------------------|
| INCOME | | | |
| Income from operations | 11 | 205,564,831 | 45,625,096 |
| Other Income | 12 | 902,137 | 265,708 |
| | | 206,466,968 | 45,890,804 |
| EXPENDITURE | | | |
| Administrative & Other Expenses | 13 | 191,538,591 | 41,998,617 |
| Depreciation | | 1,670,400 | 1,511,735 |
| Interest on Deferred Payment Liability | | 1,021 | 18,583 |
| Miscellaneous Expenditure Written off | | 17,234 | 17,431 |
| | | 193,227,246 | 43,546,366 |
| Profit Before Tax | | 13,239,722 | 2,344,438 |
| Less: Provision for Taxation | | | |
| - Current Tax | | 4,984,686 | 1,079,310 |
| - Deferred Tax | | (212,214) | (31,002) |
| - Income Tax in respect of earlier years | | - | (21,465) |
| Profit After Tax | | 8,467,250 | 1,317,595 |
| Balance brought forward from last year | | 1,01,16,275 | 8,798,680 |
| Less: Adjustment on account of adoption of AS-15 (Revised) | | | |
| Employee Benefits (Refer Note B5 of Schedule 14) (Net of Deferred Tax of Rs. 509,381) | | 989,240 | 9,127,035 |
| Profit transferred to Balance Sheet | | 17,594,285 | 10,116,275 |
| *Earnings (Basic and Diluted) Per Equity Share (Rs.) (Face Value of Rs. 10 each) | | 1.68 | 0.26 |
| Significant Accounting Policies & Notes on Accounts | 14 | | |

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

V. H. Pandya
Chairman

Ashok Kr. Pareek
Executive Director

Rajesh Jain
Company Secretary

Place : Kolkata
Date : 11th June, 2008

Cash Flow Statement for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|---------------------|---------------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit Before Tax | 13,239,722 | 2,344,438 |
| Adjustment for: | | |
| Depreciation | 1,670,400 | 1,511,735 |
| Bad Debts / Advances written off | 23,205,353 | - |
| Preliminary Expenses written off | 17,234 | 17,431 |
| Loss on sale of Fixed assets | 222,978 | - |
| Interest Income | (896,777) | (228,561) |
| Dividend Income | (5,360) | (2,750) |
| Liabilities no longer required written back | - | (34,397) |
| Operating Profit before Working Capital Changes | 37,453,550 | 3,607,896 |
| Adjustments for: | | |
| (Increase) / Decrease in Receivables / Others | (11,417,874) | (20,336,626) |
| (Decrease) / Increase in Current Liabilities | 2,989,361 | (563,806) |
| Cash generated from Operating Activities | 29,025,037 | (17,292,536) |
| Advance Tax paid | (11,392,571) | (2,413,142) |
| Net Cash (Used) / Generated in Operating Activities | 17,632,466 | (19,705,678) |
| B. Cash Flow from Investing Activities | | |
| Increase in Investments | (50,000,000) | 19,115,488 |
| Sale of Fixed Assets | 150,000 | - |
| Purchase of Fixed Assets | (3,538,619) | (47,700) |
| Interest Received | 893,038 | - |
| Dividend Received | 5,360 | 2,750 |
| Net Cash (Used) / Generated in Investing Activities | (52,490,221) | 19,070,538 |
| C. Cash Flow from Financing Activities | | |
| Increase in Borrowings | 40,000,000 | - |
| Decrease in Borrowings | (48,859) | (180,497) |
| Cash generated from Financing Activities | 39,951,141 | (180,497) |
| Net Increase / (Decrease) in Cash & Cash Equivalents | 5,093,386 | (815,637) |
| Cash & Cash Equivalents as on 01.04.2007 | 1,673,712 | 2,489,349 |
| Cash & Cash Equivalents as on 31.03.2008 | 6,767,098 | 1,673,712 |

Notes :

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 (AS 3) on 'Cash Flow Statement' issued by the Institute of Chartered Accountants of India.
2. Previous year's figures have been regrouped, wherever necessary to conform to the current year's classification.
3. Figures in brackets represent Cash outflow.

This is the Cash Flow Statement referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

V. H. Pandya
Chairman

Ashok Kr. Pareek
Executive Director

Rajesh Jain
Company Secretary

Place : Kolkata

Date : 11th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|-------------------|-------------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 52,50,000 Equity Shares of Rs. 10/- each (Previous Year 52,50,000 shares of Rs. 10/- each) | 52,50,000 | 52,50,000 |
| Issued, Subscribed & Paid-up | | |
| 50,50,000 Equity Shares of Rs. 10/- each fully paid-up in cash (Previous Year 50,50,000 shares of Rs. 10/- each) | 50,50,000 | 50,50,000 |
| | 50,50,000 | 50,50,000 |
| (The entire Share Capital is held by Srei Infrastructure Finance Ltd., the Holding Co. and its nominees) | | |
| SCHEDULE 2 - RESERVES & SURPLUS | | |
| Profit and Loss Account | 17,594,285 | 10,116,275 |
| | 17,594,285 | 10,116,275 |

SCHEDULE 3 - FIXED ASSETS

Amount in Rupees

| Particulars | Gross Block (at cost) | | | | Depreciation | | | | Net Block | |
|----------------------|-----------------------|--------------------------|------------------------------|-------------------|------------------|------------------|------------------------------|------------------|------------------|------------------|
| | As at 01.04.2007 | Addition during the year | Sales / Adj. during the year | As at 31.03.2008 | Up to 31.03.2007 | For the year | Sales / Adj. during the year | As at 31.03.2008 | As at 31.03.2008 | As at 31.03.2007 |
| Machinery | - | 160,618 | - | 160,618 | | 20,646 | - | 20,646 | 139,972 | - |
| Office Equipment | 452,357 | 475,791 | - | 928,148 | 137,863 | 37,442 | - | 175,305 | 752,843 | 314,494 |
| Furniture & Fittings | 755,610 | 2,812,757 | - | 3,568,367 | 306,792 | 258,290 | - | 565,082 | 3,003,285 | 448,818 |
| Computers | 8,518,396 | 89,453 | - | 8,607,849 | 4,983,016 | 1,287,294 | - | 6,270,310 | 2,337,539 | 3,535,380 |
| Motor Car & Vehicles | 793,193 | - | 793,193 | - | 353,487 | 66,728 | 420,215 | - | - | 439,706 |
| Total | 10,519,556 | 3,538,619 | 793,193 | 13,264,982 | 5,781,158 | 1,670,400 | 420,215 | 7,031,343 | 6,233,639 | 4,738,398 |
| Previous Year | 10,471,856 | 47,700 | - | 10,519,556 | 4,269,423 | 1,511,735 | - | 5,781,158 | 4,738,398 | |

SCHEDULE 4 - INVESTMENTS

Investments Fully Paid Up, Long Term - at cost

| Particulars | Face Value | Quantity (Nos.) | | Amount (Rs.) | |
|--|------------|-----------------|------------|-------------------|-----------------|
| | (Rs.) | 31.03.2008 | 31.03.2007 | 31.03.2008 | 31.03.2007 |
| In Equity Shares | | | | | |
| I) In Subsidiary Company - In Equity Shares | | | | | |
| Unquoted (Non Trade) | | | | | |
| Bengal Srei Infrastructure Development Limited | 10 | 25,500 | 25,500 | 255,000 | 2,55,000 |
| | | | | 255,000 | 2,55,000 |
| II) Quoted (Non Trade) | | | | | |
| Andhra Bank Limited | 10 | 100 | 100 | 1,000 | 1,000 |
| Bank of Baroda Limited | 10 | 100 | 100 | 7,220 | 7,220 |
| Bank of India Limited | 10 | 100 | 100 | 1,590 | 1,590 |
| Corporation Bank Limited | 10 | 100 | 100 | 12,875 | 12,875 |
| HDFC Bank Limited | 10 | 100 | 100 | 25,622 | 25,622 |
| ICICI Bank Limited | 10 | 100 | 100 | 18,605 | 18,605 |
| IDBI Bank Limited | 10 | 120 | 120 | 3,922 | 3,922 |
| Oriental Bank of Commerce Limited | 10 | 100 | 100 | 4,110 | 4,110 |
| State Bank of India Limited | 10 | 100 | 100 | 25,915 | 25,915 |
| ING Vysya Bank Limited | 10 | 415 | 415 | 26,540 | 26,540 |
| | | | | 127,399 | 127,399 |
| III) Investment in Units | | | | | |
| Infrastructure Project Development Fund | 100 | 500,000 | - | 50,000,000 | - |
| Total | | | | 50,382,399 | 382,399 |
| Aggregate Book Value of Quoted Investments | | | | 127,399 | 127,399 |
| Aggregate Market Value of Quoted Investments | | | | 627,493 | 454,777 |
| Aggregate Book Value of Unquoted Investments | | | | 50,255,000 | 255,000 |

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|-------------------|--------------------|
| SCHEDULE 5 - SUNDRY DEBTORS | | |
| (Unsecured, Considered good) | | |
| - Debts outstanding for a period exceeding six months | 977,790 | 7,086,260 |
| - Other debts | - | 8,100,601 |
| | 977,790 | 15,186,861 |
| SCHEDULE 6 - CASH AND BANK BALANCES | | |
| Cash In Hand | 271 | 53,237 |
| Balances with Scheduled Banks | | |
| - In Current Account | 1,266,827 | 1,620,475 |
| - In Fixed Deposit Account | 5,500,000 | |
| | 6,767,098 | 1,673,712 |
| SCHEDULE 7 - LOANS & ADVANCES | | |
| (Unsecured, Considered good) | | |
| a. Loans | | |
| Loan to Subsidiary | 11,969,319 | 4,294,032 |
| b. Advances receivable in cash or kind | | |
| Advance Income Tax [net of provision for tax of Rs. 85,44,240 (PY Rs. 3,559,554)] | 7,687,017 | 1,279,132 |
| Others | 42,193,348 | 47,443,304 |
| | 61,849,684 | 53,016,468 |
| SCHEDULE 8 - CURRENT LIABILITIES | | |
| Sundry Creditors | | |
| i) total outstanding dues of micro, small and medium enterprises | - | - |
| ii) total outstanding dues of creditors other than micro, small and medium enterprises | 58,702 | 948,548 |
| Advance from Customer | 545,117 | - |
| Other Liabilities | 16,620,550 | 12,026,021 |
| | 17,224,369 | 1,29,74,569 |
| (There are no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund) | | |
| SCHEDULE 9 - PROVISIONS | | |
| Provision for Gratuity | 534,590 | 296,408 |
| | 534,590 | 296,408 |
| SCHEDULE 10 - MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Opening Balance | 17,234 | 34,665 |
| Less: Amortised during the year | 17,234 | 17,431 |
| | - | 17,234 |

Schedules to the Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|--------------------|-------------------|
| SCHEDULE 11 - INCOME FROM OPERATIONS | | |
| (Refer Note B1 of Schedule 14) | | |
| Lead Arranger Fees | 8,212,410 | - |
| Consultancy Services | 21,368,999 | 12,371,246 |
| Lead Manager Fees | 76,472,346 | 29,413,626 |
| Underwriting Fees | 36,290,737 | 2,574,975 |
| Brokerage Received | 63,220,339 | 1,265,249 |
| | 205,564,831 | 45,625,096 |
| SCHEDULE 12 - OTHER INCOME | | |
| Dividend Received | 5,360 | 2,750 |
| Interest Received Gross (Tax deducted at source Rs. 175,765) (Previous year Rs. 51,289) | 896,777 | 228,561 |
| Liabilities no longer required written back | - | 34,397 |
| | 902,137 | 265,708 |
| SCHEDULE 13 - ADMINISTRATIVE & OTHER EXPENSES | | |
| Salary, Allowances & Bonus | 20,791,195 | 17,573,793 |
| Contribution to Provident Fund | 1,311,683 | 1,110,272 |
| Staff Welfare | 261,793 | 85,543 |
| Travelling & Conveyance | 3,948,667 | 4,548,917 |
| Car Running Expenses | 3,435,045 | 4,371,675 |
| Telephone Expenses | 876,357 | 474,586 |
| Professional Fees | 97,616,139 | 10,051,797 |
| Electricity Charges | 292,273 | 202,061 |
| Printing & Stationary | 696,945 | 235,601 |
| Directors' Sitting Fees | 75,000 | 51,000 |
| Advertisement & Subscription | 2,228,912 | 774,239 |
| Payment to Auditors | | |
| - Audit Fees | 100,000 | 25,000 |
| - Certification | 54,000 | 25,000 |
| Rent | 4,031,573 | 687,946 |
| Rates & Taxes | 398,554 | 45,305 |
| Repairs & Maintenance - Others | 961,537 | 112,609 |
| Service Charges | 947,619 | 525,549 |
| Business Development Expenses | 73,122 | 204,447 |
| Brokerage - Others | 29,695,364 | 561,258 |
| Tender Fees | 207,985 | 112,915 |
| Miscellaneous Expenses | 106,497 | 72,019 |
| Bad Debts / Advances Written Off | 23,205,353 | 147,085 |
| Loss on Sale of Fixed Assets | 222,978 | - |
| | 191,538,591 | 41,998,617 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 14 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

- 1.1. The financial statements are prepared in accordance with the historical cost convention and accrual basis of accounting.
- 1.2. These are presented in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956 and Accounting Standards notified by the Central Government under Companies (Accounting Standards) Rules, 2006.
- 1.3. The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities including contingent liabilities as of the date of the financial statement and the reported income and expenses 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.

2. Recognition of Income

Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.

- (i) Issue management and placement fees, underwriting commission and financial advisory fees are accounted based on stage of completion of assignments.
- (ii) Brokerage on fixed income securities placements are accounted on completion of the transaction.

3. Fixed Assets

- 3.1. Fixed Assets are stated at their original cost of acquisition less accumulated depreciation.
- 3.2. Depreciation on Fixed Assets has been provided on straight-line method at rates prescribed under Schedule XIV to the Companies Act, 1956.
- 3.3. Fixed Assets costing less than Rs. 5,000/- are depreciated fully in the year of acquisition.

4. Impairment of Fixed Assets

Wherever events or changes in circumstances indicate that the carrying value of fixed assets may be impaired, the Company subjects such assets to test of recoverability, based on discounted cash flows expected from use or disposal of such assets. If the assets are impaired, the Company recognises an impairment loss as difference between the carrying value and value in use.

5. Investments

- 5.1. Investments are classified into 'long term' and 'current' investments.
- 5.2. Current investments are valued at lower of cost or fair value.
- 5.3. All long-term investments including investments in subsidiary company are stated 'at cost'. Provision for diminution in value, other than temporary, is considered wherever necessary on an individual basis.
- 5.4. Cost is arrived at on weighted average method for the purpose of valuation of investments.

6. Tax on Income

- 6.1. Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- 6.2. Deferred Tax is recognised on timing difference, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

7. Miscellaneous Expenditure

Preliminary expenses are being amortised in 10 equal installments. These expenses represent expenses incurred at the time of incorporation of the Company.

8. Provisions, Contingent Liabilities and Contingent Assets

Contingent Liabilities, which can reasonably be ascertained, are provided for if, in the opinion of the Company, there is a probability that the future outcome may have material impact on its affairs.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 14 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

9. Employee Benefits

9.1. Short term employee benefits

Short term employee benefits based on expected obligation on undiscounted basis are recognised as expense in the Profit and Loss Account of the period in which the related service is rendered.

9.2. Post employment benefit

9.2.1. Defined contribution plan

Company's contribution towards Provident Fund with respect to some employees paid / payable during the year to the Provident Fund Authority are charged to the Profit and Loss Account.

9.2.2. Defined benefit plan

Company's liability towards gratuity is a defined benefit plan. Such liabilities are ascertained by an independent actuarial valuation as per the requirements of Accounting Standard – 15 (revised 2005) "Employee Benefits". All actuarial gains and losses are recognised in Profit and Loss Account in the year in which they occur.

10. Borrowing Cost

Borrowing costs to the extent / attributed to the acquisition / construction of qualifying assets are capitalised up to the date when such assets are ready for its intended use and all other borrowing costs are recognised as an expense in the period in which they are incurred.

11. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, 'Earnings Per Share' notified by the Central Government under Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share have been computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings during the year adjusted for the effects of all dilutive potential equity shares per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

B. NOTES ON ACCOUNTS

- Lead Arranger Fees, Consultancy Services, Lead Manager Fees, Underwriting Fees and Brokerage Received include tax deducted at source of Rs. 11,216,805 /- (Previous Year Rs. 20,91,973/-)
- There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2008. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This have been relied by upon by the auditors.
- The Company pursuant to a board resolution dated 12th November, 2007 has decided that business of Infrastructure Advisory Services be carried on by its holding company i.e. Srei Infrastructure Finance Limited. Consequently all employees related to Infrastructure Advisory Services have been transferred to the holding company.
- The net deferred tax liability of Rs. 357,366/- as on 31st March, 2008 has arisen on account of following:

| | 2008 | 2007 |
|---|------------------|------------------|
| Deferred Tax Liability | | |
| i) Difference between Book and Tax written down value | 800,343 | 1,073,036 |
| ii) Unamortised business origination cost and miscellaneous expenditure | - | 5,925 |
| Total Deferred Tax Liability | 800,343 | 1,078,961 |
| Deferred Tax Assets | | |
| Provision for leave encashment | (252,035) | - |
| Provision for Sick Leave | (9,235) | - |
| Provision for Gratuity | (181,707) | - |
| Total Deferred Tax Asset | (442,977) | - |
| Net Deferred Tax Liability | 357,366 | 1,078,961 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 14 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

5. Employee Benefits:

The Company until 31st March, 2007 was recognising the provision for the employee retirement benefits as per Accounting Standard 15 "Accounting for Retirement Benefits". During the period, the Company has adopted the revised Accounting Standard – 15 (revised 2005) "Employee Benefits".

Adjustments relating to gratuity Rs. 151,150/- (net of deferred tax Rs. 77,832/-), bonus Rs. 451,688/- (net of deferred tax Rs. 232,584), provident fund Rs. 3,295/- (net of deferred tax Rs. 1697/-) and leave travel assistance Rs. 383,106/- (net of deferred tax Rs. 197,270/-) for earlier years upto 31st March, 2007 has been made with opening General Reserve as on 01.04.07 for Rs. 989,240/- (net of deferred tax Rs. 509,381/-) as permitted under the transitional provision in the revised Accounting Standard – 15. However there is no material impact to the Profit and Loss Account on account of this reassessment.

Defined Contribution Plans

The Company provides Provident Fund benefit to all employees. Under these schemes fixed contributions is made to provident fund. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The Company has made the following contributions which are recognised as expense in the Profit and Loss Account for year in which the services are rendered by employees.

| | Amount in Rupees | |
|--------------------------------|------------------|------------------|
| | 2008 | 2007 |
| Contribution to Provident Fund | 1,186,932 | 1,109,198 |
| Total | 1,186,932 | 1,109,198 |

Defined Benefits Plans

All employees who have rendered service for specified period as per the Payment of Gratuity Act are entitled for gratuity. The gratuity amount is determined based on the last drawn salary and period of service with the Company.

The following tables set out the details of amount recognised in the financial statements in respect gratuity benefits which is not funded.

| | Amount in Rupees |
|---|------------------|
| Employee Benefits | Gratuity |
| Defined benefit plans | |
| As per actuarial valuation as at 31st March, 2008 | |
| I. Components of employer expenses | |
| 1. Current Service Cost | 348,970 |
| 2. Interest cost | 43,340 |
| 3. Expected return on plan assets | - |
| 4. Curtailment cost / (credit) | - |
| 5. Settlement cost / (credit) | - |
| 6. Past Service Cost | - |
| 7. Actuarial Losses / (Gains) | (383,110) |
| 8a. Expenses recognised in the Statement of Profit and Loss Account. (total 1 to 7) | 9,200 |
| 8b. Actual Contributions | - |
| 9. Total expenses recognised in the Statement of Profit and Loss Account | 9,200 |
| II. Actual Contribution and Benefits Payments for period ended 31st March, 2008 | |
| 1. Actual benefit payments | - |
| 2. Actual Contributions | - |
| III. Net assets / (liability) recognised in balance sheet as at 31st March, 2008 | |
| 1. Present value of Defined Benefit Obligation | 534,590 |
| 2. Fair value of plan assets | - |
| 3. Funded status [Surplus / (Deficit)] | (534,590) |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 14 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

Amount in Rupees

| Employee Benefits | Gratuity |
|---|--|
| 4. Unrecognised past service cost | - |
| 5. Net asset / (liability) recognised in balance sheet | (534,590) |
| IV. Change in Defined Benefit Obligations during the period ended 31st March, 2008 | |
| 1. Present Value of DBO at beginning of period | 525,390 |
| 2. Current Service cost | 348,970 |
| 3. Interest cost | 43,340 |
| 4. Actuarial (Gains) / Losses | (383,110) |
| 5. Benefits paid | - |
| 6. Employer Contribution's | - |
| 7. Present Value of DBO at the end of period (total 1 to 6) | 534,590 |
| V. Actuarial Assumptions | - |
| 1. Discount Rate | 8.70% |
| 2. Expected return on plan assets | N/A |
| 3. Salary Increases | 8.25% |
| 4. Retirement / Superannuation Age | 60 |
| 5. Withdrawal Rate for Gratuity: | |
| Age (yrs.) | 20 25 30 35 50 55 |
| Attrition Rate | 5% 3% 2% 1% 2% 3% |

6. Fringe Benefit Tax

The Company has challenged the constitutional validity of Fringe Benefit Tax before the Calcutta High Court and the Hon'ble High Court has granted interim stay on levy of such Fringe Benefit Tax on the Company. In view of this, the Company has not provided any liability for Fringe Benefit Tax.

Amount in Rupees

| | 2008 | 2007 |
|---|-------------------|------------------|
| 7. Expenditure in Foreign Currency | | |
| Consultancy fees | 18,274,759 | - |
| Travelling | 154,912 | 118,713 |
| Total | 18,429,671 | 118,713 |
| 8. Director's Remuneration | | |
| Salary and Other Allowance | 1,706,167 | 979,537 |
| Contribution to Provident Fund | 199,800 | 72,000 |
| Total | 1,905,967 | 1,051,537 |
| Provisions for gratuity in respect of Directors are not included above, as actuarial valuation is done on an overall basis. | | |
| 9. Contingent Liabilities | | |
| Capital Commitments (Net of advances) | 199,331 | NIL |
| Total | 199,331 | NIL |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 14 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

10. Related Party Transactions:

The Company has the following related parties:

| Holding Company | Subsidiaries | Key Management Personnel |
|----------------------------------|--|---|
| Srei Infrastructure Finance Ltd. | Subsidiary: Bengal Srei Infrastructure Development Limited Fellow Subsidiaries: Srei Forex Limited Srei Insurance Broking Private Limited (Formerly Srei Insurance Services Limited) Srei Investment Advisors Limited Srei Venture Capital Limited Srei Sahaj e-Village Limited (Formerly Srei Money Mall Limited) Srei Equipment Finance Private Limited (Formerly Srei Infrastructure Development Private Limited) Global Investment Trust Limited IIS International Infrastructure Services, GmbH, Germany ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure GmbH, Germany) | Mr. R. Mandal, Executive Director (Till 11th Nov, 2007) Mr. Ashok Pareek (w.e.f. 12th Nov, 2007) |

Summary of Transactions with Related Parties:

Amount in Rupees

| Transactions | Holding Company | | Subsidiary / Fellow Subsidiary | | Key Management Personnel | |
|---|-----------------|------------|--------------------------------|-----------|--------------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Unsecured Loan (Net) | 40,256,490 | 76,467,972 | 7,675,287 | 3,377,272 | - | - |
| Security Deposit | - | - | - | 8,950,000 | - | - |
| Consultancy Fee (inclusive of service tax) | - | - | - | 325,000 | - | - |
| Interest Income on Loan given (referred to above) | - | - | 848,518 | 228,561 | - | - |
| Rent Received | - | - | - | 12,000 | - | - |
| Consultancy Fee (inclusive of service tax) | - | - | - | 325,000 | - | - |
| Remuneration | - | - | - | - | 1,905,967 | 1,051,537 |
| Equity Contribution | - | - | - | - | - | - |
| Outstanding at the year end: | | | | | | |
| Unsecured Loan Payable | 40,000,000 | NIL | - | - | - | - |
| Receivables | - | - | 11,969,319 | 4,294,032 | - | - |

11. Earnings Per Share (Basic / Diluted)

| | 2008 | 2007 |
|-----------------------------|-----------|-----------|
| 1. Opening No. of Shares | 5,050,000 | 5,050,000 |
| 2. Total Shares outstanding | 5,050,000 | 5,050,000 |
| 3. Profit after Taxes (Rs.) | 8,467,250 | 1,317,595 |
| 4. Earnings Per Share (Rs.) | 1.68 | 0.26 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 14 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

12. Segment Reporting

The Company is primarily engaged in a single business segment of "Project Consultancy, Merchant Banking and Underwriting Services". As such there are no separate reportable segments as per Accounting Standard - 17 "Segment Reporting" notified by the Central Government under Companies (Accounting Standards) Rules, 2006.

13. The previous year's figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedule 1 to 14.

For Deloitte Haskins & Sells
Chartered Accountants

A. Bhattacharya
Partner

Place : Kolkata

Date : 11th June, 2008

On behalf of the Board

V. H. Pandya
Chairman

Ashok Kr. Pareek
Executive Director

Rajesh Jain
Company Secretary

Balance Sheet Abstract

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO COMPANIES ACT, 1956 (AS AMENDED)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|---|----------------------------|--------|
| I. Registration Details | | | |
| Registration No. | 87155 | State Code | 21 |
| Balance Sheet Date | 31.03.2008 | | |
| II. Capital Raised during the year (Amount in Rs. Thousands) | | | |
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |
| III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands) | | | |
| Total Liabilities | 134755 | Total Assets | 134755 |
| Source of Funds | | | |
| Paid up Capital | 50500 | Reserves & Surplus | 17594 |
| Secured Loans | Nil | Unsecured Loans | 40000 |
| | | Deferred Tax | 357 |
| Application of Funds | | | |
| Net Fixed Assets | 6233 | Investments | 50382 |
| Net Current Assets | 51836 | Misc. Expenditure | Nil |
| Accumulated Losses | Nil | | |
| IV. Performance of the Company (Amount in Rs. Thousands) | | | |
| Turnover | 206467 | Total Expenditure | 193227 |
| Profit Before Tax [+] | 13240 | Profit After Tax [+] | 8467 |
| (+ for Profit, - for Loss) | | (+ for Profit, - for Loss) | |
| Earnings per Share (Rs.) | 1.68 | Dividend Rate (%) | Nil |
| V. Generic names of Three Principal Products / Services of Company (as per monetary terms) | | | |
| Item Code No (ITC Code) | N.A. | | |
| Products Description | Fund Mobilisation & Project Consultancy | | |
| Item code No. (ITC Code) | N.A. | | |
| Products Description | Merchant Banking | | |
| Item Code No. (ITC Code) | N.A. | | |
| Products Description | Underwriting | | |

On behalf of the Board

Place : Kolkata

Date : 11th June, 2008

V. H. Pandya

Chairman

Ashok Kr. Pareek

Executive Director

Rajesh Jain

Company Secretary

DIRECTORS

Dr. Satish C. Jha - *Chairman*
 Mr. Hemant Kanoria
 Mr. S. Rajagopal
 Dr. Basudeb Sen
 Dr. K. B. L. Mathur
 Mr. R. N. Bhardwaj

AUDITORS

G. P. Agrawal & Co.
Chartered Accountants

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|----------------------------|-----------------------------------|-----------------------------------|
| Income | 62,028,355 | 81,396,795 |
| Expenditure | 60,460,153 | 16,837,639 |
| Profit Before Tax | 1,568,202 | 64,559,156 |
| Provision for Current Tax | 497,539 | - |
| Profit After Current Tax | 1,070,663 | 64,559,156 |
| Provision for Deferred Tax | 127,065 | - |
| Profit After Tax | 943,598 | 64,559,156 |

During the year under review, your Company made an Income of Rs. 6,20,28,355/- as against Rs. 8,13,96,795/- earned in the previous year and a profit before tax of Rs. 1,568,202/- against a profit of Rs. 6,45,59,156/- earned in the previous financial year.

BUSINESS REVIEW

During the year under review your Company continued its efforts of adding value to its portfolio companies and ensuring strategic exits during fiscal 2008. A dedicated team of experienced professionals continue to manage the portfolio with specific targets for performance for each fund.

Your Company earned the major share of its income as fees for managing assets and made profits on sale of Investments.

Your Company has been intelligently investing and also at the right opportunity making exits. As a result of focused effort, it successfully exited from few investments made through India Global Competitive Fund, at an aggregate value of Rs. 370 crore.

PORTFOLIO & FUND STRATEGY

As of 31st March, 2008, your Company has been managing the following funds:

| Fund | Rs. in Mn. |
|--------------|-------------|
| MASIF | 472 |
| IPDF | 1100 |
| IGCF | 550 |
| MGDF | 3942 |
| TOTAL | 6064 |

Medium & Small Infrastructure Fund (MASIF) is an equity fund with corpus of Rs. 472 million, focusing on Infrastructure Projects such as road, power and telecommunication. The fund corpus is fully invested and has made portfolio investment in 5 companies which are performing well and has significantly appreciated in value.

Infrastructure Project Development Fund (IPDF) is an equity fund with an investible corpus of Rs. 1070 million focusing on investing in development of Infrastructure Projects in Road, Power, Port & Urban Infrastructure Projects. During the year the net investible corpus of the fund rose from Rs. 340 million to Rs. 1070 million The fund has made investment in 11 companies.

India Global Competitive Fund (IGCF) and Millennium Growth & Development Fund (MGDF) provide debt investments to well established / existing enterprises with robust business models and healthy balance sheets. These funds focus on providing growth capital for enterprises to expand exponentially.

ACQUISITION OF HITVEL

Your Company has taken a strategic significant stake of 51% in HITVEL, an Asset Management Company (AMC) formed by APIDC, APIIC and SIDBI. HITVEL is an AMC of SEBI registered HIVE Fund, which has been formed for providing financial assistance to IT & ITES sector in the state of Andhra Pradesh.

Presently HITVEL is managing the corpus of Rs. 150 million. of HIVE Fund. Most of the investments are made into product developments companies in the IT sector. Further a second fund with a corpus of Rs. 500 million is planned to be raised.

OUTLOOK

Your Company is of the view that the next year would throw many challenges. The US-led global credit crunch is taking its toll on financial markets, and there are signals hinting at a slowdown in earnings. The volatility in Indian Capital market was appalling so the risk appetite of investors has nearly vanished.

While growth drivers for Indian Economy remains intact, the uncertainty arising out of global financial markets along with domestic factors like higher inflation and higher interest rates will begin to impact growth. Even though the short-term outlook may be uncertain, the long-term outlook for India is positive. Hence, your Company believes that the prospect for Venture Funds in India is vibrant as the economy is slated to grow at an average of 7-8 per cent over the next two-three years. This will unleash huge opportunity for private equity investments both in listed equity and unlisted companies.

Your Company is confident that investors would recognise the opportunity that India presents in infrastructure sector. The World Bank estimates that USD 500 billion of investments is needed for the Indian infrastructure sector over the next five years.

Considering the huge opportunity in this space your Company with its expertise in this sector would look at raising and managing another Infrastructure Fund.

DIVIDEND

In order to conserve the resources of your Company, the Board of Directors of your Company does not recommend any dividend for the financial year 2007-08.

FIXED DEPOSIT

Your Company has not accepted any fixed deposit during the year under review.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Since your Company is not running a manufacturing unit, requirements of disclosure regarding Conservation of Energy and Technology Absorption are not applicable. However, your Company continues its endeavour to improve energy conservation and utilisation, safety and environment.

During the year under review, the total foreign exchange outflow was Rs. 23,94,626 /- (Previous year Rs. 6,34,124/-). Your Company has not earned any foreign exchange during the year under review (Previous year – Nil).

DIRECTORS

Mr. R. N. Bhardwaj was appointed as Additional Director of your Company w.e.f. 21st November, 2007. In accordance with Article 87 of the Articles of Association of your Company, Mr. R. N. Bhardwaj will hold office as Additional Director upto the date of the ensuing Annual General Meeting of your Company. Your Company has received notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to move resolution for appointment of Mr. R. N. Bhardwaj as Director of your Company.

In accordance with the provisions of the Companies Act, 1956 and pursuant to the Articles of Association of your Company, Mr. Hemant Kanoria and Mr. S. Rajagopal, Directors, retire by rotation in the ensuing Annual General Meeting and being eligible, offer themselves for re- appointment.

Mr. S. C. Bhargava, resigned as Director of your Company w.e.f. 6th August, 2007. The Board places on record its deep appreciation for the valuable services rendered by him during his tenure as Director of your Company.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your Directors confirm:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 year and of the profit of the Company for that year;

(iii) that the Directors have taken proper and sufficient care 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; and

(iv) that the Directors have prepared the annual accounts for the year ended 31st March, 2008 on a going concern basis.

AUDITORS

M/s. G. P. Agrawal & Co, Chartered Accountants retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

SECRETARIAL COMPLIANCE REPORT

Pursuant to the proviso to Section 383A of the Companies Act, 1956, a certificate from a Company Secretary in Wholtime Practice in respect to compliances by your Company with all the provisions of the Companies Act, 1956 is attached to this Report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation for the excellent support and co-operation received from the Securities and Exchange Board of India (SEBI), General Insurance Corporation of India Limited, Life Insurance Corporation of India, UCO Bank along with other Investment Bankers, Financial Institutions, Insurance companies, parent company, Srei Infrastructure Finance Limited and all the Investors and Stakeholders. Your Directors also wish to place on record their deep appreciation to all the employees for their whole-hearted and dedicated services and look forward to their continued support in the future as well.

On behalf of the Board of Directors

Place : Kolkata
Dated : 10th June 2008

Satish C. Jha
Chairman

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 referred to in the Directors' Report for the year ended 31st March, 2008 and forming part thereof.

| Name | Age | Designation | Qualification | Remuneration (Rs.) | Date of commencement of Employment | Working Experience (Years) | Previous Employment |
|--------------------|--------|-------------|------------------------------|--------------------|------------------------------------|----------------------------|--------------------------|
| Vijay Gopal Jindal | 51 Yrs | CEO | B.Sc(H), MBA (Mkt&Fin) | 7,325,333 | 01/08/2007 | 26 | The Times of India Group |

Note

1. The appointment of Mr. Vijay Gopal Jindal is contractual.
2. Remuneration includes Basic Salary, Commission, LTA, Medical, Leave encashment, Employer's Contribution to Provident Fund, Incentive and other perquisites.
3. Mr. Vijay Gopal Jindal is not related to any other Director of the Company.

Auditors' Report

To the Members,

Srei Venture Capital Limited

1. We have audited the attached Balance Sheet for **Srei Venture Capital Limited** as at 31st March, 2008 and the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date, all of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraph 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with this by report have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act;
 - e) On the basis of written representations received from the directors as on 31st March, 2008 and taken on

record by the Board of Directors of the Company, 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 Act;

- f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement together with the Notes thereon and attached thereto, give in the prescribed manner the information required by the Act 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;
 - (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 **G. P. Agrawal & Co.**
Chartered Accountants

Sunita Kedia
Partner

Place : Kolkata
Date : 10th June, 2008

Membership No. 60162

Annexure to the Auditors' Report

Statement referred to in our report of even date to the members of Srei Venture Capital Limited on the accounts for the year ended 31st March, 2008.

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) The fixed assets have been physically verified by the management during the year. To the best of our knowledge, no material discrepancy was noticed on such verification.
- c) The Company has not disposed of substantial part of fixed assets during the year.
- (ii) The Company does not have any inventories. Therefore, the provisions of clauses (ii) (a) to (ii) (c) of paragraph 4 of the said order are not applicable to the Company.
- (iii) a) 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 Act.
- b) As the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in register maintained under Section 301 of the Act, clauses (iii)(b) to (iii)(d) of paragraph 4 of the said order are not applicable to the Company.
- c) 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 Act.
- d) As the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in register maintained under section 301 of the Act, clauses (iii)(f) to (iii) (g) of paragraph 4 of the said order are not applicable to the Company.
- (iv) On the basis of information and explanation given to us, we are of the opinion that the Company has an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed asset and the sale of services. During the course of our audit, we have not observed any major weakness in internal controls.
- (v) a) Based on the audit procedure applied by us and according to information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any public deposit within the meaning of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under.
- (vii) In our opinion, the internal audit system of the Company is commensurate with the size of Company and nature of its business.
- (viii) The provisions regarding maintenance of cost records under section 209 (1) (d) of the Act are not applicable to the Company.
- (ix) a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Service Tax, Cess and other statutory dues with the appropriate authorities. As explained to us, the provisions of Investor education and Protection fund, Employees' State Insurance, Sales Tax, Excise Duty, Wealth Tax and Custom Duty are not applicable to the Company. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2008 for a period of more than six months from the date of becoming payable.
- b) There is no amount payable in respect of the aforesaid statutory dues that have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has no dues of financial institution, bank or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any special statute applicable to Chit fund or nidhi or mutual benefit society are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures. However, the investments made by the Company have been held by the Company in its own name.
- (xv) According to the records of the Company and the information

Annexure to the Auditors' Report

and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial intuitions.

- (xvi) According to the records of the Company, the Company has neither obtained nor applied any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has not issued any debentures.

(xx) The Company has not raised any moneys by public issues during the period covered by our audit report.

(xxi) In our opinion and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements materially misstated.

For **G. P. Agrawal & Co.**
Chartered Accountants

Sunita Kedia
Partner

Place : Kolkata

Date : 10th June, 2008

Membership No. 60162

Compliance Certificate

* {In accordance with proviso to sub-section (1) of Section 383A of the Companies Act, 1956 and the Companies (Compliance Certificate) Rules, 2001}.

| | |
|--|---|
| Registration No.: | 21-065722 |
| CIN No: | U65999WB1994PLC065722 |
| Date of incorporation: | 31.10.1994 |
| Date of obtaining certificate of commencement of business: | 23.01.1995 |
| Authorised Share Capital: | Rs. 5,500 Lacs (equity & preference shares) |
| Paid up Share Capital: | Rs. 25 Lacs (equity shares) |

To the Members,

Srei Venture Capital Limited

I have examined the registers, records, books and papers of **Srei Venture Capital Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year: -

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies within the time prescribed under the Act and the rules made thereunder or with late filing fees. No forms and returns were filed with Regional Director, Central Government, Company Law Board or other authorities.
3. The Company, being a public limited company, has the minimum prescribed paid up capital and other comments are not required as they are applicable to a private limited company.
4. The Board of Directors of the Company duly met 04 (four) times respectively on 29.05.2007, 22.08.2007, 20.12.2007 and 17.01.2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2007 was held on 25.06.2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made necessary entries in the Register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government in this regard.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company:
 - (i) has not made any allotment, transfer or transmission of securities during the financial year.
 - (ii) has not deposited any amount in a separate Bank Account, as no dividend was declared during the financial year;
 - (iii) was not required to pay / post warrants to any member of the Company, as no dividend was declared during the financial year;
 - (iv) was not required to transfer any amount to Investor Education and Protection Fund;
 - (v) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and comprised of six directors. Mr. K. B. L. Mathur (who was appointed as an additional director by the Board of Directors w.e.f. 29.07.2006) was appointed as director of the company by the members at the Annual General Meeting held on 25.06.2007. Mr. S. C. Bhargava resigned from the directorship

of the company w.e.f 06.08.2007. Mr. R. N. Bhardwaj was appointed as an additional director by the Board of Directors w.e.f. 21.11.2007. Mr. V. S. Hariharpur resigned from the position of Managing Director and Director of the company w.e.f 01.01.2007. The DIN of all the six existing directors, in accordance with Section 266A and Section 266B of the Act as introduced by Section 3 of the Companies (Amendment) Act, 2006 read with Companies (Director Identification Number) Rules, 2006 as amended have been approved.

15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year. Mr. V. S. Hariharpur resigned from the position of Managing Director and Director of the Company w.e.f 01.01.2007.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director and / or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits, including unsecured loan falling within the purview of section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year, in violation of the provisions of Section 293(1) (d) of the Act.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate, where applicable, in violation of the provisions of the Act.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. I have been given to understand by the management that there was / were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

Sd/-

C. S. Deepak Kumar Khaitan
Practising Company Secretary

Place : Kolkata

Date : 10th June, 2008

F.C.S. No. 5615 / C.P. No.: 5207

Annexure A

Registers and Records as maintained by the Company

| Sl. No. | Particulars | Under Section |
|---------|--|---------------|
| (a) | Register of Members | 150 |
| (b) | Index of Members | 151 |
| (c) | Minutes Book of Meetings of Board of Directors | 193 |
| (d) | Minutes Book of Meetings of Shareholders | 193 |
| (e) | Register of particulars of contracts in which directors are interested | 301 |
| (f) | Register of Directors, Managing Director, Manager and Secretary | 303 |
| (g) | Register of Directors' shareholdings | 307 |
| (h) | Application and Allotment Register | |
| (i) | Register of Transfer | |

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, during the financial year ended on 31st March, 2008

| Sl. No. | Form No. / Return (SRN with Status) | Filed under section | For | Date of filing | Whether filed Within prescribed time Yes / No | If delay in filing whether requisite additional fee paid Yes / No |
|---------|--|---------------------|---|----------------|---|--|
| 01. | Form 22B (SRN A14538151) | 187C(4) | Return regarding registration of beneficial interest in shares from the shareholder being Mr. B. K. Choudhary and the beneficial interest holder being Srei Infrastructure Finance Limited vide declarations received on 09.04.2007 and 11.04.2007 | 09.05.2007 | Yes | No |
| 02. | Form 32 (SRN A16170706) | 303(2) | For resignation of Shri V. S. Hariharpur from the position of Managing Director and Director of the company w.e.f 01.01.2007 | 09.06.2007 | No | Yes |
| 03. | Form 32 (SRN 18357228) | 303(2) | For change in designation - from Additional Director to Director since Mr. K. B. L. Mathur who was appointed as additional director by the Board of Directors w.e.f. 29.05.2007 was appointed as director of the company by the members of the company at the Annual General Meeting held on 25.06.2007 | 17.07.2007 | Yes | N.A. |
| 04. | Form 66 (Compliance Certificate) (SRN P09128968) | 383A | Year ended 31.03.2007 (AGM held on 25.06.2007) | 18.07.2007 | Yes | N.A. |
| 05. | Form 23AC & Form 23ACA (Balance Sheet etc.) (SRN P09162710) | 220 | Year ended 31.03.2007 (AGM held on 25.06.2007) | 23.07.2007 | Yes | N.A. |
| 06. | Form 20B (Annual Return) (SRN P09438003) | 159 | AGM held on 25.06.2007 | 23.08.2007 | Yes | N.A. |
| 07. | DIN3 (SRN A21894589) Note - Revised filing in case of Mr. B. Sen & Mr. S. Rajagopal | 266E | In respect of the following three directors: - (a) Mr. B. Sen, (b) Mr. S. C. Bhargava (c) Mr. S. Rajagopal | 10.09.2007 | No | Yes |
| 08. | Form 32 (SRN A24919755) | 303(2) | For resignation of Shri S. C. Bhargava from the directorship of the Company w.e.f 06.08.2007 | 25.10.2007 | No | Yes |
| 09. | Form 32 (SRN A28396919) | 303(2) | For appointment of Shri R. N. Bhardwaj as additional director of the Company w.e.f 21.11.2007 | 21.12.2007 | Yes (on the basis of the grace period offered in the online system) | NA (on the basis of the grace period offered in the online system) |

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | | 2007 | |
|---|----------|------------|-------------------|------------|-------------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | | | | | |
| Share Capital | 1 | 2,500,000 | | 2,500,000 | |
| Reserves and Surplus | 2 | 96,747,638 | 99,247,638 | 95,912,189 | 98,412,189 |
| Deferred Tax Liability | | | 71,375 | | - |
| Total | | | 99,319,013 | | 98,412,189 |
| APPLICATIONS OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 3 | 3,078,451 | | 2,657,959 | |
| Less : Depreciation | | 395,374 | | 193,281 | |
| Net Block | | | 2,683,077 | | 2,464,678 |
| Investments | 4 | | 23,168,150 | | 6,000,000 |
| Current Assets, Loans and Advances | | | | | |
| Current Assets | 5 | 49,116,012 | | 84,526,448 | |
| Loans and Advances | 6 | 29,373,071 | | 6,760,950 | |
| | | 78,489,083 | | 91,287,398 | |
| Less: Current Liabilities and Provisions | | | | | |
| Current Liabilities | 7 | 3,584,321 | | 1,299,524 | |
| Provisions | 8 | 1,485,628 | | 105,232 | |
| | | 5,069,949 | | 1,404,756 | |
| Net Current Assets | | | 73,419,134 | | 89,882,642 |
| Miscellaneous Expenditure | 9 | | 48,652 | | 64,869 |
| (To the extent not written off or adjusted) | | | | | |
| Total | | | 99,319,013 | | 98,412,189 |
| Significant Accounting Policies and Notes to Accounts | 13 | | | | |

Schedules '1' to '9' & 13 referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For G. P. Agrawal & Co.
Chartered Accountants

Sunita Kedia
Partner
Membership No. 60162

Place : Kolkata
Dated : 10th June, 2008

On behalf of the Board

Hemant Kanoria
Director

S. Rajagopal
Director

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|---|----------|-------------------|-------------------|
| INCOME | | | |
| Income From Operations | 10 | 58,873,181 | 80,107,113 |
| Other Income | 11 | 3,155,174 | 1,289,682 |
| | | 62,028,355 | 81,396,795 |
| EXPENDITURE | | | |
| Administrative and Other Expenses | 12 | 60,241,844 | 16,637,773 |
| Depreciation | | 202,092 | 183,649 |
| Preliminary Expenses Written off | | 16,217 | 16,217 |
| | | 60,460,153 | 16,837,639 |
| Profit Before Tax | | 1,568,202 | 64,559,156 |
| Provision for Tax | | | |
| Current Tax | | 497,539 | - |
| Deferred Tax | | 127,065 | - |
| Profit After Tax | | 943,597 | 64,559,156 |
| Add: Balance brought forward from last account | | 95,912,189 | 31,353,033 |
| Less: Change on account of transitional provisions under Accounting Standard 15 | | 108,148 | - |
| Balance carried to the Balance Sheet | | 96,747,638 | 95,912,189 |
| Basic and diluted earning per share (Face Value - Rs. 10/- each) | | 3.77 | 258.24 |
| (Refer Note B (iv) of Schedule - 13) | | | |
| Significant Accounting Policies and Notes to Accounts | 13 | | |

Schedules '10' to '13' referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For G. P. Agrawal & Co.
Chartered Accountants

Sunita Kedia
Partner
Membership No. 60162

Place : Kolkata
Dated : 10th June, 2008

On behalf of the Board

Hemant Kanoria
Director

S. Rajagopal
Director

Cash Flow Statement for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | | 2007 | |
|--|--------------|---------------------|--------------|-------------------|
| A. Cash Flow From Operating Activities: | | | | |
| Net Profit before tax and extra ordinary items | | 1,568,202 | | 64,559,156 |
| Adjustments for: | | | | |
| Depreciation | 202,092 | | 183,649 | |
| Preliminary Expenses Written off | 16,217 | | 16,217 | |
| Bad debts | 25,664,071 | | - | |
| Interest Received | (3,024,974) | | (1,289,682) | |
| Liabilities No Longer Required Now Written Back | (130,200) | | - | |
| Profit on Sale of Investments | (7,788,025) | 14,939,182 | (25,663,071) | (26,752,887) |
| Operating Profit before Working Capital Changes | | 16,507,383 | | 37,806,268 |
| Adjustments for: | | | | |
| Trade and other receivable | (34,832,835) | | (33,537,207) | |
| Trade & other payable | 3,134,014 | (31,698,821) | (85,723) | (33,622,930) |
| Cash generated from operation | | (15,191,438) | | 4,183,338 |
| Advance Tax Paid (less net of refund) | | (200,925) | | (1,238,377) |
| Net Cash Flow From Operating Activities | | (15,392,363) | | 2,944,961 |
| B. Cash Flow from Investing Activities: | | | | |
| Purchase of Fixed Assets | | (420,492) | | (19,000) |
| Purchase of Investments | | (61,838,737) | | (120,001,000) |
| Sale of Investments | | 52,458,612 | | 145,664,071 |
| Investment in Fixed Deposits | | 1,500,000 | | (1,500,000) |
| Interest received | | 3,024,974 | | 1,289,682 |
| Net Cash Flow From Investing Activities | | (5,275,643) | | 25,433,753 |
| C. Cash Flow from Financing Activities: | | | | |
| Net Increase / (decrease) in Cash and Cash Equivalent | | (20,668,006) | | 28,378,714 |
| Opening Cash and Cash Equivalents | | 47,644,890 | | 19,266,175 |
| Closing Cash and Cash Equivalents | | 26,976,885 | | 47,644,890 |

Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- Figures in bracket represent cash outflow.
- Cash and Cash equivalent at the end of the year consist of:

| | 2008 | 2007 |
|---|-------------------|-------------------|
| a) Cash in hand | 21,906 | 18,815 |
| b) Balances with Banks in Current Account | 1,054,979 | 34,126,075 |
| c) Balances with Banks in Fixed Deposit Account (Maturity less than 3 Months) | 25,900,000 | 13,500,000 |
| | 26,976,885 | 47,644,890 |

This is the Cash Flow Statement referred to in our report of even date.

For G. P. Agrawal & Co.
Chartered Accountants

On behalf of the Board

Sunita Kedia
Partner
Membership No. 60162

Hemant Kanoria
Director

S. Rajagopal
Director

Place : Kolkata
Dated : 10th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|--------------------|--------------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 50,00,000 Equity Shares of Rs. 10/- each | 50,000,000 | 50,000,000 |
| 50,00,000 Preference Shares of Rs. 100/- each | 500,000,000 | 500,000,000 |
| | 550,000,000 | 550,000,000 |
| Issued, Subscribed and Paid-up | | |
| 2,50,000 Equity Shares of Rs. 10/- each fully paid-up in cash | 2,500,000 | 2,500,000 |
| | 2,500,000 | 2,500,000 |
| Note : The entire Share Capital is held by Srei Infrastructure Finance Ltd., the Holding Co. and its nominees. | | |
| SCHEDULE 2 - RESERVES AND SURPLUS | | |
| Surplus as per Profit and Loss Account | 96,747,638 | 95,912,189 |
| | 96,747,638 | 95,912,189 |

SCHEDULE 3 - FIXED ASSETS

| Particulars | Gross Block | | | Depreciation | | | Net Block | |
|-----------------------|------------------|--------------------------|------------------|------------------|----------------|------------------|------------------|------------------|
| | As at 01.04.2007 | Addition during the year | As at 31.03.2008 | Up to 31.03.2007 | For the year | As at 31.03.2008 | As at 31.03.2008 | As at 31.03.2007 |
| | 1 | 2 | (1+2) = 3 | 4 | 5 | (4+5) = 6 | (3-6) = 7 | (1-4) = 8 |
| Furniture and Fixture | 2,487,788 | 108,800 | 2,596,588 | 167,296 | 163,117 | 330,413 | 2,266,175 | 2,320,492 |
| Computers | 151,171 | 301,902 | 453,073 | 25,502 | 34,411 | 59,913 | 393,160 | 125,669 |
| Office Equipments | 19,000 | 5,990 | 24,990 | 483 | 764 | 1,247 | 23,743 | 18,517 |
| Plant and Machinery | - | 3,800 | 3,800 | - | 3,800 | 3,800 | - | - |
| Total | 2,657,959 | 420,492 | 3,078,451 | 193,281 | 202,092 | 395,374 | 2,683,078 | 2,464,678 |
| Previous Year | 2,638,959 | 19,000 | 2,657,959 | 9,632 | 183,649 | 193,281 | 2,464,678 | |

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|----------------------|------------------|
| SCHEDULE 4 - INVESTMENTS | | |
| Long term investments | | |
| Quoted, Fully Paid Up | | |
| In Equity Shares of Companies (Other than Trade): | | |
| 3,197 (Previous Year Nil) Equity Shares of Rs. 10/- each of Reliance Power Ltd. (Purchased during the year) | 1,438,650 | - |
| Unquoted, Fully Paid Up | | |
| In Equity Shares of Subsidiary Companies (Trade) : | | |
| 1,27,500 (Previous Year Nil) Equity Shares of Rs. 10/- each of Hyderabad Information Technology Venture Enterprises Limited (Purchased during the year) | 4,674,500 | - |
| 25,500 (Previous Year Nil) Equity Shares of Rs. 10/- each of Cyberabad Trustee Company Private Limited (Purchased during the year) | 255,000 | - |
| In Equity Shares of Companies (Other than Trade): | | |
| 3,000 (Previous Year Nil) Equity Shares of Rs. 10/- each of Pilani Investment and Industries Corpn. Ltd. (Purchased during the year) | 10,800,000 | - |
| Unquoted, Fully Paid Up | | |
| In Units of Trust Funds (Trade): | | |
| 55,000 units of Rs. 100/- each of Medium and Small Infrastructure Fund (Class A Units) | 5,500,000 | 5,500,000 |
| 5,000 units of Rs. 100/- each of Medium and Small Infrastructure Fund (Class B Units) | 500,000 | 500,000 |
| | 23,168,150 | 6,000,000 |
| Aggregate Book Value of Quoted Investments | 1,438,650 | - |
| Aggregate Book Value of Unquoted Investments | 21,729,500 | 6,000,000 |
| Aggregate Market Value of Quoted Investments | 1,016,646 | - |
| Note: The following investments were purchased and sold during the year (Face Value Rs. 10/- each): | | |
| | No. of Shares | Cost |
| Burnpur Cement Ltd. | 107,407 | 1,288,884 |
| Dhanus Technologies Ltd. | 29,695 | 8,760,025 |
| Edelweiss Securities Ltd. | 752 | 620,400 |
| Kaushalya Infrastructure Ltd | 123,132 | 7,387,920 |
| Kaveri Seeds Co. Ltd. | 12,615 | 2,144,550 |
| Kolte Patil Developers Ltd. | 5,528 | 801,560 |
| Powergrid Corporation Ltd. | 19,784 | 1,028,768 |
| Renaissance Jewellery Ltd. | 13,720 | 2,058,000 |
| Suryachakra Power Corporation Ltd. | 1,029,024 | 20,580,480 |

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|-------------------|-------------------|
| SCHEDULE 5 - CURRENT ASSETS | | |
| Interest Accrued on Fixed Deposit | 334,809 | 74,455 |
| Sundry Debtors (Unsecured, Considered good) | | |
| - Due for a period exceeding six months | 5,329,893 | - |
| - Other debts | 16,474,425 | 35,307,103 |
| Cash and Bank Balances | | |
| - Cash in Hand (as certified) | 21,906 | 18,815 |
| - Balances With Scheduled Banks | | |
| - In Current Account | 1,054,979 | 34,126,075 |
| - In Fixed Deposit Account | 25,900,000 | 15,000,000 |
| | 49,116,012 | 84,526,448 |
| SCHEDULE 6 - LOANS AND ADVANCES | | |
| (Unsecured, Considered good) | | |
| Advances recoverable in cash or in kind or for value to be received or pending adjustments | | |
| Tax Deducted at Source | 3,690,841 | 3,489,916 |
| Other Advances | 25,682,230 | 3,271,034 |
| | 29,373,071 | 6,760,950 |
| SCHEDULE 7 - CURRENT LIABILITIES | | |
| Sundry Creditors | 629,255 | 318,657 |
| Other Liabilities | 2,955,066 | 980,867 |
| | 3,584,321 | 1,299,524 |
| SCHEDULE 8 - PROVISIONS | | |
| Provision for Income Tax | 497,539 | - |
| Provision for Leave Encashment | 234,836 | 73,386 |
| Provision for Bonus | 290,943 | - |
| Provision for LTA | 246,840 | - |
| Provision for Gratuity | 215,470 | 31,846 |
| | 1,485,628 | 105,232 |
| SCHEDULE 9 - MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Preliminary Expense | | |
| As per last account | 64,869 | 81,086 |
| Less: Written off during the year | 16,217 | 16,217 |
| | 48,652 | 64,869 |

Schedules to the Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|-------------------|-------------------|
| SCHEDULE 10 - INCOME FROM OPERATIONS | | |
| Management Fees (Gross) | 51,085,156 | 54,444,042 |
| (TDS Rs. 4,88,293 /-, Previous year Rs. 20,05,770/-) | | |
| Profit on Sale of Current Investments (Other than Trade Investment) | 7,788,025 | 25,663,071 |
| | 58,873,181 | 80,107,113 |
| SCHEDULE 11 - OTHER INCOME | | |
| Interest Received: | | |
| On Fixed Deposit (Gross) | | |
| (TDS Rs. 2,12,597 /-, Previous year Rs. 1,33,123/-) | 2,837,165 | 1,220,698 |
| On Income Tax Refund | 115,896 | 68,984 |
| On Others | 71,913 | - |
| Liabilities no longer required now written back | 130,200 | - |
| | 3,155,174 | 1,289,682 |
| SCHEDULE 12 - ADMINISTRATIVE AND OTHER EXPENSES | | |
| Salary and Allowances | 13,784,460 | 5,959,406 |
| Employer's Contribution to Provident Fund | 511,947 | 475,169 |
| Rent, Rates and Taxes | 725,816 | 723,466 |
| Repair and Maintenance | | |
| - Building | 572,658 | 583,889 |
| - Others | 617,589 | 225,318 |
| Electricity Charges | 504,009 | 468,723 |
| Printing and Stationery | 28,712 | 169,112 |
| Professional Fees | 12,168,858 | 2,552,550 |
| Telephone Expenses | 350,243 | 368,267 |
| Business Development Expenses | 10,085 | 100,819 |
| Miscellaneous Expenses | 421,752 | 259,351 |
| Filing Fees | 10,510 | 8,591 |
| Payment to Auditor's | 50,000 | 15,000 |
| Traveling and Conveyance | 4,753,133 | 4,603,011 |
| Subscription | - | 80,100 |
| Directors Sitting Fees | 68,000 | 45,000 |
| Bad Debts | 25,664,071 | - |
| | 60,241,844 | 16,637,772 |

Schedule to the Balance Sheet and Profit and Loss Account

SCHEDULE 13 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

A. Significant Accounting Policies

1. Basis of Accounting

The financial statements are prepared and presented in accordance with generally accepted accounting principles in India, applicable accounting standards and the provisions of the Companies Act, 1956. The Company follows the accrual method of accounting under historical cost convention.

2. Fixed Assets

Fixed Assets are stated at their original cost of acquisition less accumulated depreciation. Cost comprises of cost of acquisition inclusive of all incidental expenses related to the acquisition and installation.

3. Depreciation

i) Depreciation on Fixed Assets has been provided on straight - line method at rates prescribed under Schedule XIV to the Companies Act, 1956.

ii) Fixed Assets costing less than Rs. 5,000/- are depreciated fully in the year of acquisition.

4. Investments

Current Investments are valued at lower of Cost or Market value / Fair value. All long-term investments are valued 'at cost'. However, provision for diminution in the value of long term investments is made by the Company to recognise permanent decline, if any, in value of investments individually.

5. Recognition of Income and Expenditure

All income and expenditure are accounted for on accrual basis.

6. Retirement Benefits to Employees

Short-term employee benefits (benefits which are payable after the end of twelve months after the end of the period in which the employees render service) are measured at cost.

Long-term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service) and post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

The provident fund set up by the Company and administered through trustees / appropriate authorities is treated as defined benefit plan since the Company has to meet the interest shortfall, if any.

Contributions to the provident funds and Gratuity costs are determined using the Projected Unit Credit Method, with actuarial valuations being carried out by third party actuaries at each balance sheet date.

Contributions to the provident funds and Gratuity recognised in the balance sheet represent the present value of the obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets.

Any asset resulting from this calculation is limited to the discounted value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognised in the profit and loss account.

The employees of the Company are also entitle to leave encashment and compensated absences which is accounted for on accrual basis.

7. Miscellaneous Expenditure

Preliminary expenses are being amortised in 10 equal installments on straight line basis.

8. Foreign Currency Transaction

Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transaction. Realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the Profit and Loss Account under respective heads of account. Asset and Liabilities in foreign currency, which are outstanding at the year-end and not covered by forward contracts, are translated at the year-end exchange rates. Gains and losses arising on account of such translations are accounted for in the Profit and Loss Account.

9. Impairment of Fixed Assets

Wherever events or changes in circumstances indicate that the carrying value of Fixed Assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal of such assets. If the assets are impaired, the Company recognises an impairment loss as the difference between the carrying value and fair value less costs to sell. None of the Company's fixed assets are considered impaired as on the Balance Sheet date.

10. Accounting for Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between the taxable incomes and accounting income that originate in one period and is capable of reversal in one or more subsequent periods.

11. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered probable.

Contingent liabilities are shown by way of Notes to the Accounts in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered not probable.

Contingent Assets are not recognised in the Accounts.

12. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, 'Earnings Per Share' issued by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earning per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

Schedule to the Balance Sheet and Profit and Loss Account

SCHEDULE 13 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

13. Segment Reporting

The Company is primarily engaged in a single business segment of Venture Capital Management Services. As such there are no separate reportable segments as per Accounting Standard -17 "Segment Reporting" issued by The Institute of Chartered Accountants of India.

B. Notes on Accounts:

i) There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company (Previous Year - NIL).

ii) Retirement Benefits to Employees

The Company has with effect from 1st April, 2007 adopted Accounting Standard - 15 (revised 2005), "Employee Benefits" issued by the Institute of Chartered Accountants of India. This change does not have a material impact on the profit for the year.

In accordance with the stipulations of the Standard, the Company has adjusted Rs. 1,08,148/- (net of deferred tax of Rs. 55,689/-) towards the additional liability for gratuity, bonus and leave travel assistance upto 31st March, 2007 against the balance of Reserve and Surplus as at 1st April, 2007 as permitted under the transitional provision in the revised Accounting Standard - 15.

The following tables set out the details of amount recognised in the financial statements in respect of employee benefit schemes.

| Employee Benefits | Gratuity (Unfunded) (Rs.) | Provident Fund (Rs.) |
|--|---------------------------------|----------------------------|
| I. Components of employer expenses | | |
| 1. Current Service Cost | 93,440 | 52,429 |
| 2. Interest cost | 4,130 | 9,910 |
| 3. Expected return on plan assets | - | (9,910) |
| 4. Curtailment cost / (credit) | - | - |
| 5. Settlement cost / (credit) | - | - |
| 6. Past Service Cost | - | - |
| 7. Actuarial Losses / (Gains) | 67,870 | - |
| 8a. Expenses recognised in the Statement of Profit and Loss Account. (total 1 to 7) | 1,65,440 | 52,429 |
| II. Net assets / (liability) recognised in balance sheet as at 31st March, 2008 | | |
| 1. Present value of Defined Benefit Obligation | 2,15,470 | 1,32,117 |
| 2. Fair value of plan assets | - | 1,32,117 |
| 3. Funded status [Surplus / (Deficit)] | (2,15,470) | - |
| 4. Unrecognised past service cost | - | - |
| 5. Net asset / (liability) recognised in balance sheet | (2,15,470) | - |
| III. Change in Defined Benefit Obligations (DBO) during the year ended 31st March, 2008 | | |
| 1. Present Value of DBO at beginning of year | 50,030 | 1,20,128 |
| 2. Current Service cost | 93,440 | 52,459 |
| 3. Interest cost | 4,130 | 9,910 |
| 4. Curtailment cost / (credit) | - | - |
| 5. Settlement cost / (credit) | - | - |
| 6. Plan amendments | - | - |
| 7. Acquisitions | - | - |
| 8. Actuarial (Gains) / Losses | 67,870 | (1,02,779) |
| 9. Benefits paid | - | - |
| 10. Employer Contribution's | - | 52,459 |
| 11. Present Value of DBO at the end of year (total 1 to 9) | 2,15,470 | 1,32,117 |
| IV. Change in Fair value of Assets during the year ended 31st March, 2008 | | |
| 1. Plan assets at beginning of year | - | 1,20,128 |
| 2. Acquisition Adjustment | - | - |

Schedule to the Balance Sheet and Profit and Loss Account

SCHEDULE 13 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

| Employee Benefits | Gratuity (Unfunded) (Rs.) | Provident Fund (Rs.) | | | | |
|---------------------------------------|-------------------------------|--|----|----|----|----|
| 3. Actual return on plan assets | - | 9,910 | | | | |
| 4. Actual Company contribution | - | 1,04,857 | | | | |
| 5. Benefits paid | - | 52,459 | | | | |
| 6. Actuarial (Gains) / Losses | - | - | | | | |
| 7. Benefits Payment | | (1,02,779) | | | | |
| 8. Plan assets at the end of the year | - | 1,32,117 | | | | |
| V. Actuarial Assumptions | | | | | | |
| 1. Discount Rate | 8.70% | 8.70% | | | | |
| 2. Expected return on plan assets | - | - | | | | |
| 3. Salary Increases | 10% | | | | | |
| 4. Retirement / Superannuation Age | 60 | 60 | | | | |
| 5. Mortality | LIC (1994-96) mortality table | Indian Assured Lives Mortality (1994-96) Modified (Ultimate) | | | | |
| 6. Withdrawal Rate for Gratuity: | | | | | | |
| Age (yrs.) | 20 | 25 | 30 | 35 | 50 | 55 |
| Attrition Rate | 5% | 3% | 2% | 1% | 2% | 3% |

Amount recognised as an expense in respect of leave encashment and compensated absences is Rs. 1,76,650/-.

iii) The Company has challenged the constitutional validity of Fringe Benefit Tax before the Calcutta High Court and the Hon'ble High Court has granted interim stay on levy of such Fringe Benefit Tax on the Company. In view of this, the Company has not provided any liability of Fringe Benefit Tax.

iv) Earnings Per Share

Basic / Dilutive Earnings per Share

| Particulars | 2008 | 2007 |
|------------------------------------|----------|-------------|
| 1. Opening No. of Shares | 2,50,000 | 2,50,000 |
| 2. Total No. of Shares outstanding | 2,50,000 | 2,50,000 |
| 3. Profit after Taxes (Rs.) | 9,43,597 | 6,45,59,156 |
| 4. Nominal value per share (Rs.) | 10 | 10 |
| 5. Earnings Per Share (Rs.) | 3.77 | 258.24 |

v) Related Party Transaction:

a) Name of related parties and description of relationship:

| Holding Company | Fellow Subsidiary Companies / Entities |
|-------------------------------------|--|
| Srei Infrastructure Finance Limited | Subsidiary Companies of holding Company <ul style="list-style-type: none"> • Srei Capital Markets Ltd. • Srei Forex Ltd. • Srei Insurance Broking Private Ltd. • Srei Infrastructure Advisors Ltd. • Srei Sahaj e- Village Ltd. • Global Investment Trust Ltd. • Srei Equipment Finance Private Limited • IIS International Infrastructure Services GmbH, Germany • Bengal Srei Infrastructure Development Ltd. (Subsidiary of Srei Capital Markets Ltd.) • ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany) |
| | Subsidiary Companies <ul style="list-style-type: none"> • Hyderabad Information Technology Venture Enterprises Ltd. • Cyberabad Trustee Company Private Ltd. |

Schedule to the Balance Sheet and Profit and Loss Account

SCHEDULE 13 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

b) Transactions with Related Parties:

| Nature of transaction | Nature of relationship | Amount (Rs.) |
|--|--|----------------|
| Preference Share Application | Holding Company | - |
| | Srei Infrastructure Finance Limited | (12,01,00,000) |
| Purchase of Currencies (Net) Investment in Shares | Fellow Subsidiary Company | (2,50,400) |
| | Subsidiary Companies | |
| | Hyderabad Information Technology | 46,74,500 |
| | Venture Enterprises Ltd. | 2,55,000 |
| | Cyberabad Trustee Company Private Ltd. | - |
| Earnest Money Deposit (Refund received) | Subsidiary Companies | |
| | Hyderabad Information Technology Venture Enterprises Ltd. | 4,46,000 - |
| Outstanding Balances | Subsidiary Companies | |
| | Hyderabad Information | 46,74,500 |
| | Technology Venture Enterprises Ltd. | - |
| | Cyberabad Trustee Company Private Ltd. | 2,55,000 |

c) There is no provision for doubtful debt and no amount has been written off / back during the year in respect of amount due from or due to related parties.

Amount in brackets represent previous year figures:

vi) Break up of Deferred Tax Assets and Liabilities is as under:

| | 2007-08 (Rs.) | 2006-07 (Rs.) |
|----------------------------|------------------|------------------|
| Deferred Tax Liability | | |
| Depreciation | 1,44,613 | - |
| Deferred Tax Assets | | |
| Employee benefits | 73,238 | - |
| Net Deferred Tax Liability | 71,375 | - |

vii) Intangible Assets: The unamortised amount of Preliminary Expenses of Rs. 48,652/- are to be amortised equally in next 3 years.

viii) Auditor's Remuneration:

| | 2007-08 (Rs.) | 2006-07 (Rs.) |
|---------------------|------------------|------------------|
| Audit Fee's | 35,000 | 15,000 |
| Certification Fee's | 15,000 | - |
| Total | 50,000 | 15,000 |

ix) Expenditure in Foreign Currency –
On Travelling Rs. 12, 25,100/- (Previous Year Rs 6, 34,124/-).
On Professional Services Rs. 11, 28,478/- (Previous year Nil).
On Others Rs. 41,048/- (Previous year Nil).

x) The previous year's figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedule 1 to 13.

Schedules referred to above form an integral part of the Accounts.

As per our report annexed.

For G. P. Agrawal & Co.
Chartered Accountants

On behalf of the Board

Sunita Kedia
Partner
Membership No. 60162

Hemant Kanoria
Director

S. Rajagopal
Director

Place : Kolkata
Dated : 10th June, 2008

Balance Sheet Abstract

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|-------------------------------------|----------------------------|--------|
| I. Registration Details | | | |
| Registration No. | 65722 | State Code | 21 |
| Balance Sheet Date | 31.03.2008 | | |
| II. Capital Raised during the year (Amount in Rs. Thousands) | | | |
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |
| III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands) | | | |
| Total Liabilities | 99,319 * | Total Asset | 99,319 |
| Source of Funds | | | |
| Paid up Capital | 2,500 | Reserves & Surplus | 96,748 |
| Secured Loans | Nil | Unsecured Loans | Nil |
| Deferred Tax Liability | 71 | | |
| Application of Funds | | | |
| Net Fixed Assets | 2,683 | Investments | 23,168 |
| Net Current Assets | 73,419 | Misc. Expenditure | 49 |
| Accumulated Losses | Nil | | |
| * Excluding Current Liabilities & Provisions of Rs. 5,070 thousand | | | |
| IV. Performance of the Company (Amount in Rs. Thousands) | | | |
| Turnover (Including other Income) | 62,028 | Total Expenditure | 60,460 |
| Profit Before Tax [+] | 1,568 | Profit After Tax [+] | 944 |
| (+ for Profit, - for Loss) | | (+ for Profit, - for Loss) | |
| Earnings Per Share (Rs.) | 3.77 | Dividend Rate (%) | Nil |
| V. Generic names of Three Principal Products / Services of Company (as per monetary terms) | | | |
| Item Code No (ITC Code) | N.A. | | |
| Products Description | Venture Capital Management Services | | |
| Item code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |
| Item Code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |

Signatories to all the foregoing schedules '1' to '13' forming part of the Accounts.

On behalf of the Board

Place : Kolkata
Dated : 10th June, 2008

Hemant Kanoria
Director

S. Rajagopal
Director

DIRECTORS

Mr. Indrajit Pal - *Chairman*
 Mr. B. P. Acharya
 Mr. Kishore Budhiraju
 Mr. M. Subrimanian
 Mr. Shyamalendu Chatterjee
 Mr. Subhendu Mitra
 Mr. Bajrang K. Choudhary
 Mr. Subrata Ghosh

AUDITORS

R. B. Kabra & Co.
Chartered Accountants

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Tenth Annual Report together with the Audited Accounts for the year ended 31st March, 2008.

Operations:

During the year under review, your Company has been privatised with Srei Venture Capital Limited (SVCL), a Kolkata based company, acquiring a 51% stake in HITVEL. The existing shareholders of the Company viz., APIIC, APIDC and SIDBI, have executed the Shareholders and Share Purchase Agreement with SVCL according to which SVCL will further increase its stake upto 76% upon raising a new fund of Rs. 50 crore.

Status of Assisted Venture Capital Undertakings:

In respect of Fund currently managed by your Company, it is expected to exit from atleast one Venture Capital Undertaking before the end of the current financial year i.e. 31.03.2009, with satisfactory returns.

Financial Results:

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|--|-----------------------------------|-----------------------------------|
| Income | 3,789,392 | 3,618,472 |
| Expenditure | 2,870,590 | 2,460,024 |
| Profit Before Depreciation | 918,803 | 1,158,448 |
| Depreciation | 17,736 | 17,736 |
| Profit after Depreciation | 901,067 | 1,140,712 |
| Less: Provision for Taxation | 331,732 | 1,115,697 |
| Profit After Tax | 569,335 | 25,015 |
| Appropriations : | | |
| Transfer to General Reserve | - | - |
| Transfer to Reserve Fund | - | - |
| Provision for Dividend | - | - |
| Balance brought forward from previous year | 4,491,969 | 4,466,954 |
| Balance carried to Balance Sheet | 5,061,304 | 4,491,969 |

Auditors and Auditors report:

During the year under review, the Company appointed M/s. R. B. Kabra & Co., Chartered Accountants as the Statutory Auditors. The Auditors retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment.

In the Auditors' Report it is observed that the Income Tax dues are under dispute for the year 2000-01 and pending before the Commissioner of Income Tax (Appeals). The Assessing Officer has disallowed the Company's claim of deduction of pre-operative expenses from its income. Your Company has gone in for an appeal before the Commissioner of Income Tax (Appeals) and is confident of having the decision in its favour.

Contributions:

During the financial year under review;

- The HIVE Fund has not received any contributions.
- No investments have been made from the HIVE Fund.

Reserves:

The Company has not transferred any amount to the Reserves.

Dividends:

Your Board has not recommended any dividend.

Fixed deposits:

During the financial year the Company has not accepted or renewed any deposits from its members, Directors or others. Hence there was no amount payable to the persons specified either as interest or principal for the financial year ended on 31st March, 2008.

Conservation of Energy, Technology absorption, Foreign Exchange Earnings and Outgo:

Conservation of Energy:

- The Company has taken the necessary measures wherever possible for the conservation of energy.
- No additional investment and proposals for investments were made for reduction of energy consumption.
- As there is no additional investment, there is no impact on the business of the Company.

Technology absorption:

Your Company being an Asset Management Company has not carried out any research and development programs during the financial year under review.

Foreign Exchange Earnings and outgo:

During the year under review, there have been no foreign exchange earnings or outgo.

Directors:

Your Company has the following Directors on its Board:

- | | | | |
|----|--------------------------|---|------------------|
| 1. | Mr. Indrajit Pal, IAS | - | Nominee of APIDC |
| 2. | Mr. B. P. Acharya, IAS | - | Nominee of APIIC |
| 3. | Mr. M. Subramanian | - | Nominee of SIDBI |
| 4. | Dr. Kishore Buddhiraju | - | Nominee of SIDBI |
| 5. | Mr. Vijay Gopal Jindal | - | Nominee of SVCL |
| 6. | Mr. Subrata Ghosh | - | Nominee of SVCL |
| 7. | Mr. M. Subhendu Mitra | - | Nominee of SVCL |
| 8. | Mr. Bajrang K. Choudhary | - | Nominee of SVCL |

During the year under review, Mr. Vijay Gopal Jindal, Mr. Subrata Ghosh, Mr. M. Subhendu Mitra and Mr. Bajrang K. Choudhary were appointed as nominee Directors of SVCL on the Board.

Mr. Vijay Gopal Jindal retires by rotation at the ensuing Annual General Meeting. Srei Venture Capital Limited has withdrawn his nomination on the Board of HITVEL. The Board places on record its appreciation of the services rendered by him as a Director on the Board.

The Company has received a notice and also nomination from Srei Venture Capital Limited proposing Mr. Shyamalendu Chatterjee for the appointment to the office of Director. Resolutions seeking approval of the shareholders for his appointment has been incorporated in the Notice of the forthcoming Annual General Meeting.

Subsidiary Company:

As 51% of shareholding of the Company is held by Srei Venture Capital Limited, the Company became a subsidiary of SVCL. And as Cyberabad Trustee Company Private Limited is the Trustee Company and a subsidiary of SVCL. The Annual Report of Cyberabad Trustee Company Private Limited is also enclosed.

Managerial personnel:

During the year, Mr. C. Balagopal completed his tenure as Chief Executive Officer of the Company. The Board of Directors recorded his services with an appreciation. Mr. R. Vijay Raghavan, Assistant Vice President aged 30 years was appointed in Managerial capacity with effect from 31.03.2008. His duty is to manage the affairs of the Company statutorily, legally and operationally. The terms and conditions of his appointment were approved by the Board and the remuneration committee which are as under:

1. Fixed payment:

Cost to the Company per annum: Rs. 11.50 lacs (which includes Fringe Benefit Tax, Income Tax and any other benefits).

2. Variable Payments:

In addition to the fixed payment, an amount of Rs. 3.45 lacs per annum.

He has a Master's Degree in Business Administration and has got an experience of about 10 years in Finance & Accounts. He was with M/s. Strontium Ferriten India Limited as Manager Financial Planning & Analysis in his last assignment.

He is not related to any Director of the Company and not holding any equity shares in the Company.

Directors' Responsibility Statement:

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. That the Directors had 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 for that period.
- iii. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.
- iv. That the Directors had prepared the annual accounts on a going concern basis.

Compliance Certificate:

In pursuance of the provisions of Section 383A of the Companies Act, 1956, a Compliance Certificate obtained from M/s. Ahalada Rao. V. & Associates, Company Secretaries, is attached to this Report.

Particulars of Employees:

None of the employees is drawing remuneration in excess of the limits prescribed u/s. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 during the year ended 31st March, 2008.

Acknowledgements:

Your Board places on record its gratitude and appreciation for the valuable support and co-operation received from Andhra Pradesh Industrial Development Corporation Limited (APIDC), Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC), Small Industrial Development Bank of India (SIDBI) and Srei Venture Capital Limited (SVCL).

Your Directors also wish to place on record their appreciation for the sincere contributions received from the employee(s) of the Company in enabling it to achieve the performance during the year under review and the valuable co-operation and continued support extended by the Bankers, Consultants, various Government and Statutory authorities and other business associates.

For and on behalf of the Board

For Hyderabad Information Technology Venture Enterprises Limited

Place : Hyderabad

Date : 29th July, 2008

Indrajit Pal

Chairman

Report of the Auditors

To the Members,

Hyderabad Information Technology Venture Enterprises Limited

1. We have audited the attached balance sheet of **Hyderabad Information Technology Venture Enterprises Limited** as at 31st March, 2008 the related Profit and Loss Account for the year 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 misstatement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Financial Statements. An audit also includes assessing the accounting principles used and significant estimate 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. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the annexure statement on the matters specified in the paragraph 4 of the said order:
4. Further to our comments in 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 the books of the Company.

- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account of the Company.
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.
- e) On the basis of the written representations received from the Directors as on 31st March, 2008 and taken on record by the Board of Directors, 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) Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date.

For **R. B. Kabra & Co.**
Chartered Accountants

Kishore Kumar Kabra
Partner

Place : Hyderabad
Date : 18th June, 2008

Membership No. 29772

Annexure to the Audit Report

Statement referred to in Paragraph 3 of the Auditors' Report of even date to the Members of **Hyderabad Information Technology Venture Enterprises Limited** on the Financial Statements for the Year Ended 31st March, 2008.

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets of the Company have been physically verified by the Management at reasonable intervals during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the operations of the Company. As informed to us, no material discrepancies were noticed on such verification.
- (c) No substantial part of Fixed Assets have been disposed off during the year.
- (d) The Company has not re-valued any of the fixed assets during the year.
- ii) (a) The Company has no inventories during the financial year under review.
- (b) Since there are no inventories the physical verification does not arise.
- (c) Since inventories are not there, the discrepancies in stock does not arise.
- (d) There are no inventories; hence the valuation of the same does not arise.
- iii) (a) The Company has neither granted nor taken any loans, secured or unsecured to / from Companies, firms or other parties covered under register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has not given any loans or advances in the nature of loans to the parties and repayment of the same does not arise.
- iv) In our opinion and according to the information and explanations given to us, there were no transactions of purchases of goods and sale of goods, materials and services, made in pursuance of the contracts of arrangements entered in the register maintained under section 301 aggregating during the year to Rs. 5,00,000/- or more in respect of each party.
- v) (a) The Company has no stores, hence the damage or unserviceable stores does not arise.
- (b) The Company has no stores, and recording of the same does not arise.
- (c) The Company has no stores, hence the introduction of internal control does not arise.
- vi) The Company has not accepted any deposits from the Public within the meaning of section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under:
- vii) There were no sale and disposal or realisable by-products and scrap during the year.
- viii) The Company has no formal internal audit system.
- ix) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
- x) The Company does not attract to the provisions of ESI Act 1948 and to the provisions of EPF Act.
- xi) According to the information and explanations given to us, there were no undisputed amounts payable in respect of dues as referred to (ix) (a) above, which were outstanding as on 31st March, 2008 for the period of more than six months from the date they become payable, other than those which have been disputed and appeals have been preferred. According to the information and explanations given to us, disputed income tax of Rs. 6,43,396/- for the period 2000-01 has not been paid and is pending with the Commissioner of Income Tax (Appeals).
- xii) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xiii) The Company is not a Sick Industrial Company within the meaning of clause (O) of sub-section (1) of section 3 of the sick industrial companies (Special Provisions) Act, 1985.
- xiv) The Company is not a Chit Fund, Nidhi / Mutual Benefit Fund/ Society and therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- xv) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xvi) In our opinion and according to the information and explanation give to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvii) In our opinion and according to the information and explanation given to us, the Company has not taken any term loans.
- xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by the report. According to provisions of the clause 4 (xix) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- xx) During the period covered by our audit report, the Company has not raised any money by Public issues.
- xxi) To the Best of our knowledge and belief and according to the information and explanations given to us no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31st March, 2008.

For **R. B. Kabra & Co.**
Chartered Accountants

Kishore Kumar Kabra
Partner

Place : Hyderabad
Date : 18th June, 2008

Membership No. 29772

Compliance Certificate

To the Members,

M/s. Hyderabad Information Technology Venture Enterprises Limited

We have examined the registers, records, books and papers of **M/s. Hyderabad Information Technology Venture Enterprises Limited** (the "Company") as required to be maintained under the Companies Act, 1956, (the "Act") and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008 (i.e. from 1st April, 2007 to 31st March, 2008). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and rules made there under and all entries have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company, being a Public Limited Company, comments relating to maximum number of members, invitation to public for subscription of shares / debentures, acceptance of deposits from public etc. is not required.
4. The Board of Directors duly met 8 times during the year under review on 2nd May, 2007; 22nd May, 2007; 4th June, 2007; 11th July, 2007; 3rd August, 2007; 29th August, 2007; 10th December, 2007; and 25th March, 2008 in respect of which proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting of the Company for the financial year ended on 31st March, 2007 was held on 27th September, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. One Extra Ordinary General Meeting was held during the financial year after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling under Section 297 of the Act.
10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company was not required to obtain any approvals from the Board of Directors, Members or Central Government.
12. The Board of Directors has approved the issue of duplicate share certificates.
13. The Company has:
 - i. Not allotted any securities during the financial year and delivered all the share certificates on lodgment thereof for transfer.
 - ii. Not required to deposit any amount in a separate bank account as no dividend was declared during the financial year.
 - iii. Not required to post warrants to any member(s) of the Company as no dividend was declared during the financial year.
 - iv. There were no monies in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years required to be transferred to investor education and protection fund.
 - v. Complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Directors has been duly made during the financial year 2007-2008.
15. The appointment of Manager has been made in compliance with the provisions of Section 269 read with Schedule XIII to the Act.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company has obtained all the necessary approval from the Central Government, Company law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules there under.
19. The Company has not issued any shares / debentures / other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of the preference shares or debentures during the financial year.
22. During the year under review, the Company has not declared / issued any dividend, rights shares & bonus shares and hence the question of keeping in abeyance the right to dividend, right shares & bonus shares pending registration of transfer of shares does not arise.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Sections 58A and 58AA of the Companies Act, 1956 during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2008.
25. The Company had not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register

kept for the purpose. However, the Company being a venture enterprise having the principal business of financing the industrial undertakings, the provisions of Section 372A of the Act are exempted by virtue of Sub-section (8) of Section 372A.

26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the financial year.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the financial year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the financial year under scrutiny.
30. The Company has altered its Articles of Association after obtaining approval of members in the General Meeting held on 27th September, 2007 and the amendment to the Articles

of Association have been duly filed with the Registrar of Companies.

31. There was no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act and no fines and penalties or any other punishment imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted a Provident Fund for its employees and as such, Section 418 of the Act is not applicable to the Company.

For **Ahalada Rao. V. & Associates**
Company Secretaries

V. Ahalada Rao

Company Secretary in Practice

Place : Hyderabad

Date : 9th June, 2008

C. P. No. 3607

ANNEXURE 'A'

Registers as maintained by the Company

| Sl. No. | Particulars | Under Section |
|---------|---|---------------|
| 1. | Register of Charges | 143(1) |
| 2. | Register of Members | 150(1) |
| 3. | Minutes of Meeting of the Board of Directors | 193(1) |
| 4. | Minutes of proceedings of General Meetings | 193(1) |
| 5. | Books of Accounts | 209 |
| 6. | Register of Contracts, Companies and firms in which Directors etc. are interested | 301(3) |
| 7. | Register of Directors | 303(1) |
| 8. | Register of Directors' Share holding | 307(1) |

ANNEXURE 'B'

1. Forms and Returns as filed by the Company with Registrar of Companies, during the financial year ending 31st March, 2008:

| S. No. | Form / Return | Under Section | Purpose |
|--------|-------------------|---------------|--|
| 1. | Form 23AC and ACA | 220 | Annual Accounts for the year ended 31-03-2007 |
| 2. | Form 20B | 159 | Annual Return in connection with the Annual General Meeting held on 27.09.2007 |
| 3. | Form 66 | 383A | Compliance Certificate for the year ended 31.03.2007 |
| 4. | Form 23 | 31 | Amendment of Articles of Association of the Company |
| 5. | Form 25C | 269 | Appointment of Manager of the Company |
| 6. | Form 25C | 269 | Appointment of Manager of the Company |
| 7. | Form 25C | 269 | Appointment of Manager of the Company |
| 8. | Form 32 | 303 | Appointment of Manager of the Company |
| 9. | Form 32 | 303 | Appointment of Manager of the Company |
| 10. | Form 32 | 303 | Appointment of Manager of the Company |
| 11. | Form 32 | 303 | Cessation of Manager of the Company |
| 12. | Form 32 | 260 and 303 | Appointment of Additional Directors of the Company |
| 13. | Form 32 | 303 | Regularisation of Additional Directors of the Company |

2. Forms and Returns as filed by the Company with Company Law Board, Regional Director, Central Government or other Authorities during the financial year ending 31st March, 2008: NIL

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|---|----------|-------------------|-------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Fund | | | |
| Share Capital | | | |
| Authorised | | | |
| 2,50,000 Equity shares of Rs. 10/- each | | 2,500,000 | 2,500,000 |
| Issued and Subscribed | | | |
| 2,50,000 (Previous Year 2,50,000) | 1 | | |
| Equity shares of Rs. 10/- each fully paid | | 2,500,000 | 2,500,000 |
| Reserves & Surplus | | | |
| Balance in Profit and Loss Account | | 5,061,304 | 4,491,969 |
| Deferred Tax Liability | | 15,009 | 17,490 |
| Total | | 7,576,313 | 7,009,459 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets: Gross Block | | 113,725 | 113,725 |
| Less: Depreciation | 2 | 50,156 | 32,420 |
| Net Block | | 63,569 | 81,305 |
| Current Assets, Loans & Advances | 3 | | |
| a) Cash & Bank Balances | | 6,797,009 | 7,170,922 |
| b) Loans & Advances | | 123,158 | 865,976 |
| c) Income Tax & FBT Payments | | 5,008,874 | 3,900,874 |
| | | 11,929,041 | 11,937,762 |
| Less: Current Liabilities & Provisions | 4 | | |
| Current Liabilities | | 78,820 | 1,008,091 |
| Net Current Assets | | 11,850,221 | 10,929,681 |
| Provision for Income Tax & FBT | | 4,340,958 | 4,006,745 |
| Miscellaneous Expenditure | 6 | | |
| (to the extent not written off or adjusted) | | | |
| a) Preliminary Expenses | | 3,480 | 5,218 |
| b) Pre-operative Expenditure | | - | 5,218 |
| Total | | 7,576,313 | 7,009,459 |
| Notes on accounts | 7 | | |

As per our report of even date.

For R. B. Kabra & Co.
Chartered Accountants

On behalf of the Board

Kishore Kumar Kabra
Partner
Membership No. 29772

Indrajit Pal
Chairman

Vijay Gopal Jindal
Director

Place : Hyderabad
Dated : 9th June, 2008

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|--|----------|------------------|------------------|
| INCOME | | | |
| Management Fees | | 3,000,000 | 3,000,000 |
| Success Fee | | 200,000 | - |
| Bank Interest | | 586,392 | 538,222 |
| Miscellaneous Income | | 3,000 | 80,250 |
| Total | | 3,789,392 | 3,618,472 |
| EXPENDITURE | | | |
| Salaries and Other Benefits | | 1,323,972 | 906,425 |
| Administrative & Other Expenses | 5 | 1,544,880 | 1,551,861 |
| Depreciation | 2 | 17,736 | 17,736 |
| Preliminary Expenses Written Off | 6 | 1,738 | 1,738 |
| Total | | 2,888,325 | 2,477,760 |
| Profit before tax | | 901,067 | 1,140,712 |
| Less Provisions made | | | |
| Current Taxation | | 279,477 | 377,419 |
| Prior Period Taxation (FY 2002-03, FY 2005-06) | | 32,912 | 705,734 |
| Fringe Benefit Tax | | 21,824 | 26,000 |
| Deferred Tax Liability (Assets) | | (2,481) | 6,544 |
| Profit After Tax | | 569,335 | 25,015 |
| Balance brought forward from previous year | | 4,491,969 | 4,466,954 |
| Profit Carried Forward to Balance Sheet | | 5,061,304 | 4,491,969 |
| Earnings Per Equity Share (Rs.) | | 2.28 | 0.10 |
| Notes on Accounts | 7 | | |

As per our report of even date.

For **R. B. Kabra & Co.**
Chartered Accountants

On behalf of the Board

Kishore Kumar Kabra
Partner
Membership No. 29772

Indrajit Pal
Chairman

Vijay Gopal Jindal
Director

Place : Hyderabad
Dated : 9th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|------------------|------------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 2,50,000 Equity Shares of Rs. 10/- each | 2,500,000 | 2,500,000 |
| Issued, Subscribed & Paid-up | | |
| 2,50,000 (Previous year 2,50,000) | 2,500,000 | 2,500,000 |
| Equity Shares of Rs. 10/- each fully paid | | |
| Sub Total | 2,500,000 | 2,500,000 |

SCHEDULE 2 - FIXED ASSETS

| Sl. No. | Description | Gross Block | | | Depreciation | | | Net Block | |
|---------|--------------------------|-----------------------|-----------------------|------------------------|-----------------------|----------------|-----------------------|------------------------|------------------------|
| | | As on 1st April, 2007 | Additions / Deletions | As on 31st March, 2008 | Upto 31st March, 2007 | For the period | Upto 31st March, 2008 | As on 31st march, 2008 | As on 31st march, 2007 |
| 1. | Computers | 1,07,625 | - | 1,07,625 | 31,757 | 17,446 | 49,203 | 58,422 | 75,868 |
| 2. | Communication Equipments | 6,100 | - | 6,100 | 663 | 290 | 953 | 5,147 | 5,437 |
| | Total | 1,13,725 | - | 1,13,725 | 32,420 | 17,736 | 50,156 | 63,569 | 81,305 |

Amount in Rupees

| | 2008 | 2007 |
|--|------------------|------------------|
| SCHEDULE 3 - CURRENT ASSETS, LOANS AND ADVANCES | | |
| Current Assets | | |
| Cash and Bank balances | | |
| Cash on hand | 3,699 | 1,670 |
| Cash at bank (with Scheduled Bank) | | |
| In Current Account | 1,08,697 | 3,13,362 |
| In Term Deposit | 66,84,613 | 68,55,890 |
| | 67,97,009 | 71,70,922 |
| Loans and Advances | | |
| (recoverable in cash or in kind and considered good) | | |
| Telephone Deposit | 11,000 | 9,000 |
| Tax deducted at source | 2,336 | 8,35,793 |
| Service Tax | 98,638 | - |
| Advance to others | 11,184 | 21,183 |
| Sub - Total | 1,23,158 | 8,65,976 |
| Taxes Paid | | |
| Income tax paid | 49,84,174 | 38,68,219 |
| Fringe benefit tax paid | 24,700 | 32,655 |
| | 50,08,874 | 39,00,874 |

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|------------------|------------------|
| SCHEDULE 4 - CURRENT LIABILITIES AND PROVISIONS | | |
| Current Liabilities | | |
| TDS Payable | - | 2,21,788 |
| Expenses Payable | 78,820 | 1,40,303 |
| Advances | - | 6,46,000 |
| Sub - Total | 78,820 | 10,08,091 |
| Provisions | | |
| Income tax | | |
| Provision for Income tax | 42,73,134 | 39,60,745 |
| Provision for Fringe benefit tax | 67,824 | 46,000 |
| Sub - Total | 43,40,958 | 40,06,745 |
| Deferred Tax Liability | 15,009 | 17,490 |
| Sub - Total | 15,009 | 17,490 |

Amount in Rupees

| | | | 2008 | 2007 |
|---|--------|------------------|--------|------------------|
| SCHEDULE 5 - ADMINISTRATIVE EXPENSES | | | | |
| Advertisement Expenses | | 1,600 | | 2,60,467 |
| Auditor's Remuneration | | | | |
| Statutory Audit Fees | 15,000 | | 16,854 | |
| Audit Certification Fees | 10,000 | 25,000 | - | 16,854 |
| Bank Charges | | 900 | | 450 |
| Board Meeting Expenses | | 12,994 | | 8,548 |
| Business Development Expenses | | - | | 6,639 |
| Car Hire Charges | | 2,34,558 | | 2,13,822 |
| Directors Sitting Fees | | 11,250 | | 11,500 |
| Rates and Taxes | | 23,212 | | 18,523 |
| Interest on Loan against fixed deposit | | 745 | | 10,779 |
| Legal and Professional Charges | | 7,95,000 | | 6,73,647 |
| Miscellaneous Expenses | | 9,135 | | 7,805 |
| Office Maintenance | | 25,563 | | 28,202 |
| Office Rent | | 1,54,000 | | 1,32,000 |
| Printing and Stationary (& Xerox) | | 26,448 | | 23,046 |
| Repairs and Maintenance | | 308 | | 531 |
| Seminars and Conferences | | 8,500 | | 6,000 |
| Subscriptions and Periodicals | | 11,006 | | 6,434 |
| Telephone & Telegrams | | 82,972 | | 73,948 |
| Travelling & Conveyance | | 1,21,649 | | 52,667 |
| Total | | 15,44,880 | | 15,86,003 |

Amount in Rupees

| | 2008 | 2007 |
|---|--------------|--------------|
| SCHEDULE 6 - MISCELLANEOUS EXPENDITURE | | |
| (to the extent not written-off or adjusted) | | |
| Preliminary Expenses | | |
| Opening Balance on 1st April, 2007 | 5,218 | 6,956 |
| Less: Written off during the period | 1,738 | 1,738 |
| Total | 3,480 | 5,218 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 7 - NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General

- (i) Financial statements are based on historical cost.
- (ii) The Company follows the mercantile system of accounting.

(b) Fixed Assets

Fixed Assets are stated at cost. Cost includes freight and other incidental expenses incurred in acquisition of the asset.

(c) Depreciation

Depreciation is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.

(d) Miscellaneous Expenditure

Preliminary expenses are amortised over a period of ten years.

2. Taxation

(a) Current Tax:

Current Tax has been provided at the rates applicable for the year and Provision for the current year works out to be Rs. 2,79,477/-.

(b) Assessment Year 2001-02

During the financial year 2006-07 the Assessment for the A. Y. 2001-02 was finalised with demand of Rs. 18,20,396/- due to various additions on account of expenditure incurred prior to commencement of business. Being aggrieved the Company filed an appeal before the CIT (A) by paying an amount of Rs. 11,77,000/- being undisputed portion of the demand. Pending finalisation of the appeal the total amount paid is reflected in the Advance tax paid in the Balance Sheet. The Company is confident of a decision in its favour for the balance of Rs. 6,43,396/- from CIT (A).

(c) Deferred tax:

The Deferred Tax Liability and Deferred Tax Asset arising is as follows:

| Particulars | Amount in Rupees |
|--|------------------|
| Opening Balance of Deferred Tax Liability as on 1st April, 2007 | 17,490 |
| Deferred Tax Asset provided during the period | (2,481) |
| Closing Balance of Deferred tax Liability as on 31st March, 2008 | 15,009 |

3. Paragraph 4C of Part II of Schedule VI to the Companies Act, 1956 is not applicable to the Company since it is not a manufacturing company.

4. Additional information to be furnished as per paragraph 4D of part II of Schedule VI to the Companies Act, 1956 – NIL (Previous Year – NIL)

5. Previous year figures have been regrouped or reclassified, wherever necessary to conform to current year's classification.

6. Earnings per share

| Particulars | 2008 | 2007 |
|--------------------|------|------|
| Earnings per share | 2.28 | 0.10 |

7. Figures have been rounded off to nearest rupee.

8. Auditors' fees

Amount in Rupees

| Particulars | 2008 | 2007 |
|----------------------|---------------|---------------|
| Statutory Audit Fees | 15,000 | 16,854 |
| Certification Fees | 10,000 | - |
| Total | 25,000 | 16,854 |

9. Managerial Remuneration

Amount in Rupees

| Particulars | 2008 | 2007 |
|--|----------|----------|
| C. Balagopal (Chief Executive Officer) | 7,06,308 | 5,00,624 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 7 - NOTES ON ACCOUNTS (Contd.)

Amount in Rupees

| | 2008 | 2007 |
|---|-----------------|-----------------|
| R. Vijay Raghavan (Assistant Vice President)* | 68,008 | - |
| Total | 7,74,316 | 5,00,624 |

*Note: Was employed for a part of the year only.

10. No amount is payable to small scale undertakings as on the date of the Balance Sheet (Previous year – NIL).
11. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

12. Related Party Transactions

Amount in Rupees

| Name of the Party | Relationship | Nature of Transaction | Transaction Amount | Maximum Amount outstanding during the financial year |
|---------------------------|----------------------|-------------------------|--------------------|--|
| Srei Venture Capital Ltd. | Holding Company | Refund of EMD Amount | 4,46,000 | 6,46,000 Cr. |
| Srei Venture Capital Ltd. | Holding Company | Success fees received | 2,00,000 | 2,00,000 Dr. |
| APIDC | Minority Shareholder | - | - | - |
| APIIC | Minority Shareholder | - | - | - |
| SIDBI | Minority Shareholder | - | - | - |
| APIDC | Minority Shareholder | Salary reimbursement | 5,12,403 | 1,82,987 Dr. |
| APIDC | Minority Shareholder | Rent | 1,32,260 | 33,891 Dr. |
| APIDC | Minority Shareholder | Telephone Reimbursement | 6,478 | 572 Dr. |

13. Transaction with Key Management Personnel

Amount in Rupees

| Name of the Party | Nature of Transaction | 2008 | 2007 |
|--------------------|-----------------------|--------------|--------------|
| APIDC | Sitting Fees | 1,750 | 2,750 |
| APIIC | Sitting Fees | 1,000 | 1,250 |
| SIDBI | Sitting Fees | 3,250 | 2,000 |
| K. Budhiraju | Sitting Fees | 2,500 | 3,250 |
| Vijay Gopal Jindal | Sitting Fees | 500 | - |
| Subrata Ghosh | Sitting Fees | 500 | - |
| Total | Sitting Fees | 9,500 | 9,250 |

14. There is no income earned or expenditure incurred in foreign currency during the year under review.

As per our report of even date

For **R. B. Kabra & Co.**
Chartered Accountants

On behalf of the Board

Kishore Kumar Kabra
Partner
Membership No. 29772

Indrajit Pal
Chairman

Vijay Gopal Jindal
Director

Place : Hyderabad
Dated : 9th June, 2008

DIRECTORS

Mr. Indrajit Pal - *Chairman*
 Mr. B. P. Acharya
 Mr. Kishore Budhiraju
 Mr. M. Subramanian
 Mr. Shyamalendu Chatterjee
 Mr. Subhendu Mitra
 Mr. Bajrang K. Choudhary
 Mr. Subrata Ghosh

AUDITORS

Anant Rao & Mallik
Chartered Accountants

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Accounts for the year ended 31st March, 2008.

Operations:

During the year under review, your Company has been privatised with Srei Venture Capital Limited (SVCL), a Kolkata based Company acquiring a 51% stake in CTCPL. The existing Shareholders of the Company viz., APIIC, APIDC and SIDBI, have executed the Share Holders' and Share Purchase Agreement with SVCL according to which SVCL will further increase its stake upto 76% upon raising a new fund of Rs. 50 crore.

Status of Funded Companies:

In respect of Fund currently under the trusteeship of your Company, it is expected to exit from at least one Venture Capital Undertaking before the end of the current financial year i.e. 2008-2009, with satisfactory returns.

Financial Results:

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|--|-----------------------------------|-----------------------------------|
| Income from operations | Nil | Nil |
| Other Income | 42,978 | 9,173 |
| Expenditure | 22,236 | 20,334 |
| Profit Before Depreciation | 20,742 | (11,161) |
| Depreciation | Nil | Nil |
| Profit after Depreciation | 20,742 | (11,161) |
| Less: Provision for Taxation | 6,409 | Nil |
| Prior period Expenditure | 13,750 | -- |
| Profit After Tax | 583 | (11,161) |
| Appropriations : | | |
| Transfer to General Reserve | - | - |
| Transfer to Reserve Fund | - | - |
| Provision for Dividend | - | - |
| Balance brought forward from previous year | - | 7,060 |
| Balance carried to Balance Sheet | 583 | - |

Auditors and Auditors report:

During the year under review, the Company appointed M/s. Anant Rao & Mallik, Chartered Accountants, as the Statutory Auditors. The Auditors retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment.

Contributions:

During the financial year under review,

- The HIVE Fund has not received any contributions.
- No investments have been made from the HIVE Fund.

Reserves:

The Company has not transferred any amount to the Reserves.

Dividends:

Your Board has not recommended for dividend.

Fixed deposits:

During the financial year the Company has not accepted or renewed any deposits from its members, directors or others, hence there was no amount payable to the persons specified either as interest or principal for the financial year ended on 31st March, 2008.

Conservation of Energy, Technology absorption, Foreign Exchange Earnings and outgo:

Conservation of Energy:

- The Company has taken the necessary measures wherever possible for the conservation of energy.
- No additional investment and proposals for investments were made for reduction of energy consumption.
- As there is no additional investment, there is no impact on the business of the Company.

Technology absorption:

Your Company being a Trustee Company has not carried out any research and development programmes during the financial year under review.

Foreign Exchange Earnings and Outgo:

During the year under review, there have been no foreign exchange earnings or outgo.

Directors:

Your Company has the following Directors on its Board:

- Mr. Indrajit Pal, IAS - Nominee of APIDC
- Mr. B. P. Acharya, IAS - Nominee of APIIC
- Mr. M. Subramanian - Nominee of SIDBI
- Dr. Kishore Buddhiraju - Nominee of SIDBI
- Mr. Vijay Gopal Jindal - Nominee of SVCL
- Mr. Subrata Ghosh - Nominee of SVCL
- Mr. M. Subhendu Mitra - Nominee of SVCL
- Mr. Bajrang K. Choudhary - Nominee of SVCL

During the year, Mr. Vijay Gopal Jindal, Mr. Subrata Ghosh, Mr. M. Subhendu Mitra and Mr. Bajrang K. Choudhary were appointed as nominee Directors of SVCL on the Board.

Mr. Vijay Gopal Jindal retires by rotation at the ensuing Annual General Meeting. Srei Venture Capital Limited has withdrawn his nomination on the Board of CTCPL. The Board places on record its appreciation of the services rendered by him as a Director on the Board.

The Company has received a notice and nomination from Srei Venture Capital Limited proposing Mr. Shyamalendu Chatterjee for the appointment to the office of Director. Resolution seeking approval of the shareholders for his appointment has been incorporated in the Notice of the forthcoming Annual General Meeting.

Directors' Responsibility Statement:

Pursuant to the provisions of Section 217 (2AA) of the Companies

Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. That the Directors had 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 for that period.
- iii. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.
- iv. That the Directors had prepared the annual accounts on a going concern basis.

Particulars of Employees:

None of the employees is drawing remuneration in excess of the limits prescribed u/s. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 during the year ended 31st March, 2008.

Acknowledgements:

Your Board places on record its gratitude and appreciation for the valuable support and co-operation received from Andhra Pradesh Industrial Development Corporation Limited (APIDC), Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC), Small Industrial Development Bank of India (SIDBI) and Srei Venture Capital Limited (SVCL).

Your Directors also wish to place on record their appreciation for the sincere contributions received from the employee(s) of the Company in enabling it to achieve the performance during the year under review and the valuable co-operation and continued support extended by the Bankers, Consultants, various Government and Statutory authorities and other business associates.

For and on behalf of the Board

For Cyberabad Trustee Company Private Limited

Place : Hyderabad

Indrajit Pal

Date : 29th July, 2008

Chairman

Audit Report

To the members,

Cyberabad Trustee Company Private Limited,
Hyderabad

1. We have audited the attached balance sheet of **Cyberabad Trustee Company Private Limited**, as at 31st March, 2008, the Profit and Loss Account for the year 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 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 estimate 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. According to the information and explanations given to us and based on such checks as we considered as appropriate, we are of the opinion that the Companies (Auditor's Report) Order, 2003 (As amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, is not applicable to the Company for the year under audit.
4. Further to our comments referred above, we report that:
 - i) 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;
 - ii) 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;

- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) The provisions of Sec. 274(1)(g) of the Companies Act, 1956 regarding disqualification of directors are not applicable to this Company vide Notification No. 2/5/2001-CL.V; General Circular No. 8/2002 dated 22.03.2002 issued by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs since it being a Government Company;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - b) in the case of Profit and Loss Account, of the profit for the year ended on that date.

For Anant Rao & Mallik
Chartered Accountants

V. Anant Rao
Partner

Place : Hyderabad

Date : 9th June, 2008

Membership No. 022644

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|-----------------|-----------------|
| SOURCES OF FUNDS | | |
| Authorised Capital | 5,00,000 | 5,00,000 |
| 50,000 Equity Shares of Rs. 10/- each | | |
| Issued Subscribed and Paid Up capital | | |
| 50,000 Equity Shares of Rs. 10/- each fully paid | 5,00,000 | 5,00,000 |
| Profit and Loss account | 583 | - |
| Total | 5,00,583 | 5,00,000 |
| APPLICATION OF FUNDS | | |
| Current assets, Loans and Advances | | |
| a) Cash & Bank Balances | | |
| In Current account | 16,077 | 15,612 |
| In Fixed Deposit Account | 5,00,093 | 4,59,173 |
| | 5,16,170 | 4,74,785 |
| b) Loans and Advances | | |
| Amount Receivable | - | 29,391 |
| | 5,16,170 | 5,04,176 |
| Current Liabilities and Provisions | | |
| Current Liabilities | 11,236 | 11,236 |
| Provision for tax | 4,351 | - |
| Net Current Assets | 5,00,583 | 4,92,940 |
| Profit and Loss Account | - | 7,060 |
| Total | 5,00,583 | 5,00,000 |

As per our report attached.

For Anant Rao & Mallik
Chartered Accountants

For and on behalf of the Board

V. Anant Rao
Partner
Membership No. 022644

Indrajit Pal
Chairman

Vijay Gopal Jindal
Director

Place : Hyderabad
Date : 9th June, 2008

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|---------------|-----------------|
| INCOME | | |
| Income from Operations | - | - |
| Other Income - Bank Interest | 42,978 | 9,173 |
| Total | 42,978 | 9,173 |
| EXPENDITURE | | |
| Sitting fees | 5,750 | 5,250 |
| Filing Fees | 5,100 | 1,400 |
| Statutory audit fees | 11,236 | 11,236 |
| Rates and Taxes | - | 2,448 |
| Bank charges | 150 | - |
| Total | 22,236 | 20,334 |
| Profit before tax | 20,742 | (11,161) |
| Current tax | 6,409 | - |
| Prior Period Expenditure | 13,750 | - |
| Profit / (Loss) After Tax | 583 | (11,161) |
| Total | 583 | (11,161) |
| Less: Charged to Hive Fund (Refer Note 3) | - | 11,161 |
| Total | - | - |
| Less: Balance Brought forward from last year | - | 7,060 |
| | - | 7,060 |
| Earnings per Share | 0.01 | (0.22) |

As per our report attached.

For **Anant Rao & Mallik**
Chartered Accountants

V. Anant Rao
Partner
Membership No. 022644

Place : Hyderabad
Date : 9th June, 2008

For and on behalf of the Board

Indrajit Pal
Chairman

Vijay Gopal Jindal
Director

Schedules

NOTES ON ACCOUNTS

1. Significant Accounting Policies

General

- (a) Financial statements are prepared based on historical cost and on going concern basis.
 - (b) The Company follows the mercantile system of accounting.
2. Except for the trusteeship function of the trust i.e. HIVE Fund, the Company has not undertaken any business on its own. Hence, there is no income for the Company during the year except interest account on fixed deposit with scheduled bank.
 3. As there is a surplus of income over expenditure during the financial year under review, no expenses have been transferred to the HIVE Fund for reimbursement as per clause 1.4 of the Trust Deed relating to the Expenses Chargeable to the Fund. The amount (expenses net of income earned) transferred to the HIVE Fund in the previous financial year amounts to Rs. 11,161/-.
 4. Paragraphs 4C of Part II Schedule VI to the Companies Act, 1956 is not applicable to the Company since it is not a manufacturing company.
 5. Additional information to be furnished as per Paragraph 4D of Part II of Schedule VI to the Companies Act, 1956 – NIL.
 6. No amount is payable to small scale undertakings as on the date of the Balance Sheet (Previous year – NIL).
 7. There is no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
 8. The Company has not made any payments as remuneration to any director / directors.
 9. Current Liabilities represent Audit fee payable to Statutory Auditors for the year 2007-08.

10. Earnings per share

Amount in Rupees

| | 2008 | 2007 |
|--------------------|------|--------|
| Earnings per share | 0.01 | (0.22) |

11. Auditors' Remuneration

| Particulars of Fees paid | 2008 | 2007 |
|--------------------------|--------------|--------------|
| Statutory Audit Fees | 11236 | 11236 |
| Total | 11236 | 11236 |

12. There is no income earned or expenditure incurred in foreign currency by the Company during the year.

13. Related Party Transactions

| Name of the party | Relationship | Nature of transaction | Transaction amount | Maximum amount outstanding during the financial year |
|---------------------------|--------------------------|-----------------------|--------------------|--|
| Srei Venture Capital Ltd. | Holding company | - | - | - |
| APIDC | Minority Shareholder | - | - | - |
| APIIC | Minority Shareholder | - | - | - |
| SIDBI | Minority Shareholder | - | - | - |
| HITVEL | Asset Management Company | Amount due Paid | 13,750 | 13,750 crore |

14. Transaction with key management personnel

| Name of the Party | Nature of transaction | 2008 | 2007 |
|---------------------|-----------------------|-------------|-------------|
| Vijay Gopal Jindal | Sitting Fees | 500 | - |
| Subrata Ghosh | Sitting Fees | 500 | - |
| APIDC | Sitting Fees | 1500 | 1500 |
| APIIC | Sitting Fees | 750 | 1000 |
| SIDBI | Sitting Fees | 1500 | 1500 |
| Kishore Buddhi Raju | Sitting Fees | 1000 | 1250 |
| Total | - | 5750 | 5250 |

As per our report attached.

For **Anant Rao & Mallik**
Chartered Accountants

For and on behalf of the Board

V. Anant Rao
Partner
Membership No. 022644
Place : Hyderabad
Date : 9th June, 2008

Indrajit Pal
Chairman

Vijay Gopal Jindal
Director

DIRECTORS

Mr. Hemant Kanoria
Mr. Subrata Ghosh
Mr. Subrata Gupta
Ms. Nandini Chakraborty

CHIEF EXECUTIVE OFFICER

Mr. Anjan Roy

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Third Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008. The summarised financial performance of your Company is as under:

FINANCIAL RESULTS AND OPERATIONS

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|--|-----------------------------------|-----------------------------------|
| Total Income | 1,02,37,686 | 55,71,759 |
| Total Expenditure | 79,57,999 | 49,05,704 |
| Profit Before Tax | 22,79,687 | 6,66,055 |
| Provision for Current Taxation | 4,90,800 | 75,000 |
| Profit After Current Tax | 17,88,887 | 5,91,055 |
| Deferred Tax | 2,04,915 | 2,29,904 |
| Profit After Tax | 15,83,972 | 3,61,151 |
| Balance brought forward from previous year | (6,11,992) | (9,73,143) |
| Adjustment on account of adoption of AS-15 (Revised) | (1,12,820) | - |
| Profit Available for Appropriation | 8,59,160 | (6,11,992) |
| Appropriations: | | |
| General Reserve | 1,58,397 | - |
| Proposed Dividend | 2,00,000 | - |
| Corporate Dividend Tax | 33,990 | - |
| Balance carried to Balance Sheet | 4,66,773 | (6,11,992) |
| Paid up Equity Share Capital | 500,000 | 500,000 |

REVIEW OF OPERATIONS & FUTURE PROSPECTS:

West Bengal continued with its growth momentum with average SDP growing at over 8% and an industrial resurgence that has evoked interest with promising investment proposals in areas such as Iron and Steel, Engineering, IT, Automobiles and Components, IT, Petrochemicals, Food Processing etc. It is the third largest economy in the country and with the renewed thrust on infrastructure development more and more projects through the JV and PPP routes have emerged.

Bengal Srei is fully geared to take advantage of the interesting opportunities in advisory services associated with the infrastructure initiatives in the State. Your Company further improved its operations during the year 2007-08 handling a total of 20 projects valued at Rs. 813 crore. The Company made an entry into the Tourism sector being awarded Project Management, Structural Consultancy as well as project development work for several tourism properties. Project Reports for water supply schemes were prepared under Mission I of JNNURM which included first of its kind distribution network under micro tunneling method for Tallah Palta transmission mains on behalf of KMC. Advisory services for preparation of a Project Report for an IT SEZ at Asansol were also rendered and formal approval obtained

from the Board of Approvals.

During the year, your Company entered into a Joint Venture with West Bengal Industrial Infrastructure Development Corporation to establish a state of the art Integrated Auto Industrial Park at Guptamani, near Kharagpur with a specially delineated area of 500 acres as SEZ. A dedicated SPV styled "Bengal Integrated Auto Industrial Park Private Ltd." has commenced functioning and direct purchases of land for the project is currently underway.

The operational results of the Company improved substantially with a turnover of Rs. 102.38 lacs (previous year Rs. 55.72 lacs) and a profit (after tax) of Rs. 15.84 lacs (previous year Rs. 3.61 lacs) and it was able to set-off all accumulated losses.

With projects on Urban Renewal and Municipal reforms to enter the next phase and more public private partnerships in the infrastructure space, your Company expects to leverage the opportunities to expand its reach and improve its market penetration further.

DIVIDEND

The Board of Directors of your Company recommends a dividend of Rs. 4 per Equity Share for this year.

FIXED DEPOSIT

Your Company has not accepted any fixed deposits during the period under review.

PARTICULARS OF EMPLOYEES

None of the employees of your Company are in receipt of remuneration requiring disclosures pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, hence no such particulars are annexed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Since your Company is not a manufacturing unit, requirements as to Conservation of Energy and Technology Absorption are not applicable. However, your Company endeavours to improve energy conservation and utilisation, safety and environment.

Your Company has not utilised or earned any foreign exchange during the period under review.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and as per the Articles of Association of your Company, Mr. Subrata Ghosh retires by rotation and being eligible, offers himself for re- appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your directors confirm:

- that in the preparation of the annual accounts for the year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;

Annexure to the Auditors' Report

(Referred to in our report of even date)

The nature of the Company's business / activities during the year is such that clauses 4 (ii), (vii), (viii), (x), (xiii), (xiv) are not applicable to the Company.

- (i) The Company does not have any fixed assets. Accordingly, clauses 4 (i) (a) to (c) are not applicable to the Company.
- (ii) The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses 4 (iii) (a) to (g) are not applicable to the Company.
- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the sale of services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (iv) There were no contracts or arrangements referred to in Section 301 of the Companies Act, 1956, during the year that need to have been entered in the register maintained under that section. Accordingly clauses 4 (v) (a) and (b) are not applicable to the Company.
- (v) The Company has not accepted deposits from the public within the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 .
- (vi) In respect of statutory dues:
- (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess to the extent applicable and any other material statutory dues with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, there were no disputed statutory dues of Sales Tax, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess, which have not been deposited as on 31st March, 2008.

The Company has challenged constitutional

validity of Fringe Benefits Tax before the Hon'ble Calcutta High Court and the Hon'ble Court has granted interim stay on levy of such Fringe Benefits Tax on the Company. In view of this, the Company has not provided for any liability for Fringe Benefits Tax.

- (vii) The Company does not have any dues to financial institutions, banks or debenture holders.
- (viii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (ix) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not taken any term loan during the year.
- (xi) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
- (xii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xiii) The Company has not issued debentures during the year.
- (xiv) The Company has not raised any money by way of public issues during the year.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

A. Bhattacharya
Partner

Place : Kolkata

Date : 11th June, 2008

Membership No. 054110

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|--|----------|-------------------|------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 500,000 | 500,000 |
| Reserves and Surplus | 2 | 625,170 | - |
| | | 1,125,170 | 500,000 |
| Unsecured Loans | 3 | 11,969,319 | 4,294,032 |
| Total | | 13,094,489 | 4,794,032 |
| APPLICATION OF FUNDS | | | |
| Investment | 4 | 9,999,000 | - |
| Deferred Tax Asset (Refer Note B5 of Schedule 11) | | 109,390 | 263,855 |
| Current Assets, Loans and Advances | | | |
| Sundry Debtors | 5 | 3,482,760 | 4,511,541 |
| Cash and Bank Balances | 6 | 1,427,731 | 88,552 |
| Loans and Advances | 7 | 1,248,608 | 196,871 |
| | | 6,159,099 | 4,796,964 |
| Less: Current Liabilities and Provisions | | | |
| Current Liabilities | 8 | 2,794,350 | 846,354 |
| Provisions | 9 | 378,650 | 32,425 |
| | | 3,173,000 | 878,779 |
| Net Current Assets | | 2,986,099 | 3,918,185 |
| Profit and Loss Account | | - | 611,992 |
| Total | | 13,094,489 | 4,794,032 |
| Significant Accounting Policies and Notes on Accounts | 11 | | |

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

Subrata Gupta
Director

Subrata Ghosh
Director

Place : Kolkata
Date : 11th June, 2008

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|---|----------|-------------------|------------------|
| INCOME | | | |
| Consultancy Charges [TDS Rs. 1,629,074/-, Previous Year Rs. 91,486/-] | | 10,219,686 | 5,537,759 |
| Other Income | | 18,000 | 34,000 |
| Total Income | | 10,237,686 | 5,571,759 |
| EXPENDITURE | | | |
| Administrative and Other Expenses | 10 | 7,109,481 | 4,677,143 |
| Interest | | 848,518 | 228,561 |
| | | 7,957,999 | 4,905,704 |
| PROFIT BEFORE TAX | | 2,279,687 | 666,055 |
| Less: Provision for Taxation | | | |
| Current Tax | | 490,800 | 75,000 |
| Deferred Tax | | 204,915 | 229,904 |
| PROFIT AFTER TAX | | 1,583,972 | 361,151 |
| Balance brought forward from previous year | | (611,992) | (973,143) |
| Less : Adjustment on account of adoption of AS - 15 (Revised) Employee Benefits (refer Note B6 of Schedule 11) (net of deferred tax of Rs. 50,450) | | 112,820 | - |
| | | (724,812) | - |
| Profit Available for Appropriation | | 859,160 | (611,992) |
| APPROPRIATIONS | | | |
| General Reserve | | 158,397 | - |
| Proposed Dividend | | 200,000 | - |
| Corporate Dividend Tax | | 33,990 | - |
| Surplus / (Deficit) Carried to Balance Sheet | | 466,773 | (611,992) |
| Total | | 859,160 | (611,992) |
| Earnings (Basic and Diluted) Per Equity Share (Face Value of Rs.10 each) | | 31.68 | 7.22 |
| Significant Accounting Policies and Notes on Accounts | 11 | | |

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

Subrata Gupta
Director

Subrata Ghosh
Director

Place : Kolkata
Date : 11th June, 2008

Cash Flow Statement for the year ended on 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|--------------------|--------------------|
| A. Cash Flow from operating activities: | | |
| Net Profit before tax | 2,279,687 | 666,055 |
| Add: Adjustments for: | | |
| Interest | 848,518 | 228,561 |
| Operating Profit before Working Capital Changes | 3,128,205 | 894,616 |
| Adjustments for: | | |
| (Increase)/Decrease in Trade and Other Receivable | 1,115,319 | (4,638,575) |
| Increase in Trade and Other Payable | 1,896,961 | 765,131 |
| Cash Generated from Operating Activities | 6,140,485 | (2,978,828) |
| Less: Advance Tax Paid | 1,629,074 | 91,486 |
| Net Cash Flow from Operating Activities | 4,511,411 | (3,070,314) |
| B. Cash Flow from Investing Activities: | | |
| Purchase of shares | (9,999,000) | - |
| | (9,999,000) | - |
| C. Cash Flow from Financing Activities: | | |
| Unsecured Loan taken | 15,203,957 | 3,148,711 |
| Unsecured Loan repaid | (7,802,033) | - |
| Interest Paid | (575,156) | - |
| Net Cash Flow from Financing Activities | 6,826,768 | 3,148,711 |
| Net Increase / (decrease) in Cash and Cash Equivalents | 1,339,179 | 78,397 |
| Cash and Cash Equivalents as on 01.04.2007 | 88,552 | 10,155 |
| Closing Cash and Cash Equivalents as on 31.03.2008 | 1,427,731 | 88,552 |

Notes:

- 1) The above Cash Flow Statement has been prepared under "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement notified by the Central Government under the Companies (Accounting Standard) Rules, 2006.
- 2) Figures in bracket represent Cash Outflow.
- 3) Previous year's figures have been regrouped, wherever necessary to conform to the current year's classification.

This is the Cash Flow Statement referred to in our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

A. Bhattacharya
Partner

Subrata Gupta
Director

Subrata Ghosh
Director

Place : Kolkata
Date : 11th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|------------|-----------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 50,000 Equity Shares of Rs. 10/- each (Previous Year 50000 shares of Rs. 10/- each) | 500,000 | 500,000 |
| Issued, Subscribed and Paid-up | | |
| 50,000 Equity Shares of Rs. 10/- each fully paid-up in cash (Previous Year 50,000 shares of Rs. 10/- each) | 500,000 | 500,000 |
| (Of the above, 25,500 equity shares of Rs. 10/- each fully paid up are held by Srei Capital Markets Limited, the holding company and its nominees. The ultimate holding company is Srei Infrastructure Finance Limited) | 500,000 | 500,000 |
| SCHEDULE 2 - RESERVES AND SURPLUS | | |
| General Reserve | 158,397 | - |
| Surplus in Profit and Loss Account | 466,773 | - |
| | 625,170 | - |
| SCHEDULE 3 - UNSECURED LOANS | | |
| Short Term Loan from holding company | 1,681,614 | 4,294,032 |
| Other Loans from holding company | 10,287,705 | - |
| | 11,969,319 | 4,294,032 |
| SCHEDULE 4 - INVESTMENTS | | |
| Investments in shares - Long Term (At cost, Unquoted, Non Trade) | | |
| Bengal Integrated Auto Industrial Park Pvt. Ltd. (9,99,900 No of Equity Shares @ Rs. 10/- each) - purchased during the year | 9,999,000 | - |
| | 9,999,000 | - |
| SCHEDULE 5 - SUNDRY DEBTORS | | |
| (Unsecured, Considered Good) | | |
| - Debts outstanding for the period exceeding six months | - | - |
| - Others | 3,482,760 | 4,511,541 |
| | 3,482,760 | 4,511,541 |
| SCHEDULE 6 - CASH AND BANK BALANCES | | |
| Cash On Hand | 9,930 | 36,358 |
| Bank Balance | | |
| With Scheduled Bank | | |
| On Current Account | 1,417,801 | 52,194 |
| | 1,427,731 | 88,552 |

Schedules to the Balance Sheet as at 31st March, 2008 (Contd.)

Amount in Rupees

| | 2008 | 2007 |
|---|------------------|----------------|
| SCHEDULE 7 - LOANS AND ADVANCES | | |
| (Unsecured, Considered Good) | | |
| Advance Income Tax [net of Provisions - Rs. 565,800 (previous year - Rs. 75,000)] | 1,192,212 | 53,937 |
| Other Advances | 56,396 | 142,934 |
| | 1,248,608 | 196,871 |
| SCHEDULE 8 - CURRENT LIABILITIES | | |
| Sundry Creditors | | |
| i) Total outstanding dues of micro, small and medium enterprises | - | - |
| ii) Total outstanding dues of creditors other than micro, small and medium enterprises | 1,433,114 | 199,126 |
| Other Liabilities | 1,361,236 | 647,228 |
| | 2,794,350 | 846,354 |
| There are no amounts due and outstanding as at Balance Sheet date to be credited to Investors' Education and Protection Fund. | | |
| SCHEDULE 9 - PROVISIONS | | |
| Proposed Dividend | 200,000 | - |
| Provision for Corporate Dividend Tax | 33,990 | - |
| Provision for Gratuity | 144,660 | 32,425 |
| | 378,650 | 32,425 |

Schedules to the Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|------------------|------------------|
| SCHEDULE 10 - ADMINISTRATIVE AND OTHER EXPENSES | | |
| Salary and Allowances | 3,048,201 | 1,875,683 |
| Gratuity | 103,980 | 26,217 |
| Travelling and Conveyance | 1,179,100 | 1,041,502 |
| Telephone Expenses | 41,638 | 28,927 |
| Auditors' Remuneration | 49,000 | 12,000 |
| Professional Fees | 2,478,150 | 1,136,873 |
| Repairs & Maintenance - Others | 12,143 | - |
| Printing and Stationery | 61,675 | 538,505 |
| Rates and Taxes | 12,571 | 6,456 |
| Miscellaneous Expenses | 123,023 | 10,980 |
| | 7,109,481 | 46,77,143 |

Schedules to the Balance Sheet and Profit and Loss Account

SCHEDULE 11 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

A. Significant Accounting Policies

1. Basis of Preparation

- 1.1 The financial statements are prepared in accordance with historical cost convention and accrual basis of accounting.
- 1.2 These are presented in accordance with Generally Accepted Accounting Principles in India, provisions of the Companies Act, 1956 and Accounting Standards notified by the Central Government under Companies (Accounting Standards) Rules, 2006.
- 1.3 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 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.

2. Recognition of Income & Expenditure

Income from consultancy services are recognised on completion of agreed milestones. All other income and expenditure are accounted for on accrual basis.

3. Miscellaneous Expenditure

Preliminary expenses are written off in the year of incorporation.

4. Contingent Liabilities

Contingent Liabilities not provided for, if any, are separately shown by way of a note in this schedule.

5. Taxes on Income

- 5.1 Current Tax is the amount of tax payable on the taxable income for the year is determined in accordance with the provisions of the Income Tax Act, 1961.
- 5.2 Deferred Tax is recognised on timing difference, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

6. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, Earnings Per Share notified by the Central Government under Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding at the year end. Diluted earning per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

7. Employee Benefits

7.1 Short term employee benefits

Short term employee benefits based on expected obligation on undiscounted basis are recognised as expense in the Profit and Loss account of the period in which the related service is rendered.

7.2 Post Employment Benefits

Defined benefit plan

Company's liability towards gratuity is a defined benefit plan. Such liabilities are ascertained by an independent actuarial valuation as per the requirements of Accounting Standard – 15 (revised 2005) "Employee Benefits". All actuarial gains and losses are recognised in Profit and Loss Account in full in the year in which they occur.

8. Investments

- 8.1 Investments are classified into "Long Term" and "Current" investment.
- 8.2 All long term investments are stated at cost. Provision for diminution in value, other than temporary, is considered wherever necessary on an individual basis.
- 8.3 Cost is arrived at on weighted average method for the purpose of valuation of investments.
- 8.4 Current investments are valued at lower of cost and market price determined category-wise.

Schedules to the Balance Sheet and Profit and Loss Account

SCHEDULE 11 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

9. Borrowing Costs

Interest and other costs in connection with the borrowing of the funds to the extent related / attributed to the acquisition / construction of qualifying fixed assets are capitalised up to the date when such assets are ready for its intended use and all other borrowing costs are recognised as an expense in the period in which they are incurred.

B. Notes on Accounts

- There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2008. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
- Earnings & Expenditure in Foreign Currency – Rs. Nil (Previous Year – Nil).
- Earnings Per Share

Basic and Dilutive Earnings per Share

| Particulars | 2008 | 2007 |
|--|-----------|----------|
| Opening No. of Shares | 50,000 | 50,000 |
| Total No. of Shares Outstanding | 50,000 | 50,000 |
| Profit / (Loss) after Taxes (Rs.) | 15,83,972 | 3,61,151 |
| Earnings (Basic and Diluted) per Share (Rs.) | 31.68 | 7.22 |

4. Related Party Disclosures

(a) List of Related Parties and Relationships

| Sl. No. | Name of Related Party | Nature of Relationship |
|---------|--|--|
| 1. | Srei Capital Markets Ltd. | Holding Company |
| 2. | Srei Infrastructure Finance Ltd. (SIFL) | Holding Company of Srei Capital Markets Ltd. |
| 3. | Global Investment Trust Ltd. | Fellow Subsidiaries |
| 4. | Srei Forex Ltd. | - do - |
| 5. | Srei Sahaj e-Village Ltd. (formerly Srei Money Mall Ltd.) | - do - |
| 6. | Srei Venture Capital Ltd. | - do - |
| 7. | Srei Insurance Broking Pvt. Ltd. (formerly Srei Insurance Services Ltd.) | - do - |
| 8. | Srei Infrastructure Advisors Ltd. (formerly Srei Insurance Agency & Broking Ltd.) | - do - |
| 9. | Srei Equipment Finance Private Ltd. (formerly Srei Infrastructure Development Finance Ltd.) | - do - |
| 10. | IIS International Infrastructure Services GmbH, Germany | - do - |
| 11. | Hyderabad Information Technology Venture Enterprises Ltd. | - do - |
| 12. | Cyberabad Trustee Company Private Ltd. | - do - |
| 13. | ZAO Srei Leasing, Russia | - do - |
| 14. | Bengal Integrated Auto Industrial Park Pvt. Ltd. | Associate |
| 15. | West Bengal Industrial Development Corporation (WBIDC) | Investor having significant influence |
| 16. | Mr. Anjan Kumar Roy, CEO | Key Management Personnel |

Schedules to the Balance Sheet and Profit and Loss Account

SCHEDULE 11 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

(b) Related Party Transactions :

Amount in Rupees

| | Holding Company | | Investor exerting significant influence | | Associate | | Key Management Personnel | |
|--|-----------------|-----------|---|----------|-----------|----------|--------------------------|----------|
| | 31.03.08 | 31.03.07 | 31.03.08 | 31.03.07 | 31.03.08 | 31.03.07 | 31.03.07 | 31.03.07 |
| Transactions | 31.03.08 | 31.03.07 | 31.03.08 | 31.03.07 | 31.03.08 | 31.03.07 | 31.03.07 | 31.03.07 |
| Unsecured Loan Taken (Net) | 6,826,769 | 3,148,711 | - | - | - | - | - | - |
| Interest Expense on Loan taken (referred to above) | 848,518 | 228,561 | - | - | - | - | - | - |
| Consultancy Fee (inclusive of service tax) | - | - | 3,170,662 | 850,000 | - | - | - | - |
| Remuneration | - | - | - | - | - | - | 1,270,822 | 974,614 |
| Equity Contribution | - | - | - | - | 9,999,000 | - | - | - |
| Outstanding at the year end: | | | | | | | | |
| Unsecured Loan (Payable) | 11,969,319 | 4,294,032 | - | - | - | - | - | - |
| Receivables | - | - | 2,482,760 | - | - | - | - | - |

5. The Deferred tax asset of Rs. 109,390 arising out of timing difference as on 31st March, 2008 is on account of the following:

Components of Deferred Tax Amount (Rs.)

| | 31.03.08 | 31.03.07 |
|--|----------|----------|
| Deferred Tax Asset arising out of Timing Difference relating to: | | |
| Brought Forward Loss | - | 229,406 |
| Provision for Gratuity | 44,700 | 25,538 |
| Provision for Leave Encashment | 64,690 | 8,911 |
| Deferred Tax Asset (Net) | 109,390 | 263,855 |

6. The Company until 31st March, 2007 was recognising the provision for the employee retirement benefits as per Accounting Standard 15 "Accounting for Retirement Benefits". During the year, the Company has adopted the revised Accounting Standard - 15 (revised 2005) "Employee Benefits" (Standard).

Adjustments aggregating to Rs. 112,820/- (net of deferred tax - Rs. 50,450) relating to gratuity Rs. 5,705/- (net of deferred tax - Rs. 2,550), bonus Rs. 53,150/- (net of deferred tax - Rs. 23,768) and leave travel assistance Rs. 53,965/- (net of deferred tax - Rs. 24,132) for earlier years upto 31st March, 2007 has been made against opening balance in Profit and Loss Account as at 1st April, 2007 as permitted under the transitional provision in the Standard. However there is no material impact to the Profit and Loss account on account of this reassessment.

The following tables set out the details of amount recognised in the financial statements in respect of gratuity benefits which is not funded.

Amount in Rupees

| Employee Benefits | Gratuity |
|---|----------|
| Defined benefit plans | |
| As per actuarial valuation as at 31st March, 2008 | |
| I. Components of employer expenses | |
| 1. Current Service Cost | 44,040 |
| 2. Interest cost | 3,360 |
| 3. Expected return on plan assets | - |
| 4. Curtailment cost / (credit) | - |
| 5. Settlement cost / (credit) | - |
| 6. Past Service Cost | - |
| 7. Actuarial Losses / (Gains) | 56,590 |
| 8a. Expenses recognised in the Statement of Profit and Loss Account. (total 1 to 7) | 103,980 |
| 8b. Actual Contributions | |
| 9. Total expenses recognised in the Statement of Profit and Loss Account. | 103,980 |

Schedules to the Balance Sheet and Profit and Loss Account

SCHEDULE 11 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

Amount in Rupees

| Employee Benefits | | Gratuity | | | | |
|---|----|----------|----|----|----|----|
| II. Actual Contribution and Benefits Payments for period ended 31st March, 2008 | | | | | | |
| 1. Actual benefit payments | | - | | | | |
| 2. Actual Contributions | | - | | | | |
| III. Net assets / (liability) recognised in balance sheet as at 31st March, 2008 | | | | | | |
| 1. Present value of Defined Benefit Obligation | | 144,660 | | | | |
| 2. Fair value of plan assets | | - | | | | |
| 3. Funded status [Surplus / (Deficit)] | | -144,660 | | | | |
| 4. Unrecognised past service cost | | - | | | | |
| 5. Net asset / (liability) recognised in balance sheet | | -144,660 | | | | |
| IV. Change in Defined Benefit Obligations during the period ended 31st March, 2008 | | | | | | |
| 1. Present Value of DBO at beginning of period | | 40,680 | | | | |
| 2. Current Service cost | | 44,040 | | | | |
| 3. Interest cost | | 3,360 | | | | |
| 4. Actuarial (Gains) / Losses | | 56,580 | | | | |
| 5. Benefits paid | | - | | | | |
| 6. Present Value of DBO at the end of period (total 1 to 5) | | 144,660 | | | | |
| V. Actuarial Assumptions | | | | | | |
| 1. Discount Rate | | 8.70% | | | | |
| 2. Expected return on plan assets | | N/A | | | | |
| 3. Salary Increases | | 10% | | | | |
| 4. Retirement / Superannuation Age | | 60 | | | | |
| 5. Withdrawal Rate for Gratuity: | | | | | | |
| Age (yrs.) | 20 | 25 | 30 | 35 | 50 | 55 |
| Attrition Rate | 5% | 3% | 2% | 1% | 2% | 3% |

| 6. Auditor's Remuneration | | Amount in Rupees | |
|---------------------------|--|--|--|
| | | For the year ended 31st March, 2008 | For the year ended 31st March, 2007 |
| Audit fees | | 25,000 | 12,000 |
| Certification | | 24,000 | - |
| | | 49,000 | 12,000 |

7. Fringe Benefit Tax

The Company has challenged the constitutional validity of Fringe Benefit Tax before the High Court of Calcutta and the Hon'ble High Court has granted interim stay on levy of such Fringe Benefit Tax on the Company. In view of this, the Company has not provided any liability of Fringe Benefit Tax.

8. Segment Reporting

The Company is primarily engaged in a single business segment of Project Management & Related Service. As such there are no separate reportable segments as per Accounting Standard -17 "Segment Reporting" notified by the Central Government under Companies (Accounting Standards) Rules, 2006.

9. The previous year's figures have been regrouped/rearranged, wherever considered necessary.

Signatories to Schedules 1 to 11.

Schedules referred to above form an integral part of the Accounts.

For Deloitte Haskins & Sells
Chartered Accountants

A. Bhattacharya
Partner

Subrata Gupta
Director

On behalf of the Board

Subrata Ghosh
Director

Place : Kolkata

Date : 11th June, 2008

Balance Sheet Abstract

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (AS AMENDED)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | |
|--------------------|-----------------------|------------|----|
| Registration No. | U70101WB2004PLC100517 | State Code | 21 |
| Balance Sheet Date | 31.03.2008 | | |

II. Capital Raised during the year (Amount in Rs. Thousands)

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

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

| | | | |
|-----------------------------|-------|--------------------|-------|
| Total Liabilities | 16267 | Total Assets | 16267 |
| Source of Funds | | | |
| Paid up Capital | 500 | Reserves & Surplus | 625 |
| Secured Loans | Nil | Unsecured Loans | 11969 |
| Application of Funds | | | |
| Net Fixed Assets | Nil | Investments | 9,999 |
| Net Current Assets | 2986 | Misc. Expenditure | Nil |
| Accumulated Losses | Nil | Deferred Tax Asset | 109 |

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

| | | | |
|----------------------------|-------|---------------------------|------|
| Turnover | 10238 | Total Expenditure | 7958 |
| Profit / (Loss) Before Tax | 2280 | Profit / (Loss) After Tax | 1584 |
| Earnings per Share (Rs.) | 31.68 | Dividend Rate (%) | 20% |

V. Generic names of Three Principal Products / Services of Company (as per monetary terms)

| | | | |
|--------------------------|---|--|--|
| Item Code No (ITC Code) | N.A. | | |
| Products Description | Project Management and Related Services | | |
| Item code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |
| Item Code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |

On behalf of the Board

Place : Kolkata
Date : 11th June, 2008

Subrata Gupta
Director

Subrata Ghosh
Director

DIRECTORS

Mr. Salil K. Gupta
 Mr. M. Damodaran
 Mr. Hemant Kanoria
 Mr. Brijesh Kumar
 Mr. Bajrang K. Choudhary

CHIEF EXECUTIVE OFFICER

Dr. Syed Sabahat Azim

AUDITORS

Chetan Chaturvedi & Co.
Chartered Accountants

Directors' Report

Dear Shareholders,

The Board of Directors of your Company have pleasure in presenting the Sixth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|-----------------------------------|-----------------------------------|
| Income | 22,98,09,215 | 8,02,521 |
| Expenditure | 22,97,28,028 | 10,01,360 |
| Profit / (Loss) Before Tax | 81,187 | (1,98,839) |
| Provision for Current Tax | 8,500 | - |
| Profit / (Loss) After Current Tax | 72,687 | (1,98,839) |
| Deferred Tax | (162,777) | (66,778) |
| Profit / (Loss) after deferred tax | 2,35,464 | (1,32,061) |
| Balance brought forward from Previous Year | (73,98,433) | (72,66,372) |
| Profit / (Loss) after Tax carried to Balance Sheet | (71,62,969) | (73,98,433) |

OPERATIONAL REVIEW AND FUTURE OUTLOOK

During the year under review, your Company has earned an income of Rs. 22,98,09,215/- as against Rs. 8,02,521/- in the previous year. Your Company has earned a Profit after Tax of Rs. 2,35,464/- as against loss of Rs. 1,32,061/- incurred in the previous year.

BUSINESS OPERATION

Towards "SAHAJ" development: A sustainable path to rural Infrastructure.

One in every ten people on this planet is a rural Indian. While urban India has been marching forwards and integrating with the global economy, rural India has been increasingly isolated and has not taken adequate part in the growth underway everywhere else. Though the rural theme has been increasingly talked about, actual successful models of penetration are few. The new optimism visible in urban India has not found consonance in the vast spread of India. This does not augur well for the nation. If 70% of India's population is unserved, India's story would be curtailed and vast pressures created on the socio-economic fabric of the country.

However, there is another side of the story. Rural India contributes

about 50% of the country's GDP. This is an indication of the power and potential of Rural India. Another study by NCAER in 2006 predicted a higher rate of consumption increase in rural India compared to urban India. It means that even if the growth is slower than in urban areas, there is an emerging middle class that will need more services and products. As a percentage of their income, rural populations pay more than urban populations. If there is; and the body of evidence is very strong, such a big emerging opportunity; why has the rural market not been tapped, except for some examples especially in the western green belt of India?

The paradox is explained very simply by poor infrastructure and the geographically spread populations in rural areas along with lower incomes. This causes higher costs for accessing and distributing real services and products. It makes provision of services unviable. The development approach followed by the government has also been faulty. The earlier approach of Directed Development never worked and was finally consigned to history. Newer initiatives evolved including PURA – Provision of Urban Facilities in Rural Areas. But the problem remains the same. Development cannot be sustainable if brought at a huge and unviable cost. If it is unviable for private enterprise, it would remain unviable for the government. Only at a great cost can this infrastructure be developed and it is improbable that the government can continue to maintain it for a long time.

SAHAJ AS RURAL INFRASTRUCTURE MODEL

Rural India will hold the key to sustainable growth in all areas including infrastructure. Your Company, Srei Sahaj e-Village Limited was created by Srei to fulfill this need. It is a unique business model where rural Infrastructure gets built on a shared access platform.

SAHAJ is an attempt to create a natural model for development. This model builds on various similar attempts in the past and learns from others mistakes. It is not a revolutionary solution that has evolved from some brilliant minds. It is just the application of common sense with a huge amount of gumption. What is unique is the size of this attempt. SAHAJ is a Srei enterprise that will bring development to 210 million people through private enterprise. It is a Business Integrator as it seeks to put to use the interests of everybody into a wholesome model whereby all benefit by working together. It uses technology to bridge distances but is technology neutral. Whatever works is best.

It basically is about creating a network of about 25000 ICT enabled

shops across all states of India. Each Centre is owned and managed by an Entrepreneur. The entire set up runs on an ICT backbone. At the centre is a datacenter that hosts a portal which is built on Oracle platform and is built on Service Oriented Architecture. The portal provides for a secure financial transaction system. Each centre is connected to the Data Centre through a Broadband WAN either through Long Distance WiFi 802.11 b/g WAN or through VSATs.

The concept is about providing a versatile infrastructure to any service provider who wishes to reach the rural population and he pays a fraction of the cost that it would entail in setting up an independent network. Thus, it is like an Information Highway that can conduct transactions and it is toll based. It is open to everyone but all those who pass have to pay a toll. So it is, in essence, a Shared Access Platform, that has an ICT Backbone to cross geographical distances and is run by independent Entrepreneurs who have local knowledge and are part of the local community. Each Centre would have about 8000 to 10,000 people within 3 km radius. Thus, it is network that reaches to the doorsteps of the people.

SAHAJ & NeGP

SAHAJ dovetailed its program with the Governments scheme of Common Service Centres under the National e-Governance Plan (NeGP). Under the scheme, the Government was inviting Private Partnerships in setting up 100,000 CSCs across rural India to provide for e-Governance services for the population. SAHAJ bid for the same and got the largest mandate in India. Already, it has a mandate to set up about 25000 Centers across six states of West Bengal (4,937), Bihar (5,540), Assam (2,833), Uttar Pradesh (8,118), Tamil Nadu (1,045) and Orissa (2,245). This network alone will serve about 210 million populations. Already about 1500 Centers have been established across West Bengal and roll outs are due to begin in Bihar, Uttar Pradesh, Assam and Tamil Nadu.

Thus the Government has become the first Anchor tenant of these SAHAJ Centers. Other would be tenants would include Banks, Insurance Companies, Educational Institutions, Recruiters, Railways etc. The whole model will help connect the communities with service providers without conditions.

DIVIDEND

In order to conserve the resources of your Company, the Board of Directors of your Company does not recommend any dividend for the financial year 2007-08.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report forms part of Directors Report.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Your Company has no activity relating to Conservation of Energy and Technology Absorption as stipulated in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules,

1988. However, your Company continues its endeavor to improve energy conservation and utilisation, safety and environment.

Your Company has not utilised or earned any foreign exchange during the year under review (Previous Year Rs. Nil).

DIRECTORS

During the year, Mr. Brijesh Kumar and Mr. Hemant Kanoria were appointed as Additional Directors of your Company w.e.f. 27th December, 2007 and 3rd March, 2008 respectively. In accordance with Article 132 of the Articles of Association of your Company, Mr. Brijesh Kumar and Mr. Hemant Kanoria shall hold office upto the date of the ensuing Annual General Meeting of your Company. Your Company has received individual notices under Section 257 of the Companies Act, 1956 from members of the Company proposing the candidature of Mr. Brijesh Kumar and Mr. Hemant Kanoria as Directors of your Company.

Mr. Meleveetil Damodaran, the former Chairman of the Securities and Exchange Board of India (SEBI) was appointed as Additional Director of your Company w.e.f. 10th June, 2008. In accordance with Article 132 of the Articles of Association of your Company, Mr. Meleveetil Damodaran shall hold office upto the date of the ensuing Annual General Meeting of your Company. Your Company has received individual notices under Section 257 of the Companies Act, 1956 from a member of the Company proposing the candidature of Mr. Meleveetil Damodaran as Director of your Company.

In accordance with the provisions of the Companies Act, 1956 and your Company's Articles of Association, Mr. Salil K. Gupta, Director retires by rotation and being eligible, offers himself for re-appointment.

Mr. Sandeep Kr. Lakhota resigned as Director of your Company w.e.f. 3rd March, 2008. The Board places on record its deep appreciation for the valuable services rendered by him during his tenure as Director of your Company.

SECRETARIAL COMPLIANCE CERTIFICATE

Pursuant to the proviso to Section 383A of the Companies Act, 1956, a certificate from a Company Secretary in Wholtime Practice in respect to compliances by your Company with all the provisions of the Companies Act, 1956 is attached to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your directors confirm:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 loss of the Company for the year;
- (iii) that the Directors have taken proper and sufficient care 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; and

- (iv) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2008 on a going concern basis.

AUDITORS

M/s. Chetan Chaturvedi & Co., Chartered Accountants retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation for the excellent support and co-operation received from its Bankers and the holding company, Srei Infrastructure Finance Limited.

On behalf of the Board of Directors

Place : Kolkata **Hemant Kanoria** **Salil K. Gupta**
Dated : 10th June, 2008 Director Director

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 referred to in the Directors' Report for the year ended 31st March, 2008 and forming part thereof.

| Name | Age | Designation | Qualification | Remuneration (Rs.) | Date of commencement of employment | Working Experience (years) | Previous Employment |
|-----------------------|----------|-------------|---------------|-----------------------|------------------------------------|----------------------------|--|
| Dr. Syed Sabahat Azim | 34 years | CEO | MBBS, IAS | 31,41,600/- per annum | 01.05.2007 | 11 | Indian Administrative Service, Working as Secretary to Chief Minister, Government of Tripura |

Note

- The appointment of Dr. Syed Sabahat Azim is contractual.
- Remuneration includes Basic Salary, Commission, LTA, Medical, Leave encashment, Employer's Contribution to Provident Fund, Incentive and other perquisites.
- Dr. Syed Sabahat Azim holds 1,00,000 shares constituting 10% of the total paid up Equity Share Capital of the Company.
- Dr. Syed Sabahat Azim is not related to any other Director of the Company.

Auditors' Report

To the Members,

Srei Sahaj e-Village Limited

We have audited the Balance Sheet of **Srei Sahaj e-Village Limited** as at 31st March, 2008, the Profit and Loss Account and the Cash Flow Statement of the said Company for the year ended on that date, both 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.

We conducted our audit in accordance with 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.

As required by the companies (Auditors' Report) Order, 2003 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 & 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

- We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

- The Balance Sheet, profit and Loss account and the Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts.
- In our Opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-Section (3C) of section 211 of the Companies Act, 1956.
- On the basis of written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, 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.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:

- In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and
- In the case of Profit and Loss Account of the profit for the year ended on that date; and
- In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Chetan Chaturvedi & Co.**
Chartered accountants

A. Som
Partner

Place : Kolkata
Date : 10th June, 2008

Membership No. 6308

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- | | |
|---|--|
| <p>i. (a) The Company has maintained proper records showing full particulars, including qualitative details and situation of fixed assets.</p> <p>(b) The fixed assets were physically verified during the year by the management which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies are noticed on such verification.</p> <p>(c) The Company has not disposed off substantial part of its fixed assets during the year.</p> <p>ii. (a) Management has conducted physical verification of inventory at reasonable intervals during the year.</p> <p>(b) The procedure of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.</p> <p>iii. The Company has not taken or granted any secured or unsecured loan from or to the companies, firms or other parties covered under Section 301 of the Companies Act, 1956 and such Clauses (iii) (a) to (iii) (d) are not applicable.</p> <p>iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. There is no counting failure to correct the major weakness in the internal control.</p> <p>v. According to the information and explanations given to us, there are no transactions for purchase of goods, materials and sale of goods and services made in pursuance of contracts or agreements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 5 lacs or more in respect of each party.</p> <p>vi. The Company has not accepted any deposits from public under Section 58A and 58AA of the Companies Act, 1956.</p> <p>vii. Internal audit is not applicable to the Company.</p> <p>viii. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under Clause (d) of Sub-Section (1) of Section 209 of the Companies Act, 1956 for the Company.</p> <p>ix. The Company has not provided for any liability for Fringe Benefit Tax as the Company has challenged the constitutional validity of FBT before the Calcutta High Court, as mentioned in point no. (iv) of Notes on Accounts.</p> <p>x. As the Company has been registered for a period of less than five years the related clause regarding accumulated losses and cash loss are not applicable to the Company.</p> <p>xi. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.</p> | <p>xii. According to the information and explanations given to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>xiii. The Company is not a chit fund or a Nidhi Mutual Benefit Fund / Society. Therefore, the provisions of Clause 4(xiii) are not applicable to the Company.</p> <p>xiv. As informed and explained to us, the company has not dealt / traded in securities or debentures during the year.</p> <p>xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.</p> <p>xvi. According to the information and explanations, the Company has taken Term Loan amounting to Rs. 12.99 crore during the year and the term loans was utilised for the purpose for which the loan was taken.</p> <p>xvii. According to the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment and vice versa.</p> <p>xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year and hence the question whether the price at which shares have been issued is prejudicial to the interest of the Company does not arise.</p> <p>xix. The Company has not issued any debentures during the year and thus no securities have been created.</p> <p>xx. During the year, the Company has raised money from issue of equity shares offered on right basis to existing shareholders and Opulent Venture Capital Trust. The end use of the money raised is utilised by the Company in the approved project as mentioned in point no. 5 of Significant Accounting Policies.</p> <p>xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.</p> |
|---|--|

For **Chetan Chaturvedi & Co.**
Chartered accountants

A. Som
Partner

Place : Kolkata
Date : 10th June, 2008

Membership No. 6308

Compliance Certificate

[In accordance with proviso to sub-section (1) of Section 383A of the Companies Act, 1956 and The Companies (Compliance Certificate) Rules, 2001]

| | |
|--|-----------------------|
| Registration No.: | 21-095455 |
| CIN No: | U67190WB2002PLC095455 |
| Date of incorporation: | 29.11.2002 |
| Date of obtaining certificate of commencement of business: | 09.12.2002 |
| Authorised Share Capital: | Rs.100 Lacs |
| Paid up Share Capital: | Rs.100 Lacs |

To The Members,

Srei Sahaj e-Village Limited

I have examined the registers, records, books and papers of **Srei Sahaj e-Village Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year: -

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies within the time prescribed under the Act and the rules made thereunder. For certain forms the grace period has been allowed by the system and hence no additional fees has been charged at the time of filing. No forms and returns were filed with Regional Director, Central Government, Company Law Board or other authorities.
3. The Company, being a public limited company, has the minimum prescribed paid up capital and other comments are not required as they are applicable to a private limited company.
4. The Board of Directors of the Company duly met 09 (nine) times respectively on 03.05.2007, 14.05.2007, 22.05.2007, 04.07.2007, 09.07.2007, 11.07.2007, 01.09.2007, 27.12.2007 and 03.03.2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2007 was held on 20.06.2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. Four Extra-Ordinary General Meetings were held during the financial year (on 03.05.2007, 07.07.2007, 11.08.2007 and 05.11.2007) after giving due notices to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made necessary entries in the Register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government in this regard.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company:
 - (i) delivered all the certificates on allotment of securities (9,50,000 shares) and transfer of securities made during the financial year, in accordance with the provisions of the Act. There was no transmission of securities during the financial year.
 - (ii) has not deposited any amount in a separate Bank Account, as no dividend was declared during the financial year;
 - (iii) was not required to pay / post warrants to any member of the Company, as no dividend was declared during the financial year;
 - (iv) was not required to transfer any amount to Investor Education and Protection Fund;
 - (v) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and comprised of five directors at present. Shri Sandeep Lakhotia who was appointed as an additional director by the Board of Directors w.e.f 13.03.2007 was subsequently appointed as a director of the Company by the members at the Annual General Meeting held on 20.06.2007. Shri Bajrang Kumar Choudhary was appointed as an additional director of the Company by the Board of Directors w.e.f 27.12.2007. Shri Hemant Kanoria was appointed as an additional director by the Board of Directors of the Company w.e.f 03.03.2008. Shri Sandeep Lakhotia resigned from the position of director w.e.f 03.03.2008. The DIN of all the five existing directors, in accordance with Section 266A and Section 266B of the Act as introduced by Section 3 of the Companies (Amendment) Act, 2006 read with Companies (Director Identification Number) Rules, 2006 as amended have been approved.
15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year.

16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director and / or such authorities prescribed under the various provisions of the Act during the financial year except for the approval of the Central Government for change of name vide form 1B filed on 03.05.2007 under section 21 of the Act. The approval was granted on 08.05.2007.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has issued 9,50,000 equity shares during the financial year and complied with the provisions of the Act. The Company has not issued any other equity shares debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits, including unsecured loan falling within the purview of section 58A of the Act during the financial year.
24. The company has not made any borrowings during the financial year, in violation of the provisions of Section 293(1) (d) of the Act.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate, where applicable, in violation of the provisions of the Act.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny and complied with the provisions of the Act. The necessary approval was granted by the Registrar of Companies, West Bengal on 08.05.2007. Accordingly the object stand altered w.e.f 08.05.2007.
28. The Company has altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny. The necessary approval was granted by the Central Government (power delegated to the Registrar of Companies, West Bengal) on 08.05.2007 and accordingly the name of the Company was changed from Srei Money Mall Limited to Srei Sahaj e-Village Limited w.e.f 08.05.2007.
29. The Company has altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny and complied with the provisions of the Act. The authorised share capital of the Company was increased from Rs. 50 Lacs to Rs. 100 lacs w.e.f 07.07.2007 vide resolution passed by the members on 07.07.2007.
30. The Company has altered its Articles of Association after obtaining the approval of the members in the extra ordinary general meeting held on 03.05.2007 and the amendments to the Articles of Association have been duly filed with the Registrar of Companies, West Bengal.
31. I have been given to understand by the management that there was / were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not deposited both employee's and employer's contribution to Provident Fund, for part of the year, with prescribed authorities pursuant to section 418 of the Act. As explained by the management the delay in depositing the subject contributions was due to the pending registration with the PF Authorities which has now been completed.

C. S. Deepak Kumar Khaitan
Practising Company Secretary

Place : Kolkata

F. C. S. No. 5615

Date : 10th June, 2008

C. P. No. 5207

Annexure A

Registers and Records as maintained by the Company

| Sl. No. | Particulars | Under Section |
|---------|--|---------------|
| (a) | Register of Members | 150 |
| (b) | Index of Members | 151 |
| (c) | Minutes Book of Meetings of Board of Directors | 193 |
| (d) | Minutes Book of Meetings of Shareholders | 193 |
| (e) | Register of particulars of contracts in which directors are interested | 301 |
| (f) | Register of Directors, Managing Director, Manager and Secretary | 303 |
| (g) | Register of Directors' shareholdings | 307 |
| (h) | Application and Allotment Register | |
| (i) | Register of Transfer | |

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, during the financial year ended on 31st March, 2008

| Sl. No. | Form No. / Return (SRN with Status) | Filed under section | For | Date of filing | Whether filed Within prescribed time Yes / No | If delay in filing whether requisite additional fee paid Yes / No |
|---------|--|---------------------|--|----------------|--|---|
| 01. | DIN3 (SRN A13132170) | 266E | For Mr. Sandeep Lakhotia | 10.04.2007 | Yes since no filing fee was charged for the filing of this form at that time | NA since no filing fee was charged for the filing of this form at that time |
| 02. | Form 32 (SRN A13190210) | 303(2) | For appointment of Shri Sandeep Lakhotia as an additional director w.e.f 13.03.2007 and resignation of Shri P. K. Ghosh from the directorship of the company w.e.f 13.03.2007 | 11.04.2007 | Yes | No |
| 03. | Form 1A (SRN A13200613) | 20 | For name availability | 11.04.2007 | Yes | NA |
| 04. | Form 20B (Annual Return) (SRN P09365644) | 159 | AGM held on 20.06.2007 | 17.08.2007 | Yes | N.A. |
| 05. | Form 22B (SRN A14536676) | 187C(4) | Return regarding beneficial interest in shares from Bajrang Kumar Choudhary to Srei Infrastructure Finance Limited for which declarations received on 09.04.2007 and 11.04.2007 & regarding transfer of beneficial interest in shares from Sanjay K. Chaurasia to Srei Infrastructure Finance Limited for which declarations received on 09.04.2007 and 11.04.2007 | 09.05.2007 | Yes | NA |
| 06. | Form 23 (SRN A14253587) | 192 | Resolutions passed at the extra-ordinary general meeting held on 03.05.2007 regarding the following: - 1.Alteration of Objects clause in Memorandum of Association 2.Alteration of Name Clause in the Memorandum of Association 3.Alteration of Articles of Association | 03.05.2007 | Yes | NA |
| 07. | Form 1B (SRN A14255004) | 21 | For change of name from Srei Money Mall Limited to Srei Sahaj e-Village Limited as per resolution passed by the members at the extra ordinary general meeting held on 03.05.2007 | 03.05.2007 | Yes | NA |

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, during the financial year ended on 31st March, 2008

| Sl. No. | Form No. / Return (SRN with Status) | Filed under section | For | Date of filing | Whether filed Within prescribed time Yes / No | If delay in filing whether requisite additional fee paid Yes / No |
|---------|-------------------------------------|---------------------|---|----------------|---|---|
| 08. | Form 32 (SRN A18356709) | 303(2) | For change in designation from additional director to director for Shri Sandeep Lakhota and Shri Bajrang Kumar Choudhary w.e.f 20.06.2007 | 17.06.2007 | Yes | NA |
| 09. | Form 2 (SRN A16083925) | 75(1) | For allotment of 4,50,000 equity shares to the existing shareholder (100 % holding company) at board meeting held on 22.05.2007. | 07.06.2007 | Yes | N.A. |
| 10. | Form 5 (SRN A18711309) | 94 | For increase in authorised share capital from Rs. 50 Lacs to Rs. 100 Lacs vide resolution passed by the members at the Extra ordinary general meeting held on 07.07.2007 | 24.07.2007 | Yes | NA |
| 11. | Form 23 (SRN A18418590) | 192 | Resolution passed for preferential allotment of equity shares to Opulent Venture Capital Trust | 18.07.2007 | Yes | NA |
| 12. | Form 1A (SRN A18950899) | 20 | For change of name | 27.07.2007 | Yes | NA |
| 13. | Form 2 (SRN A19549146) | 75(1) | Allotment of 5,00,000 equity shares (3,90,000 equity shares to Opulent Venture Capital Trust and 1,10,000 shares to Srei Infrastructure Finance Limited at board meeting held on 09.07.2007 | 07.08.2007 | Yes | NA |
| 14. | Form 23 (SRN A21894977) | 192 | Resolution passed by the members at the extra ordinary general meeting held on 11.08.2007 for consent under section 293(1)(d) of the Act | 10.09.2007 | Yes | NA |
| 15. | Form 23 (SRN A27324797) | 192 | Resolution passed by the members at the extra ordinary general meeting held on 05.11.2007 for consent under section 293(1)(d) of the Act | 05.12.2007 | Yes | NA |
| 16. | Form 32 (SRN A29978269) | 303(2) | For appointment of Shri Bajrang Kumar Choudhary as additional director w.e.f. 27.12.2007 | 16.01.2008 | Yes | NA |
| 17. | Form 32 (SRN A34824599) | 303(2) | For resignation of Shri Sandeep Lakhota from the directorship of the company w.e.f. 03.03.2008 and appointment of Shri Hemant Kanoria as an Additional Director of the company w.e.f 03.03.2008 | 01.04.2008 | Yes | NA |

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | | 2008 | | 2007 |
|---|----------|--------------|---------------------|----------|--------------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | | | | | |
| Share Capital | 1 | | 1,00,00,000 | | 5,00,000 |
| Loan Funds | | | | | |
| Secured Loan | 2 | | 12,99,69,862 | | |
| Unsecured Loan | 3 | | 3,44,50,000 | | 1,24,50,000 |
| Total | | | 17,44,19,862 | | 1,29,50,000 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 4 | 5,30,94,216 | | 5,70,564 | |
| Less: Depreciation | | 1,78,770 | | 1,44,093 | |
| Net Block | | | 5,29,15,446 | | 4,26,471 |
| Current Assets, Loans & Advances | | | | | |
| Current Assets | 5 | 27,51,80,854 | | 2,59,719 | |
| Loans & Advances | 6 | 4,41,33,331 | | 2,28,603 | |
| | | 31,93,14,185 | | 4,88,322 | |
| Less: Current Liabilities & Provisions | | | | | |
| Liabilities | 7 | 20,97,56,974 | | 5,000 | |
| Provisions | | 8,500 | | - | |
| | | 20,97,65,474 | | 5,000 | |
| Net Current Assets | | | 10,95,48,711 | | 4,83,322 |
| Deferred Tax Asset | | | 47,37,598 | | 45,74,821 |
| Miscellaneous Expenditure | | | | | |
| (Preliminary Expenses to the extent not written off or adjusted) | 8 | | 55,138 | | 66,953 |
| Profit & Loss Account | | | 71,62,969 | | 73,98,433 |
| Total | | | 17,44,19,862 | | 1,29,50,000 |
| Significant Accounting Policies and Notes on Financial Statements | 12 | | | | |

The Schedules '1' to '8' and '12' referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For **Chetan Chaturvedi & Co.**
Chartered Accountants

On behalf of the Board

A. Som
Partner

Salil K. Gupta
Director

Bajrang K. Choudhary
Director

Place : Kolkata

Date : 10th June, 2008

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|---|----------|---------------------|--------------------|
| INCOME | | | |
| Sale | | 887,195 | |
| Other Income | 9 | 2,13,490 | 8,02,521 |
| Closing Stock | | 22,87,08,530 | |
| Total | | 22,98,09,215 | 8,02,521 |
| EXPENDITURE | | | |
| Purchase | | 22,94,82,236 | - |
| Research Expenses | 10 | 1,05,000 | - |
| Administrative & Other Expenses | 11 | 94,300 | 9,54,868 |
| Depreciation | | 34,677 | 34,677 |
| Miscellaneous Expenditure written off | | 11,815 | 11,815 |
| Total | | 22,97,28,028 | 10,01,360 |
| Profit / (Loss) Before Tax | | 81,187 | (1,98,839) |
| Provision for Current Tax | | 8,500 | - |
| Profit / (Loss) After Current Tax | | 72,687 | (1,98,839) |
| Deferred Tax | | (162,777) | (66,778) |
| Profit / (Loss) After Deferred Tax | | 2,35,464 | (1,32,061) |
| Balance brought forward from Previous year | | (73,98,433) | (72,66,372) |
| Profit / (Loss) after Tax carried to Balance Sheet | | (71,62,969) | (73,98,433) |
| Earnings Per Equity Share (Rs.) | | 0.24 | (2.64) |
| Significant Accounting Policies and Notes on Financial Statements | 12 | | |

The Schedules '9-11' & '12' referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our report of even date.

For Chetan Chaturvedi & Co.
Chartered Accountants

On behalf of the Board

A. Som
Partner

Salil K. Gupta
Director

Bajrang K. Choudhary
Director

Place : Kolkata

Date : 10th June, 2008

Cash Flow Statement for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|----------------|-------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit / (Loss) before Tax | 81,187 | (1,98,839) |
| Adjustments for: | | |
| Depreciation | 34,677 | 34,677 |
| Preliminary Expenses written off | 11,815 | 11,815 |
| Operating Profit / (Loss) before Working Capital Changes | 1,27,679 | (1,52,347) |
| Adjustments for: | | |
| (Increase) / Decrease in Receivables / others | (31,25,86,733) | 14,74,495 |
| Increase / (Decrease) in Trade Payables / others | 20,97,51,974 | (25,46,119) |
| Less : Advance Tax | 18,853 | 19,572 |
| Net Cash from Operating Activities | (10,27,25,932) | (12,43,543) |
| B. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (5,25,23,652) | - |
| Net Cash from Investing Activities | (5,25,23,652) | - |
| C. Cash Flow from Financing Activities | | |
| Issue of Shares | 95,00,000 | - |
| Increase / (Decrease) in Borrowings | 15,19,69,862 | 13,90,718 |
| Net Cash from Financing Activities | 16,14,69,862 | 13,90,718 |
| Net Increase / (Decrease) in Cash or Cash Equivalents | 62,20,278 | 1,47,175 |
| Cash and Cash Equivalents as on 01.04.2007 | 2,59,719 | 1,12,544 |
| Cash and Cash Equivalents as on 31.03.2008 | 64,79,997 | 2,59,719 |

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' issued by The Institute of Chartered Accountants of India'.
2. Cash and Cash equivalents represents Cash in Hand and Balances with Bank.
3. Figures for the previous year have been regrouped / rearranged, wherever considered necessary.

For Chetan Chaturvedi & Co.
Chartered Accountants

On behalf of the Board

A. Som
Partner

Salil K. Gupta
Director

Bajrang K. Choudhary
Director

Place : Kolkata

Date : 10th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|---------------------|--------------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 10,00,000 Equity Shares of Rs. 10/- each | 1,00,00,000 | 50,00,000 |
| Issued, Subscribed & Paid-up | | |
| 10,00,000 (Previous Year 50,000) Equity Shares of Rs. 10/- each fully paid-up in cash | 1,00,00,000 | 5,00,000 |
| | 1,00,00,000 | 5,00,000 |
| SCHEDULE 2 - SECURED LOAN | | |
| Secured Loan from State Bank of India | 1,25,68,230 | - |
| (Security: all Plant & Machinery and Miscellaneous Fixed Asset of the Company) | | |
| Secured Loan from Srei Equipment Finance Pvt. Limited | 11,74,01,632 | - |
| (Security: all Assets & Equipments of the Company) | | |
| | 12,99,69,862 | - |
| SCHEDULE 3 - UNSECURED LOAN | | |
| Unsecured Loan from Srei Infrastructure Finance Limited | 3,44,50,000 | 1,24,50,000 |
| | 3,44,50,000 | 1,24,50,000 |

SCHEDULE 4 - FIXED ASSETS

| PARTICULARS | Rate of Depr. | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|-------------------------|---------------|---------------------|-----------------------------|------------------------------|----------------------|-----------------|----------------|------------------------------|---------------------|---------------------|---------------------|
| | | As on March 31 2007 | Additions during the Period | Sales / Adj. during the year | As on March 31, 2008 | Upto March 2007 | For the Period | Sales / Adj. during the year | As on March 31 2008 | As on March 31 2008 | As on March 31 2007 |
| Office Equipment | 4.76% | 90,988 | - | - | 90,988 | 18,661 | 4,339 | - | 23,000 | 67,988 | 72,327 |
| Furniture & Fittings | 6.33% | 4,69,151 | - | - | 4,69,151 | 1,23,708 | 29,842 | - | 1,53,550 | 3,15,601 | 3,45,443 |
| Electrical installation | 4.76% | 10,425 | - | - | 10,425 | 1,724 | 496 | - | 2,220 | 8,205 | 8,701 |
| Development Asset ** | | - | 5,25,23,652 | | 5,25,23,652 | - | - | - | - | 5,25,23,652 | - |
| Total | | 5,70,564 | 5,25,23,652 | - | 5,30,94,216 | 1,44,093 | 34,677 | - | 1,78,770 | 5,29,15,446 | 4,26,471 |
| Previous Year | | 570,564 | - | - | 570,564 | 109,416 | 34,677 | - | 144,093 | 426,471 | |

** Depreciation on the additions made shall be provided after the assets are put to use.

Amount in Rupees

| | 2008 | 2007 |
|--|---------------------|-----------------|
| SCHEDULE 5 - CURRENT ASSETS | | |
| Stock in Hand | 22,87,08,530 | - |
| (Stock for the Purpose of Development) | | |
| Development Work-in-Progress | 3,99,92,327 | - |
| Cash In Hand | 7,130 | 10,320 |
| Balances With Scheduled Banks | | |
| - In Current Account | 64,72,867 | 2,49,399 |
| | 27,51,80,854 | 2,59,719 |
| SCHEDULE 6 - LOANS & ADVANCES | | |
| Security Deposit | 56,45,400 | 25,000 |
| Tax deducted at Source | 1,64,599 | 1,45,746 |
| Others | 3,83,23,332 | 57,857 |
| | 4,41,33,331 | 2,28,603 |

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|---------------------|---------------|
| SCHEDULE 7 - CURRENT LIABILITIES & PROVISIONS | | |
| Advance From Customers | 4,97,49,554 | - |
| Sundry Creditors | 15,67,92,902 | - |
| Others | 32,14,518 | 5,000 |
| | 20,97,56,974 | 5,000 |
| SCHEDULE 8 - PRELIMINARY EXPENSES | | |
| Miscellaneous Expenditure | 66,953 | 78,768 |
| Less : Miscellaneous Expenditure - Written Off | 11,815 | 11,815 |
| | 55,138 | 66,953 |

Schedules to the Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|-----------------|-----------------|
| SCHEDULE 9 - OTHER INCOME | | |
| Documentation Charges Received | 1,19,430 | - |
| Brokerage Received | 2,215 | 5,14,728 |
| Liabilities no longer required now written back | - | 27,957 |
| Interest Income on FD (TDS Rs. 18853/- Net Interest Rs. 72663/-) | 91,516 | - |
| Interest on Term Loan | - | 2,58,501 |
| Miscellaneous Income | - | 1,335 |
| Interest Income on Term Deposit | 329 | - |
| | 2,13,490 | 8,02,521 |
| SCHEDULE 10 - RESEARCH EXPENSE | | |
| Professional Fees | 1,05,000 | - |
| | 1,05,000 | - |
| SCHEDULE 11 - ADMINISTRATIVE & OTHER EXPENSES | | |
| Postage, Telegram and Telephone | - | 32,676 |
| Commission | - | 3,85,000 |
| Legal & Professional Fees | - | 28,584 |
| Rent and Rates & Taxes | - | 2,500 |
| Directors Sitting Fees | 20,000 | - |
| Auditors' Remuneration | | |
| Audit fees | 10,000 | 5,000 |
| Other services | 6,300 | - |
| Advances - Written Off | - | 4,75,864 |
| Filing Fees (ROC) | 58,000 | - |
| Miscellaneous Expenses | - | 25,244 |
| Total | 94,300 | 9,54,868 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 12 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting:

The Financial statements are prepared and presented in accordance with generally accepted accounting principles in India and the provisions of the Companies act, 1956. The Company follows the accrual method of accounting under historical cost convention.

2. Recognition:

All income and expenditure are accounted on accrual basis.

3. Fixed Assets:

- i. Fixed Assets are stated at their original cost of acquisition less accumulated depreciation.
- ii. Depreciation on Fixed Assets has provided on straight line method at rates prescribed under Schedule XIV to the Companies Act, 1956.

4. Impairment of Fixed Assets:

Wherever events or changes in circumstances indicate that the carrying value of Fixed Assets may be impaired, the company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal of such assets. If the assets are impaired, the company recognises an impairment loss as the difference between the carrying value and fair value less costs to sell. None of the Company's Fixed assets are considered impaired as on the Balance Sheet date.

5. Project Development

The company has done research to bring at rural doorstep, e-Governance and e-commerce services. To achieve the objective of bringing to the rural doorsteps various e-Governance and e-commerce services, the company is presently developing necessary technology and infrastructure. The company is also developing various e-Governance, e-learning and e-commerce services specially suited for the rural population of India. To this objective, the company has been incurring expenditure on acquisition of fixed assets as well as other expenses relating to development. The fixed assets have been shown under the fixed assets head and the expenditures incurred in development are shown separately under the head Current Assets, Loans and Advances.

6. Method of Inventory valuation

Inventories have been valued at purchase cost or market value whichever is lower as per Accounting Standard 2 (AS - 2) - Valuation of Inventories.

7. Miscellaneous expenditure:

Preliminary expenses are being amortised in 10 equal installments. These expenses include expenses incurred at the time of incorporation of the company.

8. Contingent liabilities:

Contingent liabilities not provided for, if any, are separately shown by way of a note in this schedule.

9. Tax on Income:

- i. Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- ii. Deferred Tax is recognised on timing difference; being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subjects to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

10. Retirement Benefits to Employees

- i) Short term employee benefits
Short term employee benefits based on expected obligation on undiscounted basis are recognised as expense

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 12 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

in the Profit and Loss Account of the period in which the related service is rendered.

ii) Defined contribution plan

Company's contribution towards Provident Fund with respect to employees paid / payable during the period to the Provident Fund Authority are charged to the Profit and Loss Account.

iii) Defined benefit plan

Company's liability towards gratuity is a defined benefit plan. Such liabilities are ascertained by an independent actuarial valuation as per the requirements of Accounting Standard – 15 (revised 2005) "Employee Benefits".

The Company until 31st March, 2007 was recognising the provision for the employee retirement benefits as per Accounting Standard 15 "Accounting for Retirement Benefits". During the year, the Company has adopted the revised Accounting Standard – 15 (revised 2005) "Employee Benefits". This change does not have a material impact on the profit for the year.

The following tables set out the details of amount recognised in the financial statements in respect of employee benefit schemes.

| Employee Benefits | Gratuity |
|---|------------|
| Defined benefit plans | |
| As per actuarial valuation as at 31st March, 2008 | |
| I. Components of employer expenses | |
| 1. Current Service Cost | 0 |
| 2. Interest cost | 0 |
| 3. Expected return on plan assets | 0 |
| 4. Curtailment cost / (credit) | 0 |
| 5. Settlement cost / (credit) | 0 |
| 6. Past Service Cost | 0 |
| 7. Actuarial Losses / (Gains) | 2,11,320 |
| 8a. Expenses recognised in the Statement of Profit and Loss Account. (total 1 to 7) | 2,11,320 |
| 8b. Actual Contributions | |
| 9. Total expenses recognised in the Statement of Profit and Loss Account. | |
| II. Actual Contribution and Benefits Payments for period ended 31st March, 2008 | |
| 1. Actual benefit payments | |
| 2. Actual Contributions | |
| III. Net assets / (liability) recognised in balance sheet as at 31st March, 2008 | |
| 1. Present value of Defined Benefit Obligation | 2,11,320 |
| 2. Fair value of plan assets | 0 |
| 3. Funded status [Surplus / (Deficit)] | (2,11,320) |
| 4. Unrecognised past service cost | |
| 5. Net asset / (liability) recognised in balance sheet | (2,11,320) |
| IV. Change in Defined Benefit Obligations during the period ended 31st March, 2008 | |
| 1. Present Value of DBO at beginning of period | 0 |
| 2. Current Service cost | 0 |
| 3. Interest cost | 0 |
| 4. Curtailment cost / (credit) | 0 |
| 5. Settlement cost / (credit) | 0 |
| 6. Plan amendments | 0 |
| 7. Acquisitions | 0 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 12 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

| Employee Benefits | | Gratuity | | | | |
|---|----|----------|----|----|----|----|
| 8. Actuarial (Gains) / Losses | | 2,11,320 | | | | |
| 9. Benefits paid | | 0 | | | | |
| 10. Employer Contribution's | | | | | | |
| 11. Present Value of DBO at the end of period (total 1 to 9) | | 2,11,320 | | | | |
| V. Change in Fair value of Assets during the period ended 31st March, 2008 | | | | | | |
| 1. Plan assets at beginning of period | | 0 | | | | |
| 2. Acquisition Adjustment | | 0 | | | | |
| 3. Actual return on plan assets | | 0 | | | | |
| 4. Actual company contribution | | 0 | | | | |
| 5. Benefits paid | | 0 | | | | |
| 6. Actuarial (Gains) / Losses | | 0 | | | | |
| 7. Benefits Payment | | | | | | |
| 8. Plan assets at the end of the period | | 0 | | | | |
| VI. Actuarial Assumptions | | | | | | |
| 1. Discount Rate | | 8.70% | | | | |
| 2. Expected return on plan assets | | | | | | |
| 3. Salary Increases | | 10% | | | | |
| 4. Retirement / Superannuation Age | | 60 | | | | |
| 5. Withdrawal Rate for Gratuity: | | | | | | |
| Age (yrs.) | 20 | 25 | 30 | 35 | 50 | 55 |
| Attrition Rate | 5% | 3% | 2% | 1% | 2% | 3% |

11. Earning per Share:

The Company reports basis and diluted earnings per equity share in accordance with Accounting Standard 20, Earnings per share issued by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earning per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

12. Segment reporting:

The business of company falls within a single primary business segment viz. "e-Governance and e- Commerce Services" and hence the disclosure requirement of Accounting Standard (AS 17) "Segment Reporting" issued by the Institute of Chartered Accountants of India is not applicable.

B. NOTES ON ACCOUNTS

- There are no dues outstanding to small scale industrial undertakings as on the Balance Sheet date (Previous year NIL).
- There are no micro, small and medium enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
- Earnings and Expenditure in Foreign Currency – Rs. NIL (Previous Year Rs. NIL).
- Fringe Benefit Tax.
The Company has challenged the constitutional validity of Fringe Benefits Tax before the Calcutta High Court and the Hon'ble High Court has granted interim stay on levy of such Fringe Benefits Tax on the company. In view of this, the company has not provided any liability for Fringe Benefits Tax.
- The previous years' figures have been regrouped / rearranged, wherever considered necessary.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 12 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

vi. A. Auditor's Remuneration

Rupees in Thousands

| | 2007-08 | 2006-07 |
|------------|---------|---------|
| Audit Fees | 10 | 5 |
| Others | 6 | 0 |
| Total | 16 | 5 |

Rupees in Lacs

| | 2007-08 | 2006-07 |
|--|---------|---------|
| B. Contingent Liabilities | | |
| Estimated amount of Capital contracts remaining to be executed | 709 | NIL |

Amount in Rupees

| | 2007-08 | 2006-07 |
|-------------------------------------|-----------|------------|
| vii. Earnings per Share | | |
| Basic / Dilutive Earnings per Share | | |
| 1. Opening No. of shares | 50,000 | 50,000 |
| 2. Total No. shares outstanding | 10,00,000 | 50,000 |
| 3. Profit (Loss) after Taxes (Rs.) | 2,35,464 | (1,32,061) |
| 4. Earnings Per Share (Rs.) | 0.24 | (2.64) |

viii. Related Party Transactions:

The Company has the following related parties

| Holding Companies | Fellow Subsidiaries |
|-------------------------------------|--|
| Srei Infrastructure Finance Limited | Srei Capital Markets Limited |
| | Srei Forex Limited |
| | Srei Insurance Broking Private Limited |
| | Srei Infrastructure Advisors Limited |
| | Srei Venture Capital Limited |
| | Global Investment Trust Limited |
| | Srei Equipment Finance Pvt. Limited |
| | Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Capital Markets Limited) |
| | Hyderabad Information Technology Venture Enterprises Limited (Subsidiary of Srei Venture Capital Limited) |
| | Cyberabad Trustee Company Private Limited (Subsidiary of Srei Venture Capital Limited) |
| | IIS International Infrastructure Services GmbH, Germany |
| | ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany) |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 12 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

Summary of Transactions with Related Parties:

| Name of the related party | Nature of relationship | Nature of transaction | Amount (Rupees) | Outstanding at the year end |
|-------------------------------------|------------------------|-----------------------|-----------------|-----------------------------|
| Srei Infrastructure Finance Limited | Holding company | Unsecured Loan | 2,20,00,000 | 3,44,50,000 |
| | | Received | (25,00,000) | (1,24,50,000) |
| | | Unsecured Loan | NIL | NIL |
| | | Refunded | (11,09,282) | (NIL) |
| | | Interest paid | 46,75,549 | NIL |
| | | | (NIL) | (NIL) |
| Srei Capital Markets Limited | Fellow Subsidiary | Security Deposit | NIL | |
| | | Refunded | 25,00,000 | |
| Srei Equipment Finance Pvt. Limited | Fellow Subsidiary | Secured loan received | 11,74,01,632 | |
| | | | (NIL) | |
| | | Interest paid | 34,49,814 | |
| | | | (NIL) | |

Amount in Brackets represent previous year figures.

Signatories to Schedule 1 to 12.

Schedules referred to above form an integral part of the Accounts.

As per our report annexed.

For **Chetan Chaturvedi & Co.**
Chartered Accountants

A. Som
Partner

Salil K. Gupta
Director

On behalf of the Board

Bajrang K. Choudhary
Director

Place : Kolkata

Date : 10th June, 2008

Balance Sheet Abstract

PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (AS AMENDED)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 95,455 | State code | 21 |
| Balance Sheet Date | 31.03.2008 | | |

II. Capital Raised during the year (Amount in Rs. Thousands)

| | | | |
|--------------|-----|-------------------|------|
| Public Issue | Nil | Fresh Issue | 9500 |
| Bonus issue | Nil | Right issue | Nil |
| | | Private Placement | Nil |

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

| | | | |
|-----------------------------|--------|---------------------|--------|
| Total Liabilities | 384185 | Total Assets | 384185 |
| Sources of Funds | | | |
| Paid Up Capital | 10000 | Reserves & Surplus | Nil |
| Unsecured Loans | 44450 | Secured Loans | 119970 |
| Application of Funds | | | |
| Net Fixed Assets | 52915 | Investments | Nil |
| Net Current Assets | 109549 | Misc. Expenditure | 55 |
| Accumulated Losses | 7163 | Deferred Tax assets | 4737 |

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

| | | | |
|--------------------------------|--------|-------------------------------|--------|
| Turnover (incl. other income) | 1100 | Total Expenditure | 229728 |
| Closing Stock | 228708 | (incl. Purchase 229482) | |
| Profit / (loss) Before Tax (+) | 81 | Profit / (loss) After Tax (+) | 235 |
| Earnings Per Share | 0.24 | Dividend Rate (%) | Nil |

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

| | | | |
|--------------------------|-----------------------------|--|--|
| Item Code No. (ITC Code) | Not Applicable | | |
| Product Description | e-Governance and e-Commerce | | |
| Item Code No. (ITC Code) | Nil | | |
| Product Description | Nil | | |
| Item Code No. (ITC Code) | Nil | | |
| Product Description | Nil | | |

On behalf of the Board

Place : Kolkata
Date : 10th June, 2008

Sail K. Gupta
Director

Bajrang K. Choudhary
Director

DIRECTORS

Dr. R. Mandal
Mr. Subrata Ghosh
Mr. Naveen Bansal

AUDITORS

Singhi & Co.
Chartered Accountants

Directors' Report

Dear Shareholders,

The Board of Directors of your Company have pleasure in presenting the Seventh Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|--|-----------------------------------|-----------------------------------|
| Income | 650,000 | 2,661 |
| Expenditure | 48,907 | 3,03,894 |
| Profit / (Loss) Before Tax | 601,093 | (3,01,233) |
| Provision for Current Tax | 82,319 | - |
| Profit / (Loss) After Current Tax | 518,774 | (3,01,233) |
| Provision for Deferred Tax | 101,395 | 86,799 |
| Profit / (Loss) After Tax | 417,379 | (2,14,434) |
| Balance brought forward from last period | 90,930 | 305,364 |
| Balance carried to Balance Sheet | 508,309 | 90,930 |

OPERATIONAL REVIEW AND FUTURE OUTLOOK

Your Company was not involved in any business activity in the financial year 2007-08, however it saw immense prospects in the field of Infrastructure Advisory and hence decided to commence Infrastructure Advisory services during the current financial year. Your Company believes that this new business activity will generate substantial revenues for your Company in the future.

CHANGE IN NAME

During the year under review, the name of your Company was changed to 'Srei Investment Advisors Limited' w.e.f. 7th March, 2008 to enter, explore and reap the business opportunities existing in the new line of business of Infrastructure Advisory Services.

Since, your Company is engaged in business of Infrastructure Advisory Services, the name of your Company was further changed to 'Srei Infrastructure Advisors Limited' w.e.f. 23rd April, 2008 to appropriately resemble the main business activities of your Company.

DIVIDEND

In order to conserve resources, the Board of Directors of your Company do not recommend any dividend for this year.

FIXED DEPOSIT

Your Company did not accept any fixed deposit during the year under review.

PARTICULARS OF EMPLOYEES

None of the employees of your Company is in receipt of remuneration requiring disclosures pursuant to the provisions of Section 217(2A)

of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, hence no such particulars are annexed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Your Company has no activity relating to Conservation of Energy and Technology Absorption as stipulated in the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1998.

Your Company has not utilised or earned any foreign exchange during the year under review.

DIRECTORS

Dr. R. Mandal and Mr. Subrata Ghosh were appointed as Additional Directors of your Company w.e.f. 11th June, 2008. In accordance with Article 132 of the Articles of Association of your Company, Dr. R. Mandal and Mr. Subrata Ghosh will hold office as Additional Directors upto the date of the ensuing Annual General Meeting of your Company.

In accordance with the provisions of the Companies Act, 1956 and pursuant to the Articles of Association of your Company, Mr. Naveen Bansal, Director, retire by rotation in the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. D. K. Vyas and Mr. S. K. Kalra, resigned as Directors of your Company w.e.f 11th June, 2008. The Board placed on record its deep appreciation for the valuable services rendered by them during their tenure as Directors of your Company.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your directors confirm:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 / loss of the Company for the year;
- (iii) that the Directors have taken proper and sufficient care 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; and
- (iv) that the Directors have prepared the annual accounts for the Financial Year ended 31st March, 2008 on a going concern basis.

AUDITORS

M/s. Singhi & Co., Chartered Accountants retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation for the excellent co-operation received from ICICI Bank and Srei Infrastructure Finance Limited, its holding Company.

On behalf of the Board of Directors

Place : Kolkata

Dated : 11th June, 2008

Naveen Bansal

Director

Subrata Ghosh

Director

Auditors' Report

To the Members,

Srei Infrastructure Advisors Limited

We have audited the annexed Balance Sheet of **Srei Infrastructure Advisors Limited (Formerly Srei Insurance Agency and Broking Limited)** as at 31st March, 2008, the Profit and Loss Account and the Cash Flow Statement for the year 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227A of Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the same order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

3. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
5. On the basis of written representation received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified, as on the Balance Sheet date, from being appointed as a director in terms of section 274 (1) (g) of the Companies act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with other 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.
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Singhi & Co.
Chartered Accountants

S. K. Kothari

Partner

Place : Kolkata

Date : 11th June, 2008

Membership No. 53518

Annexure to the Auditors' Report

1. Since the Company does not have any fixed assets, and accordingly, paragraphs 4(i) (a) to (c) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
 2. Since the Company does not have any inventories and accordingly, paragraphs 4(ii) (a) to (c) of the Companies (Auditor's Report) Order, 2003, (as amended) are not applicable to the Company.
 3. (a) According to information and explanation given to us, the Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained u/s. 301 of the Companies Act, 1956 accordingly, paragraphs 4(iii) (b) to (d) of the Order are not applicable.
(b) The Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained u/s. 301 of the Companies Act, 1956 accordingly, paragraphs 4(iii) (f) to (g) of the Order are not applicable.
 4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for provision of services. During the course of our audit, no major weakness has been noticed in the internal control system.
 5. In our opinion and according to the information and explanations given to us, the Company has not entered into any contract or agreements, which are required to be entered in the Register maintained u/s. 301 of the Companies Act, 1956. Accordingly, no such entry has been made in the said Register.
 6. As the Company has not taken any deposits from the public u/s. 58A and 58AA of the Companies Act, 1956 the question of Compliance of the Companies Act under those sections does not arise.
 7. The Company has an internal control system commensurate with the size and nature of its business.
 8. Maintenance of cost records is not applicable to the Company.
 9. (a) According to the information and explanations given to us and on the basis of our examination of the Books of Account, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Profession Tax and any other dues during the year with the appropriate authorities.
(b) According to the information and explanations given to us there are no disputed dues in respect of Income tax etc. outstanding as on 31st March, 2008.
10. The Company has no accumulated losses as at 31st March, 2008 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
 11. The Company does not have any dues to any banks or financial institution.
 12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures and other securities.
 13. The Company is not a chit fund / nidhi / mutual benefit fund / society.
 14. According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution.
 16. The Company has not raised any term loan during the year.
 17. On the basis of our overall examination of the balance sheet of the Company we report that, funds raised for short term basis have not been used for long term investment.
 18. The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained u/s. 301 of the Companies Act, 1956.
 19. The Company has not issued any debentures during the year.
 20. The Company has not raised any money by public issue during the year.
 21. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that no fraud on or by the Company has been noticed or reported during the year.

For **Singhi & Co.**
Chartered Accountants

S. K. Kothari
Partner

Place : Kolkata
Date : 11th June, 2008

Membership No. 53518

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | | 2007 | |
|---|----------|-----------|------------------|---------|----------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | | | | | |
| Share Capital | 1 | 500,000 | | 500,000 | |
| Reserves & Surplus | 2 | 508,309 | 1,008,309 | 90,930 | 590,930 |
| | | | 1,008,309 | | 590,930 |
| APPLICATION OF FUNDS | | | | | |
| Deferred Tax Assets | | | - | | 101,395 |
| Current Assets, Loans & Advances | | | | | |
| Current Assets | 3 | 617,610 | | 68,260 | |
| Loans & Advances | 4 | 451,023 | | 384,073 | |
| | | 1,068,633 | | 452,333 | |
| Less: Current Liabilities & Provisions | | | | | |
| Current Liabilities | 5 | 13,483 | | 10,102 | |
| Provisions | 6 | 82,319 | | - | |
| | | 95,802 | | 10,102 | |
| Net Current Assets | | | 972,831 | | 442,231 |
| Miscellaneous Expenditure | | | | | |
| Preliminary Expenses to the extent not written off or adjusted | 7 | | 35,478 | | 47,304 |
| | | | 1,008,309 | | 590,930 |
| Significant Accounting Policies and Notes on Accounts | 9 | | | | |

Schedules referred to above form an integral part of the Accounts.

On behalf of the Board

For Singhi & Co.
Chartered Accountants

S. K. Kothari
Partner

Naveen Bansal
Director

Subrata Ghosh
Director

Place : Kolkata

Date : 11th June, 2008

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|---|----------|----------------|------------------|
| INCOME | | | |
| Consultancy Fees | | 650,000 | - |
| Other Income | | - | 2,661 |
| | | 650,000 | 2,661 |
| EXPENDITURE | | | |
| Administrative & Other Expenses | 8 | 37,081 | 292,068 |
| Miscellaneous Expenditure Written Off | | 11,826 | 11,826 |
| | | 48,907 | 303,894 |
| Profit Before Tax | | 601,093 | (301,233) |
| Less: Provision for Current Tax | | 82,319 | - |
| Less: Charge (credit) for Deferred Tax | | 101,395 | (86,799) |
| Profit After Tax | | 417,379 | (214,434) |
| Balance brought forward from last year | | 90,930 | 305,364 |
| Balance carried to Balance Sheet | | 508,309 | 90,930 |
| Earnings Per Equity Share (Rs.) | | 8.35 | (4.29) |
| Significant Accounting Policies and Notes on Accounts | 9 | | |

Schedules referred to above form an integral part of the Accounts.

On behalf of the Board

For Singhi & Co.
Chartered Accountants

S. K. Kothari
Partner

Naveen Bansal
Director

Subrata Ghosh
Director

Place : Kolkata

Date : 11th June, 2008

Cash Flow Statement for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|----------|-----------|
| A. Cash Flow from Operating Activities | | |
| Net Profit / (Loss) before tax | 601,093 | (301,233) |
| Adjustments for: | | |
| Preliminary Expenses written off | 11,826 | 11,826 |
| Interest Income | - | (2,661) |
| Operating Profit before Working Capital Changes | 612,919 | (292,068) |
| Adjustments for: | | |
| (Increase) / Decrease in Receivables / others | (66,950) | 275,172 |
| Increase / (Decrease) in Trades Payables / others | 3,381 | 184 |
| Cash generated from Operating activities | 549,350 | (16,712) |
| Less: Advance Tax Paid | - | - |
| Net Cash from Operating Activities | 549,350 | (16,712) |
| B. Cash Flow from Investing Activities | | |
| Interest Received | - | 2,661 |
| Net Cash from Investing activities | - | 2,661 |
| C. Cash Flow from Financing Activities | | |
| Net Increase / (Decrease) in borrowings | - | - |
| Net Cash Flow from Financing Activities | - | - |
| Net Increase / (Decrease) in Cash & Cash Equivalents | 549,350 | (14,051) |
| Cash and Cash Equivalents as on 01.04.2007 | 68,260 | 82,311 |
| Cash and Cash Equivalents as on 31.03.2008 | 617,610 | 68,260 |

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' issued by The Institute of Chartered Accountants of India'.
2. Cash and Cash equivalents represents Cash in Hand and Balances with Bank.

On behalf of the Board

For Singhi & Co.
Chartered Accountants

S. K. Kothari
Partner

Naveen Bansal
Director

Subrata Ghosh
Director

Place : Kolkata

Date : 11th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|----------------|----------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 5,00,000 Equity Shares of Rs. 10/- each | 5,00,000 | 5,00,000 |
| Issued, Subscribed & Paid-up | | |
| 50,000 (Previous Year 50,000) Equity Shares of Rs. 10/- each fully paid-up in cash | 500,000 | 500,000 |
| | 500,000 | 500,000 |
| Note : The entire Share Capital is held by Srei Infrastructure Finance Ltd., the Holding Co. and its nominees | | |
| SCHEDULE 2 - RESERVES & SURPLUS | | |
| Profit and Loss Account | 508,309 | 90,930 |
| | 508,309 | 90,930 |
| SCHEDULE 3 - CURRENT ASSETS | | |
| Cash In Hand | 2,246 | 1,416 |
| Balances with Scheduled Banks | 615,364 | 66,844 |
| | 617,610 | 68,260 |
| SCHEDULE 4 - LOANS & ADVANCES (Unsecured, Considered good) | | |
| Income Tax Refund receivable | 12,327 | 12,327 |
| Tax Deducted at Source | 438,696 | 371,746 |
| | 451,023 | 384,073 |
| SCHEDULE 5 - CURRENT LIABILITIES | | |
| Other Liabilities | 13,483 | 10,102 |
| | 13,483 | 10,102 |
| SCHEDULE 6 - PROVISIONS | | |
| Provision for Taxation | 82,319 | - |
| | 82,319 | - |
| SCHEDULE 7 - MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) | | |
| Preliminary Expenses | | |
| As per last account | 47,304 | 59,130 |
| Less: Written off during the year | 11,826 | 11,826 |
| | 35,478 | 47,304 |

Schedules to the Profit and Loss Account

for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|---------------|----------------|
| SCHEDULE 8 - ADMINISTRATIVE & OTHER EXPENSES | | |
| Professional Fess | 700 | 272,123 |
| Audit Fee | 19,111 | 10,285 |
| Rates & Taxes | 11,700 | 2,500 |
| Filing Fees | 4,030 | 6,500 |
| Other Miscellaneous Expenses | 1,540 | 660 |
| | 37,081 | 292,068 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 9 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

A. Significant Accounting Policies

1. Basis of Accounting

The financial statements are prepared and presented in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The Company follows the accrual method of accounting under historical cost convention.

2. Recognition of Income and Expenditure

All income and expenditure are accounted for on accrual basis.

3. Miscellaneous Expenditure

Preliminary expenses are being amortised in 10 equal installments. These expenses include expenses incurred at the time of incorporation of the Company.

4. Contingent Liabilities

Contingent Liabilities not provided for, if any, are separately shown by way of a note in this schedule

5. Tax on Income

- i) Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- ii) Deferred Tax is recognised on timing difference; being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subjects to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

6. Earning per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, Earnings Per Share issued by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earning per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

B. Notes on Accounts

- i. The name of the Company has been changed from "Srei Insurance Agency & Broking Limited" to "Srei Investment Advisors Limited" w.e.f. 07.03.2008 and further to "Srei Infrastructure Advisors Limited" w.e.f 23.04.2008
- ii. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
- iii. Since there are no such expenses on which Fringe Benefits Tax is applicable, therefore no provision has been made for Fringe Benefits Tax.
- iv. Earnings and Expenditure in Foreign Currency – Rs. Nil (Previous Year Rs. Nil)
- v. Earnings Per Share
Basic / dilutive Earnings Per Share

| Particulars | 2008 | 2007 |
|------------------------------------|---------|-----------|
| 1. Opening No. of Shares | 50,000 | 50,000 |
| 2. Total No. of Shares Outstanding | 50,000 | 50,000 |
| 3. Profit (Loss) after Taxes (Rs.) | 417,379 | (214,434) |
| 4. Earning Per Share (Rs.) | 8.35 | (4.29) |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 9 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

vi. Related Party Transactions:

a) The Company has the following related parties:

| Holding Companies | Fellow Subsidiaries |
|-------------------------------------|--|
| Srei Infrastructure Finance Limited | Srei Capital Markets Limited |
| | Srei Forex Limited |
| | Srei Sahaj e-Village Limited |
| | Srei Venture Capital Limited |
| | Srei Insurance Broking Pvt. Limited |
| | Srei Equipment Finance Pvt. Limited |
| | Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Capital Markets Limited) |
| | Global Investment Trust Limited |
| | Hyderabad Information Technology Venture Enterprises Limited (Subsidiary of Srei Venture Capital Limited) |
| | Cyberabad Trustee Company Private Limited (Subsidiary of Srei Venture Capital Limited) |
| | IIS International Infrastructure Services GmbH, Germany |
| | ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany) |

b) There was no transaction with the above parties during the year.

vii. The previous year's figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedules 1 to 9.

Schedules referred to above form an integral part of the Accounts.

As per our report annexed.

On behalf of the Board

For **Singhi & Co.**

Chartered Accountants

S. K. Kothari

Partner

Naveen Bansal

Director

Subrata Ghosh

Director

Place : Kolkata

Date : 11th June, 2008

Balance Sheet Abstract

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (AS AMENDED)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|-------------------------|-------------------------|-------|
| I. Registration Details | | | |
| Registration No. | 93316 | State Code | 21 |
| Balance Sheet Date | 31.03.2008 | | |
| II. Capital Raised during the year (Amount in Rs. Thousands) | | | |
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |
| III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands) | | | |
| Total Liabilities | 1,104 | Total Asset | 1,104 |
| Source of Funds | | | |
| Paid up Capital | 500 | Reserves & Surplus | 508 |
| Secured Loans | Nil | Unsecured Loans | Nil |
| Application of Funds | | | |
| Net Fixed Assets | Nil | Investments | Nil |
| Net Current Assets | 973 | Deferred Tax Asset | Nil |
| Accumulated Losses | Nil | Misc. Expenditure | 35 |
| IV. Performance of the Company (Amount in Rs. Thousands) | | | |
| Turnover | 650 | Total Expenditure | 49 |
| Profit / (Loss) Before Tax | 601 | Profit/(Loss) After Tax | 417 |
| Earnings Per Share (Rs.) | 8.35 | Dividend Rate (%) | Nil |
| V. Generic Names of Three Principal Products / Services of Company (as per monetary terms) | | | |
| Item Code No (ITC Code) | N.A. | | |
| Products Description | Infrastructure Advisory | | |
| Item code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |
| Item Code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |

On behalf of the Board

Place : Kolkata

Date : 11th June, 2008

Naveen Bansal

Director

Subrata Ghosh

Director

DIRECTORS

Mr. Bajrang K. Choudhary

Mr. G. P. G. Sherma

Mr. Surinder Kr. Kalra

AUDITORS

Lodha & Co.

Chartered Accountants

Directors' Report

Dear Shareholders,

The Board of Directors of your Company have pleasure in presenting the Seventh Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|-----------------------------------|-----------------------------------|
| Total Income | 948 | 43,251,546 |
| Total Expenditure | 421,019 | 44,839,797 |
| Profit Before Tax and Prior Period Items | (420,071) | (1,588,251) |
| Prior Period Items | 54,348 | - |
| Profit / (Loss) before Tax | (474,419) | (1,588,251) |
| Provision for Current Taxation – For earlier year | 12,389 | 15,756 |
| Profit / (Loss) After Current Tax | (486,808) | (1,604,007) |
| Deferred Tax – Liability reversed | - | (110,037) |
| Profit / (Loss) After Deferred Tax | (486,808) | (1,493,970) |
| Surplus / (Deficit) brought forward from Previous Year | (462,180) | 1,038,224 |
| Surplus / (Deficit) carried to Balance Sheet | (948,988) | (455,746) |
| Paid up Equity Share Capital | 50,00,000 | 50,00,000 |

Your Company had earlier discontinued the business of full fledged money changer and is presently exploring opportunities for venturing into new business activities.

DIVIDEND

In view of loss incurred during the year under review, the Board of Directors of your Company does not recommend any dividend for this year.

FIXED DEPOSIT

Your Company has not accepted any fixed deposits during the year under review.

PARTICULARS OF EMPLOYEES

None of the employees of your Company is in receipt of remuneration requiring disclosures pursuant to the provisions of Section 217(2A)

of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, hence no such particulars are annexed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Your Company has no activity relating to Conservation of Energy and Technology Absorption as stipulated in the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

Your Company has not utilised or earned any foreign exchange during the year under review.

DIRECTORS

Mr. Bajrang Choudhary was appointed as Additional Director of your Company w.e.f. 5th November, 2007. In accordance with Article 89 of the Articles of Association of your Company, Mr. Bajrang Choudhary will hold office as Additional Director upto the date of the ensuing Annual General Meeting of your Company.

In accordance with the provisions of the Companies Act, 1956 and Article 100 of the Articles of Association of your Company, Mr. G. P. G. Sherma, Director retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. D. K. Vyas resigned as Director of your Company w.e.f. 5th November, 2007. The Board placed on record its deep appreciation for the valuable services rendered by him during his tenure as Director of your Company.

AUDITORS QUALIFICATION

Part B and C and point no. (vi) of Para D of the Auditor's Report by M/s. Lodha & Co., Chartered Accountants, Statutory Auditors of the Company are self explanatory. Since the management has taken necessary steps for recovery of these balances, the management is of the opinion that these amounts are recoverable and will have no overall impact, hence no provision for the same has been made in accounts of the Company for the financial year 2007-08.

SECRETARIAL COMPLIANCE CERTIFICATE

Pursuant to the proviso to Section 383A of the Companies Act, 1956, a certificate from a Company Secretary in Wholetime Practice in respect to compliances by your Company with all the provisions of the Companies Act, 1956 is attached to this Report.

Auditor's Report

To the Members,

Srei Forex Limited

We have audited the attached Balance Sheet of **Srei Forex Limited** as at 31st March, 2008 and the Profit and Loss Account along with the Cash Flow Statement for the year 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.

We conducted our audit in accordance with 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and in terms of information and explanations given to us and also on the basis of such checks as we considered appropriate, we further state that:

- (i) As informed to us the Company has not taken / given any unsecured loan to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4(iii) (b) to (g) of the Companies (Auditor's report) Order, 2003 is not applicable to the Company.
- (ii) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. However, during the year there were no purchase of inventory, fixed assets and sale of goods and services.
- (iii) According to the information and explanation provided by the management, there were no transactions that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956. Accordingly, paragraph 4(v)(b) of the Companies (Auditor's report) Order, 2003 is not applicable to the Company.
- (iv) The Company has not accepted any deposits within the meaning of section 58A, 58AA or any other relevant provision of the Act, 1956 and the rules framed there under.
- (v) In our opinion, the Company has an internal audit

system commensurate with the size of the Company and the nature of its business.

- (vi) As informed, the Central government has not prescribed maintenance of cost records under clause (d) of sub-section (l) of Section 209 of the Companies Act, 1956 for the product / services of the Company.
- (vii) a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed dues payable in respect of Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were outstanding as at 31st March, 2008 for a period of more than six months from the day they became payable.
- (c) According to the information and explanations given to us, there were no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited with appropriate authority on account of dispute.
- (viii) Based on the financial statements covered pursuant to this report, the accumulated losses of the Company has not exceeded 50% of its net worth at the end of the financial year and the Company has incurred cash losses during the financial year and the immediately preceding financial year.
- (ix) There are no borrowings from Financial institutions and Banks and there are no debenture holders at any time during the year. Accordingly, the provisions of clause 4 (xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (x) According to the information and explanation given and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.

- (xi) The Company is not a chit fund or a nidhi mutual benefit fund / society. Accordingly, the provision of clause 4(xiii) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- (xii) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- (xiii) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xiv) According to the information and explanations given to us, the Company has not availed any term loans during the current financial year.
- (xv) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, no short term funds have been used for long term investments during the year.
- (xvi) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of the clause 4(xviii) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- (xvii) The Company has not issued any debentures during the year. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- (xviii) The Company has not raised money by public issue during the year. Accordingly the provisions of clause 4(xx) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- (xix) During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India, we have neither come across any incidence on or by the Company nor have we been informed of any such case by the management.
- (xx) Para 4(i) and (ii) are not applicable to the Company.
- B. Attention is invited to Note No. 10 (d) of schedule 9(b) regarding overdue outstanding balance from certain debtors exceeding 6 months. The amount recoverable there against, adjustments arising in this respect and its consequential impact on the profit for the year, net current assets and reserves and surplus at the year end cannot be commented upon by us.
- C. The overall impact of the adjustments to be carried out as per our remarks as given in Para B above has not been ascertained and therefore cannot be commented upon by us.
- D. Further to the above, we report that:
- (i) 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;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of books of accounts;
 - (iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with Accounting Standards referred to in sub-section 3(C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representation receive from the Directors and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (l) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and subject to our remarks as mentioned in Para B and our inability to ascertain and comment on the overall impact with respect to these as stated in Para C above, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) In case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (c) In case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Lodha & Co.
Chartered Accountants

H. K. Verma
Partner

Place : Kolkata
Date : 13th June, 2008

Membership No. 55104

Compliance Certificate

[In accordance with proviso to sub-section (1) of Section 383A of the Companies Act, 1956 and The Companies (Compliance Certificate) Rules, 2001]

| | |
|---|-------------------------|
| Registration No. | : 21-93780 |
| CIN No. | : U74999WB2001PLC093780 |
| Date of incorporation | : 26.09.2001 |
| Date of obtaining certificate of commencement of business | : 23.04.2002 |
| Authorised Share Capital | : Rs. 50 Lacs |
| Paid up Share Capital | : Rs. 50 Lacs |

To the Members,

Srei Forex Limited

I have examined the registers, records, books and papers of **Srei Forex Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies within the time prescribed under the Act and the rules made thereunder or with late filing fees. No forms and returns were filed with Regional Director, Central Government, Company Law Board or other authorities.
3. The Company, being a public limited company, has the minimum prescribed paid up capital and other comments are not required as they are applicable to a private limited company.
4. The Board of Directors of the Company duly met 04 (four) times respectively on 15.05.2007, 03.09.2007, 05.11.2007 and 01.02.2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. No circular resolutions were passed.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2007 was held on 20.06.2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made necessary entries in the Register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government in this regard.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company:
 - (i) has delivered all the certificates on lodgement thereof for transfer in accordance with the provisions of the Act. There was no allotment or transmission of securities during the financial year.
 - (ii) has not deposited any amount in a separate Bank Account, as no dividend was declared during the financial year.
 - (iii) was not required to pay / post warrants to any member of the Company, as no dividend was declared during the financial year.
 - (iv) was not required to transfer any amount to Investor Education and Protection Fund.
 - (v) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is comprised of three directors. Mr. Bajrang Kumar Chaudhary was appointed as an additional director w.e.f 05.11.2007. Mr. D. K. Vyas resigned from the directorship of the Company w.e.f 05.11.2007. Mr. G. P. G. Sherma and Mr. Surinder K. Kalra who were appointed as additional directors by the Board of Directors w.e.f. 13.03.2007 were appointed as directors of the Company by the members of the Company at the Annual General Meeting held on 20.06.2007. In case of appointment of Director where the date of approval of DIN is subsequent to the date of appointment of the Director, the management has explained that provisional DIN was applied for and the delay was caused due to rejections and fresh applications and that at present the DIN of all the Directors is approved.
15. The Company has not appointed any Managing Director / Wholtime Director / Manager during the financial year.

16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director and / or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits, including unsecured loan falling within the purview of section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year, in violation of the provisions of Section 293(1) (d) of the Act.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate, where applicable, in violation of the provisions of the Act.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. I have been given to understand by the management that there was / were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

C. S. Deepak Kumar Khaitan
Practising Company Secretary

Place : Kolkata

F. C. S. No. 5615

Date : 10th June, 2008

C.P. No. 5207

Annexure A

Registers and Records as maintained by the Company

| Sl. No. | Particulars | Under Section |
|---------|--|---------------|
| (a) | Register of Members | 150 |
| (b) | Index of Members | 151 |
| (c) | Minutes Book of Meetings of Board of Directors | 193 |
| (d) | Minutes Book of Meetings of Shareholders | 193 |
| (e) | Register of particulars of contracts in which directors are interested | 301 |
| (f) | Register of Directors, Managing Director, Manager and Secretary | 303 |
| (g) | Register of Directors' shareholdings | 307 |
| (h) | Application and Allotment Register | |
| (i) | Register of Transfer | |

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, during the financial year ended on 31st March, 2008

| Sl. No. | Form No. / Return (SRN with Status) | Filed under section | For | Date of filing | Whether filed Within prescribed time Yes / No | If delay in filing whether requisite additional fee paid Yes / No |
|---------|---|---------------------|---|----------------|--|---|
| 01. | Form 22B (SRN A16040693) | 187C(4) | Return regarding transfer of beneficial interest in shares from Shri A. K. Kedia to Shri S. K. Kalra w.e.f 13.03.2007 for which declarations received on 09.04.2007 and 11.04.2007 | 07.06.2007 | No | Yes |
| 02. | Form DIN 3 (SRN A16272304) | 266 E | For the following two directors :- 1. Shri S. K. Kalra 2. Shri G. P. G. Sherma | 12.06.2007 | Yes since no filing fee was charged for the filing of this form at that time | N.A. since no filing fee was charged for the filing of this form at that time |
| 03. | Form 32 (SRN A16272460) | 303(2) | For appointment of Shri S. K. Kalra & Shri G. P. G. Sherma as additional directors of the Company w.e.f 13.03.2007 and resignations of Shri A. K. Kedia and Shri P. K. Ghosh from the directorships of the Company w.e.f 13.03.2007 | 12.06.2007 | No | Yes |
| 04. | Form 22B (SRN A18255083) | 187C(4) | Return regarding transfer of beneficial interest in shares from Shri P. K. Ghosh to Shri Sanjay Kumar Chaurasia w.e.f 15.05.2007 for which declarations received on 11.06.2007 and 16.06.2007 | 16.06.2007 | Yes | N.A. |
| 05. | Form 32 (SRN A18413658) | 303(2) | For change in designation - from Additional Director to Director since Mr. G. P. G. Sherma and Mr. Surinder K. Kalra who were appointed as additional directors by the Board of Directors w.e.f. 13.03.2007 were appointed as directors of the Company by the members of the Company at the Annual General Meeting held on 20.06.2007 | 18.07.2007 | Yes | N.A. |
| 06. | Form 23AC & Form 23ACA (Balance Sheet etc.) (SRN P09129040) | 220 | Year ended 31.03.2007 (AGM held on 20.06.2007) | 18.07.2007 | Yes | N.A. |
| 07. | Form 66 (Compliance Certificate) (SRN P09128851) | 383A | Year ended 31.03.2007 (AGM held on 20.06.2007) | 18.07.2007 | Yes | N.A. |
| 08. | Form 20B (Annual Return) (SRN P09365750) | 159 | AGM held on 20.06.2007 | 17.08.2007 | Yes | N.A. |
| 09. | Form 32 (SRN A26511188) | 303(2) | For appointment of Shri B. K. Chaudhary as an additional director w.e.f. 05.11.2007 and resignation of Mr. D. K. Vyas from the position of director of the Company w.e.f 05.11.2007 | 23.11.2007 | Yes | N.A. |

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|---|----------|-------------------|-------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 5,000,000 | 5,000,000 |
| Reserves and Surplus | | | |
| Profit and Loss Account | | - | - |
| Unsecured loan | | | |
| Other loan from Holding Company | | 8,000,000 | 7,800,000 |
| Deferred Tax Liability | | 14,257 | 17,133 |
| Total | | 13,014,257 | 12,817,133 |
| APPLICATION OF FUNDS | | | |
| Current Assets, Loans and Advances | | | |
| Current Assets | 2 | 12,210,127 | 12,388,596 |
| Loans & Advances | 3 | 284,834 | 370,116 |
| | | 12,494,961 | 12,758,712 |
| Less: Current Liabilities & Provisions | | | |
| Liabilities | 4 | 268,339 | 236,284 |
| Provisions | 5 | 205,708 | 216,486 |
| | | 474,047 | 452,770 |
| Net Current Assets | | 12,020,914 | 12,305,942 |
| Miscellaneous Expenditure | 6 | | |
| (To the extent not written off or adjusted) | | | |
| Preliminary Expenses | | 44,355 | 55,445 |
| Profit and Loss Account | | 948,988 | 455,746 |
| Total | | 13,014,257 | 12,817,133 |
| Significant Accounting Policies and Notes on Accounts | 9 | | |

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Lodha & Co.
Chartered Accountants

On behalf of the Board

H. K. Verma
Partner
Place : Kolkata
Date : 13th June, 2008

G. P. G. Sherma
Director

Bajrang K. Choudhary
Director

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|--|----------|----------------|-------------------|
| INCOME | | | |
| Sale of Currencies & Travellers' Cheques | | - | 43,057,655 |
| Increase / (Decrease) in Stock | | - | (22,695) |
| Other Income | 7 | 948 | 216,586 |
| Total | | 948 | 43,251,546 |
| EXPENDITURE | | | |
| Purchase of Currencies & Travellers' Cheques | | - | 42,486,086 |
| Administrative & Other Expenses | 8 | 409,929 | 2,255,647 |
| Depreciation | | - | 86,974 |
| Miscellaneous Expenditure written off | | 11,090 | 11,090 |
| Total | | 421,019 | 44,839,797 |
| Profit / (Loss) Before Tax & Prior Period Items | | (420,071) | (1,588,251) |
| Prior Period Items | | 54,348 | - |
| Profit / (Loss) Before Tax | | (474,419) | (1,588,251) |
| Provision for Current Tax - For earlier year | | 12,389 | 15,756 |
| Profit / (Loss) After Current Tax | | (486,808) | (1,604,007) |
| Deferred Tax - liability reversed | | - | (110,037) |
| Profit / (Loss) After Deferred Tax | | (486,808) | (1,493,970) |
| Surplus / (Deficit) brought forward from previous year | | (455,746) | 1,038,224 |
| Add : Transitional Adjustments for Employee Benefits | | (6,434) | (462,180) |
| Refer Note No. 9 of Schedule 9(B) | | | |
| Surplus / (Deficit) carried to Balance Sheet | | (948,988) | (455,746) |
| Earnings Per Equity Shares (Rs.) | | (0.97) | (2.99) |
| (Face Value Rs. 10/- per Share) | | | |
| Significant Accounting Policies and Notes on Accounts | 9 | | |

The Schedules referred to above form an integral part of Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date.

For Lodha & Co.
Chartered Accountants

On behalf of the Board

H. K. Verma
Partner

G. P. G. Sherma
Director

Bajrang K. Choudhary
Director

Place : Kolkata
Date : 13th June, 2008

Cash Flow Statement for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|------------------|---------------------|
| A. Cash Flow From Operating Activities | | |
| Net Profit before Taxes & Extraordinary items | (420,071) | (1,588,251) |
| Add: Adjustments for : | | |
| Depreciation / Amortisation | - | 86,974 |
| Preliminary Expenses written off | 11,090 | 11,090 |
| Loss on Fixed Assets discarded | - | 146,381 |
| Stock of Currencies written off | - | 3,245 |
| Bad Debts written off | - | 168,588 |
| Interest Paid | - | 12,234 |
| Less: Adjustments for | | |
| Interest Received | (948) | (33,224) |
| Operating Profit before Working Capital changes | (409,929) | (1,192,963) |
| Adjustments for : | | |
| (Increase) / Decrease in Stock in Trade | - | 22,695 |
| (Increase) / Decrease in Trade & Other Receivables | - | (8,525,947) |
| Increase / (Decrease) in Trade Payables and other liabilities | 22,745 | (1,846,163) |
| Cash Generated From Operations | (387,184) | (11,542,378) |
| Less: Direct Taxes Paid | (62,115) | 9,205 |
| Cash Flow before Extraordinary Item | (325,069) | (11,551,583) |
| Prior Period and Extra Ordinary Item | (54,348) | - |
| Net Cash Flow from Operating Activities | (379,417) | (11,551,583) |
| B. Cash Flow from Investing Activities | | |
| (Purchase) / Sale of Fixed Assets | - | 185,234 |
| Dividend Received | - | - |
| Interest Received | 948 | 33,224 |
| Sale / (Purchase) of Investments | - | - |
| Net Cash used in Investing activities | 948 | 218,458 |
| C. Cash Flow from Financing Activities | | |
| Proceeds from Borrowings | 200,000 | 7,800,000 |
| Interest Paid | - | (12,234) |
| Net Cash flow from financing activities | 200,000 | 7,787,766 |
| Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C) | (178,469) | (3,545,359) |
| Cash and Cash Equivalents as on 01.04.2007 (Op. Balance) | 224,935 | 3,770,294 |
| Cash and Cash Equivalents as on 31.03.2008 (Cl. Balance) | 46,466 | 224,935 |

Note: 1. Cash & Cash equivalents represents Cash in hand and Balances with Banks.
 2. The above Cash Flow Statements has been compiled / prepared based on the audited accounts of the Company under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India and the reallocations made as required for the purpose.

As per our report of even date attached.

For Lodha & Co.
Chartered Accountants

H. K. Verma
Partner

Place : Kolkata

Date : 13th June, 2008

On behalf of the Board

G. P. G. Sherma
Director

Bajrang K. Choudhary
Director

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|--|-------------------|-------------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 5,00,000 (Previous Year 5,00,000) Equity Shares of Rs. 10 each | 5,000,000 | 5,000,000 |
| Issued, Subscribed and Paid Up Capital | | |
| 5,00,000 (Previous Year 5,00,000) Equity Shares of Rs. 10 each fully paid up | 5,000,000 | 5,000,000 |
| Note: The entire Share Capital is held by Srei Infrastructure Finance Limited, the Holding Co. and its nominees | | |
| SCHEDULE 2 - CURRENT ASSETS | | |
| Debtors - (Unsecured, considered good) | | |
| Exceeding six months | 12,163,661 | 12,163,661 |
| Cash in hand | 1,171 | 1,971 |
| Balances with Scheduled Banks | | |
| - In Current Accounts | 45,295 | 222,964 |
| | 12,210,127 | 12,388,596 |
| SCHEDULE 3 - LOANS & ADVANCES | | |
| (Unsecured, considered good) | | |
| Advances (recoverable in cash or in kind or for value to be received or pending adjustments) | 30,000 | 30,000 |
| Advance Income Tax (including tax deducted at source) | 254,834 | 340,116 |
| | 284,834 | 370,116 |
| SCHEDULE 4 - LIABILITIES | | |
| Sundry Creditors: | | |
| Dues to Micro & Small Enterprises | - | - |
| Others | 268,339 | 236,284 |
| | 268,339 | 236,284 |
| SCHEDULE 5 - PROVISIONS | | |
| Provision for Income Tax | 205,708 | 216,486 |
| | 205,708 | 216,486 |
| SCHEDULE 6 - MISCELLANEOUS EXPENDITURE | | |
| Opening balance as in last year | 55,445 | 66,535 |
| Less : Amortised during the year | 11,090 | 11,090 |
| | 44,355 | 55,445 |

Schedules to the Profit and Loss Account

for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|----------------|------------------|
| SCHEDULE 7 - OTHER INCOME | | |
| Interest (TDS Rs. Nil ; Previous Year Rs. 7,506) | 506 | 33,224 |
| Commission & Incentive (TDS Rs. Nil ; Previous Year Rs. 1,699) | - | 25,090 |
| Liabilities no longer required written back | - | 137,518 |
| Miscellaneous Income | 442 | 20,754 |
| | 948 | 216,586 |
| SCHEDULE 8 - ADMINISTRATIVE & OTHER EXPENSES | | |
| Salaries, Allowances & Bonus | 194,423 | 766,970 |
| Employer's Contribution to Provident Fund | 11,520 | 40,922 |
| Employer's Contribution to Provident Fund - relating to earlier years | 16,501 | - |
| Insurance Charges | - | 9,950 |
| Postage, Telegram & Telephone | 6,849 | 53,165 |
| Professional Fees | 14,989 | 75,200 |
| Electricity Charges | - | 91,621 |
| Rent, Rates & Taxes | 2,500 | 6,309 |
| Brokerage & Commission | - | 60,064 |
| Auditors' Remuneration | 33,708 | 40,348 |
| Repairs & Maintenance - Others | 31,854 | 39,240 |
| Travelling & Conveyance | 1,344 | 115,425 |
| Directors' Fees | 6,000 | 10,000 |
| Printing & Stationery | - | 12,569 |
| Bad Debts written off | - | 168,588 |
| Legal Expenses | 23,950 | 175,930 |
| Filing Fees | 5,570 | 6,829 |
| Miscellaneous Expenses | 4,084 | 420,658 |
| Interest paid to Bank | - | 12,243 |
| Irrecoverable balances of TDS written off | 56,637 | - |
| Loss on sale of Assets | - | 146,381 |
| Stock of currencies written off | - | 3,245 |
| | 409,929 | 2,255,657 |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 9 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS

A. Significant Accounting Policies:

1. General

Financial statements are prepared under the historical cost convention and in accordance with the generally Accepted Accounting principles as acceptable in India, the Accounting Standards prescribed by the Central Government by Companies (Accounting Standards) Rule, 2006 and are on the basis of a going concern.

2. Revenue Recognition

Sale and purchase of foreign currencies, travellers' cheques and commission thereon and all other income and expenses are accounted for on accrual basis. Dividend is accounted for on accrual basis when the right to receive the dividend is established.

3. Miscellaneous Expenditure

Miscellaneous Expenditure relating to incorporation of the Company to the extent not written off is amortised over a period of ten years from the year in which the same was incurred.

4. Employee Benefits

Employee benefits are accrued in the year services are rendered by the employees.

Long term employee benefits under defined benefit scheme such as contribution to provident fund, gratuity etc. are determined at close of the year at present value of the amount payable using actuarial valuation techniques.

Actuarial gain and losses are recognised in the year when they arise.

5. Tax on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year using applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Tax effect of timing differences for the current year are included in the Profit and Loss Account as a part of expense and deferred tax liability / assets, as the case may be, in the balance sheet.

6. Provision, Contingent Liabilities and Contingent Assets

Provision involving substantial degree of estimates in measurement is recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent assets are neither recognised nor disclosed in the financial statement. Contingent liabilities, if any, are disclosed by way of notes to the accounts.

B. Notes on Accounts

1. During the period ended the Company has outstanding unsecured interest free loan of Rs. 80 lacs from the holding company i.e. Srei Infrastructure Finance Limited.
2. The Company has challenged the constitutional validity of Fringe Benefit Tax before the High Court of Calcutta and the Hon'ble High Court has granted interim stay on levy of such Fringe Benefit Tax on the Company. In view of this, the Company has not provided for any liability of Fringe Benefit Tax.
3. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2008. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
4. Professional Fees include Rs. NIL (Previous Year- Rs. 70,000/-) paid to the Director, Mr. P. K. Ghosh towards consultancy fees.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 9 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS (Contd.)

5. The components of Deferred Tax Asset / (Liability) as on 31st March, 2008 are as follows:

Amount in Rupees

| Particulars | As on 01.04.2007 | Adjustments | As on 31.03.2008 |
|---|------------------|-------------|------------------|
| Deferred Tax Assets : | | | |
| Transitional Adjustment as per AS -15 (Revised) | NIL | 3,077 | 3,077 |
| Deferred Tax Liability | | | |
| Transitional Adjustment as per AS -15 (Revised) | 17,133 | 201 | 17,334 |
| Net Deferred Tax Liability | | | 14,257 |

6. Auditor's Remuneration (inclusive of Service Tax)

| | 2007-08 | 2006-07 |
|--|---------|---------|
| Audit Fees | 28,090 | 29,124 |
| Tax Audit | - | 11,224 |
| Certificates | 5,618 | - |
| 7. Managing Director's Remuneration (upto 30th April, 2006) | | |
| Salary and Allowances | - | 200,496 |
| Contribution to Provident Fund | - | 9,960 |

8. Related Party Transactions

The Company has the following related parties:

| Holding Company | Fellow Subsidiaries |
|-------------------------------------|--|
| Srei Infrastructure Finance Limited | Srei Sahaj e-Village Limited (Formerly Srei Money Mall Limited) |
| | Srei Insurance Broking Private Limited (Formerly Srei Insurance Services Limited) |
| | Srei Infrastructure Advisors Limited (Formerly Srei Insurance Agency and Broking Limited) |
| | Srei Venture Capital Limited |
| | Hyderabad Information Technology Venture Enterprises Limited (Subsidiary of Srei Venture Capital Limited) |
| | Cyberabad Trustee Company Private Limited (Subsidiary of Srei Venture Capital Limited) |
| | Srei Equipment Finance Private Limited (Formerly Srei Infrastructure Development Finance Limited) |
| | Global Investment Trust Limited |
| | Srei Capital Markets Limited |
| | Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Capital Markets Limited) |
| | IIS International Infrastructure Services GmbH, Germany |
| | ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure GmbH, Germany) |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 9 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS (Contd.)

Summary of transactions with related parties:

Amount in Rupees

| Particulars | Holding Company | Fellow Subsidiary Srei Venture Capital Limited |
|-----------------------------|--------------------------|---|
| Sale of Currencies | NIL (6,36,171) | NIL (2,50,400) |
| Sale of Fixed Assets | NIL (1,85,234) | NIL NIL |
| Unsecured Loan received | 2,00,000 (78,00,000) | NIL NIL |
| Outstanding at the year end | 80,00,000 (78,00,000) | NIL NIL |

9. Employee Benefits

Effective 01.04.2007, the Company has adopted Accounting Standard 15 on "Employee Benefits" (AS-15) notified in the Companies (Accounting Standard) Rules, 2006. The effect on transitional liability being net loss of Rs. 6,434 as required by AS - 15 has been adjusted to opening balance of accumulated loss of the Company.

Leave encashment has been considered as short term employee benefits accordingly liability at the year end has been recognised on undiscounted basis.

The Company until 31st March, 2007 was recognising the provision for the employee retirement benefits as per Accounting Standard 15 "Accounting for Retirement Benefits". During the year, the Company has adopted the revised Accounting Standard - 15 (revised 2005) "Employee Benefits". This change does not have a material impact on the profit for the year.

The following tables set out the details of amount recognised in the financial statements in respect of employee benefit schemes.

Amount in Rupees

| Employee Benefits | Gratuity | Provident Fund |
|--|-------------|----------------|
| Defined benefit plans | (Un-funded) | (Funded) |
| As per actuarial valuation as at 31st March, 2008 | | |
| I. Components of employer expenses | | |
| 1. Current Service Cost | 4,160 | 11,520 |
| 2. Interest cost | 320 | 153,420 |
| 3. Expected return on plan assets | - | (153,420) |
| 4. Curtailment cost / (credit) | - | - |
| 5. Settlement cost / (credit) | - | - |
| 6. Past Service Cost | - | - |
| 7. Actuarial Losses / (Gains) | (1,210) | - |
| 8a. Expenses recognised in the Statement of Profit and Loss Account (total 1 to 7) | 3,260 | 11,520 |
| 9. Total expenses recognised in the Statement of Profit and Loss Account | 3,260 | 11,520 |
| II. Net assets / (liability) recognised in balance sheet as at 31st March, 2008 | | |
| 1. Present value of Defined Benefit Obligation | 7,110 | 2,019,570 |
| 2. Fair value of plan assets | - | 2,019,570 |
| 3. Funded status [Surplus / (Deficit)] | (7,110) | - |
| 4. Unrecognised past service cost | - | - |
| 5. Net asset / (liability) recognised in balance sheet | (7,110) | - |

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 9 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS (Contd.)

Amount in Rupees

| Employee Benefits | Gratuity | Provident Fund | | | | |
|---|----------|----------------|----|----|----|----|
| IV. Change in Defined Benefit Obligations during the period ended 31st March, 2008 | | | | | | |
| 1. Present Value of DBO at beginning of period | 3,850 | 1,962,160 | | | | |
| 2. Current Service cost | 4,160 | 11,520 | | | | |
| 3. Interest cost | 320 | 153,420 | | | | |
| 4. Curtailment cost / (credit) | - | - | | | | |
| 5. Settlement cost / (credit) | - | - | | | | |
| 6. Plan amendments | - | - | | | | |
| 7. Acquisitions | - | - | | | | |
| 8. Actuarial (Gains) / Losses | (1,210) | - | | | | |
| 9. Benefits paid | - | (119,050) | | | | |
| 10. Employer Contribution's | - | 11,520 | | | | |
| 11. Present Value of DBO at the end of period (total 1 to 10) | 7,110 | 2,019,570 | | | | |
| V. Change in Fair value of Assets during the period ended 31st March, 2008 | | | | | | |
| 1. Plan assets at beginning of period | - | 1,962,160 | | | | |
| 2. Acquisition Adjustment | - | - | | | | |
| 3. Expected return on plan assets | - | 153,420 | | | | |
| 4. Actual Company contribution | - | 230,40 | | | | |
| 5. Benefits paid | - | - | | | | |
| 6. Actuarial (Gains) / Losses | - | - | | | | |
| 7. Benefits Payment | - | (119,050) | | | | |
| 8. Plan assets at the end of the period | - | 2,019,570 | | | | |
| VI. Actuarial Assumptions | | | | | | |
| 1. Discount Rate | 8.70% | 8.70% | | | | |
| 2. Expected return on plan assets | | | | | | |
| 3. Salary Increases | 7% | 7% | | | | |
| 4. Retirement / Superannuation Age | 60 | 60 | | | | |
| 5. Withdrawal Rate for Gratuity: | | | | | | |
| Age (yrs.) | 20 | 25 | 30 | 35 | 50 | 55 |
| Attrition Rate | 5% | 3% | 2% | 1% | 2% | 3% |

Notes:

- i) Assumptions relating to future salary increases, attrition, interest rate for discount and overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth and other factors applicable to the period over which the obligation is expected to be settled.
- ii) The Company expects to contribute Rs. 12,000 to Provident fund in 2008-09.
- iii) This being the first year of implementation, previous year figures have not being given.
10. (a) In the preceding year, two incidence of frauds on the Company had been committed by third parties in collusion with some of the employees of the Company by misappropriating the Company's fund amounting to Rs. 87,92,150/-. The Company has taken necessary legal steps including filing of insurance claim with the insurer for recovery and the said amount remains included in Sundry Debtors.
- (b) In the preceding year, the Company vide its letter dated 16.10.2006 had surrendered its Full Fledged Money Changers Licence No. FE / KOL / MC / 101 - 1999 issued by Reserve Bank of India Accordingly, all the business operations of the Company has been discontinued with effect from 16th October, 2006.

Schedules to the Balance Sheet & Profit and Loss Account

SCHEDULE 9 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS (Contd.)

- (c) The management is also planning to explore new business opportunities in the Company, and accordingly, the accounts have been prepared on a going concern basis.
- (d) Sundry Debtors balances of Rs.1,21,63,661/- (Including Rs. 87,92,150 as referred to in (note 10a. above) are overdue for payment. The management has taken steps for recovery of these balances and in the opinion of the management these balances are recoverable and no provision is required in this regard.

11. Earning per Share :

| Particulars | 2007-08 | 2006-07 |
|--|-----------|-------------|
| Profit after taxation (Rs.) | (486,808) | (1,493,970) |
| Weighted average number of Equity Shares outstanding during the year | 500,000 | 500,000 |
| Basic and Diluted Earnings Per Share (in Rs.) | (0.97) | (2.99) |

12. Additional information pursuant to the provisions of para 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

Particulars in respect of Purchase, Sales and Closing Stock of Money Changing Operation:

| Particulars | Amount in Rupees | | | |
|---------------------------------|------------------|--------------|--------------|---------------|
| | Opening Stock | Purchase | Sale | Closing Stock |
| Currency Notes | - | - | - | - |
| | (25,940) | (24,158,749) | (24,591,539) | - |
| Travelers' Cheques and VTM Card | - | - | - | - |
| | - | (2,662,758) | (15,761,835) | - |
| Total | - | - | - | - |
| | (25,940) | (26,821,507) | (40,353,374) | - |

(Figures in bracket pertains to previous year)

The previous year's figures have been regrouped / rearranged, wherever considered necessary.

Signatories to Schedules 1 to 9.

As per our report of even date attached.

For **Lodha & Co.**
Chartered Accountants

H. K. Verma
Partner
Place : Kolkata
Date : 13th June, 2008

On behalf of the Board

G. P. G. Sherma
Director

Bajrang K. Choudhary
Director

Balance Sheet Abstract

PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (AS AMENDED)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|-----------|----------------------------|-------|
| I. Registration Details | | | |
| Registration No. | 93780 | State Code | 21 |
| Balance Sheet Date | 31/3/2008 | | |
| II. Capital Raised during the year (Amount in Rs. Thousands) | | | |
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |
| III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands) | | | |
| Total Liabilities | 13488 | Total Assets | 13488 |
| Sources of Funds | | | |
| Paid up Capital | 5000 | Reserves & Surplus | Nil |
| Unsecured Loans | 8000 | Secured Loans | Nil |
| | | Deferred Tax Liability | 14 |
| Application of Funds | | | |
| Net Fixed Assets | Nil | Investments | Nil |
| Net Current Assets | 12021 | Misc. Expenditure | 44 |
| Accumulated Losses | 949 | | |
| IV. Performance of the Company (Amount in Rs. Thousands) | | | |
| Turnover (Incl. Other Income) | 1 | Total Expenditure | 475 |
| Profit Before Tax | (474) | Profit After Tax (+) | (487) |
| (+ for Profit, - for Loss) | | (+ for Profit, - for Loss) | |
| Earnings Per Share (Rs.) | (1) | Dividend Rate (%) | Nil |
| V. Generic Names of Three Principal Products / Services of Company (as per monetary terms) | | | |
| Item Code No. (ITC Code) | - | | |
| Product Description | - | | |
| Item Code No. (ITC Code) | - | | |
| Product Description | - | | |
| Item Code No. (ITC Code) | - | | |
| Product Description | - | | |

On behalf of the Board

Place : Kolkata
Date : 13th June, 2008

G. P. G. Sherma
Director

Bajrang K. Choudhary
Director

DIRECTORS

Mr. P. K. Bhattacharjee

Mr. C. S. Samal

Mr. Bajrang K. Choudhary

AUDITORS

Chetan Chaturvedi & Co.

Chartered Accountants

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

Amount in Rupees

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|-----------------------------------|-----------------------------------|
| Income | 816,303 | 7,18,049 |
| Expenditure | 577,593 | 6,47,839 |
| Profit before Tax | 238,710 | 70,210 |
| Provision for Current Tax | 72,685 | 19,670 |
| Income Tax in respect of earlier years | - | (1,712) |
| Profit after Current Tax | 166,025 | 52,252 |
| Provision for Deferred Tax | 17,863 | (857) |
| Profit after Tax carried forward to next year | 148,162 | 53,109 |

During the year, your Company has earned an income of Rs. 8,16,303/- as against Rs. 7,18,049/- in the previous year. The income was generated from trusteeship fees earned by your Company from the business of trusteeship. Your Company has earned Rs. 3,43,300/- as profit before tax against a profit before tax of Rs. 70,210/- in the previous year, mainly due to increase in administrative expenses.

Your Company continues to offer trusteeship services to various schemes and funds, mainly 'India Global Competitive Fund' (IGCF), 'Srei Venture Capital Trust' (SVCT), 'Infrastructure Project Development Fund' (IPDF), 'Prithvi Infrastructure Development Fund' (PIDF), 'Sunshine Fund' (SF) and 'Millennium Growth And Development Fund' (MGDF).

During the year, SVCT have launched two separate Schemes, Infra Construction Fund (ICF) and Bharat Opportunity Fund (BOF) and your Company is also acting as trustee to the said schemes.

DIVIDEND

In order to conserve the resources of your Company, the Board of Directors of your Company does not recommend any dividend for this year.

FIXED DEPOSIT

Your Company has not accepted any fixed deposit during the year under review.

PARTICULARS OF EMPLOYEES

None of the employees of your Company is in receipt of remuneration requiring disclosures pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, hence no such particulars are annexed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company has no activities relating to conservation of energy and technology absorption as stipulated in the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

Your Company has not utilised or earned any foreign exchange during the year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. C. S. Samal, Director retires by rotation and being eligible, offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 (Act), your directors confirm:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors 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 of the Company for the year.
- (iii) that the Directors have taken proper and sufficient care 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 and

- (iv) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2008 on a going concern basis.

AUDITORS

M/s. Chetan Chaturvedi & Co., Chartered Accountants retire as Auditors of your Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

ACKNOWLEDGEMENT

Your Directors express their gratitude for the continued co-operation and support received from ICICI Bank and the holding company, Srei Infrastructure Finance Limited.

On behalf of the Board of Directors

P. K. Bhattacharjee Bajrang K. Choudhary

Director

Director

Place : Kolkata

Dated : 10th June, 2008

Auditors' Report

To the Members,

Global Investment Trust Limited

1. We have audited the attached Balance Sheet of **Global Investment Trust Limited**, as at 31st March, 2008 and the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date, all of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with 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. As required by the Companies (Auditor's Report) Order, 2003 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 as we considered appropriate and according to the information and explanations given to us, we set out 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 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 and the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
- e) On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by Board of Directors of the Company, 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 Act.
- f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement together with the Notes thereon and attached thereto, give in the prescribe manner the information required by the Companies' Act, 1956 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;
 - 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 flow for the year ended on that date.

For **Chetan Chaturvedi & Co.**

Chartered Accountants

A. Som

Partner

Place : Kolkata

Date : June 10, 2008

Membership No. 6308

Annexure to the Auditors' Report

Statement referred to in our report of even date to the members of Global Investment Trust Limited on the accounts for the year ended 31st March, 2008.

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The fixed assets were physically verified during the year by the management which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies are noticed on such verification
- c. The Company has not disposed off substantial parts of its fixed assets.
- ii. The Company does not have any inventories. Therefore, the provisions of clauses (ii) (a) to (ii) (c) of paragraph 4 are not applicable to the Company.
- iii. a. 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 Act.
- b. As the Company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in register maintained under section 301 of the Act, clauses (iii) (b) to (iii) (d) of paragraph 4 of the said order are not applicable to the Company.
- c. 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 Act.
- d. As 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 Act, clauses (iii) (f) to (iii) (g) of paragraph 4 of the said order are not applicable to the Company.
- iv. On the basis of information and explanation given to us , we are of the opinion that the Company has an adequate internal control system commensurate with the size of the Company and the nature of its business for the sale of services.
- v. Based on the audit procedure applied by us and according to the information and explanations given to us, the Company has no contracts or arrangements referred to in section 301 of the Act. Therefore, the provisions of clauses (v) (a) and (v) (b) of paragraph 4 are not applicable to the Company.
- vi. The Company has not accepted any public deposit within the meaning of section 58 A, 58 AA or any other relevant provisions of the Act and the rules framed thereunder.
- vii. The provisions of clause (vii) relating to internal audit system are not applicable to the Company.
- viii. The provisions regarding maintenance of cost records under section 209 (1) (d) of the Act are not applicable to the Company.
- ix. a. According to the records of the Company, the Company is regular in depositing undisputed statutory dues

including Provident Fund, Income tax, Cess and other statutory dues with the appropriate authorities. As explained to us, the provisions of Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Excise Duty are not applicable to the Company. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2008 for a period of more than six months from the date of becoming payable.

- b. There is no amount payable in respect of the aforesaid statutory dues that have not been deposited within 31st March, 2008.
- x. The Company has no accumulated losses and has not incurred any cash losses during the financial year and in the immediately preceding financial year.
- xi. The Company has no dues of financial institution bank or debenture holders.
- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. The provisions of any special statute applicable to Chit Fund or nidhi or mutual benefit society are not applicable to the Company.
- xiv. The Company is not dealing or trading in shares, securities, debentures or other investments.
- xv. According to the records of the Company and the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. According to the records of the Company, the Company has neither obtained nor applied any term loans during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term purposes.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix. The Company has not issued any debentures.
- xx. The Company has not raised any money by public issues during the period covered by our audit report.
- xxi. In our opinion and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

For Chetan Chaturvedi & Co.

Chartered Accountants

A. Som

Partner

Place : Kolkata

Date : June 10, 2008

Membership No. 6308

Balance Sheet as at 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | | 2007 | |
|---|----------|------------------|------------------|------------------|----------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | | | | | |
| Share Capital | 1 | 500,000 | | 500,000 | |
| Reserves & Surplus | 2 | 532,316 | 1,032,316 | 384,154 | 884,154 |
| Deferred Tax Liability | | | 9,839 | | - |
| | | | 1,042,155 | | 884,154 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 3 | 374,222 | | 374,222 | |
| Less : Depreciation | | 54,416 | | 30,656 | |
| Net Block | | | 319,806 | | 343,566 |
| Deferred Tax Asset | | - | | | 8,024 |
| Current Assets, Loans & Advances | | | | | |
| Current Assets | 4 | 165,039 | | 201,502 | |
| Loans & Advances | 5 | 940,635 | | 934,565 | |
| | | 1,105,674 | | 1,136,067 | |
| Less: Current Liabilities & Provisions | | | | | |
| Current Liabilities | 6 | 132,615 | | 430,230 | |
| Provisions | 7 | 264,968 | | 192,283 | |
| | | 397,583 | | 622,513 | |
| Net Current Assets | | | 708,091 | | 513,554 |
| Miscellaneous Expenditure | 8 | | 14,258 | | 19,010 |
| (To the extent not written off or adjusted) | | | | | |
| | | | 1,042,155 | | 884,154 |
| Significant Accounting Policies and Notes on Accounts | 10 | | | | |

Schedules referred to above form an integral part of the Accounts.

On behalf of the Board

For Chetan Chaturvedi & Co.

Chartered Accountants

A. Som

Partner

Place : Kolkata

Dated : 10th June, 2008

P. K. Bhattacharjee

Director

Bajrang K. Choudhary

Director

Profit and Loss Account for the year ended 31st March, 2008

Amount in Rupees

| | Schedule | 2008 | 2007 |
|---|----------|----------------|----------------|
| INCOME | | | |
| Trusteeship fee | | 815,428 | 718,049 |
| (TDS Rs. Nil, Previous year Rs 29,650/-) | | | |
| Other Income | | 875 | - |
| | | 816,303 | 718,049 |
| EXPENDITURE | | | |
| Administrative & Other Expenses | 9 | 549,081 | 619,327 |
| Depreciation | | 23,760 | 23,760 |
| Preliminary Expenses Written Off | | 4,752 | 4,752 |
| | | 577,593 | 647,839 |
| Profit Before Taxation | | 238,710 | 70,210 |
| Provision for Taxation | | | |
| - Current Taxation | | 72,685 | 19,670 |
| - Income Tax in respect of earlier years | | - | (1,712) |
| - Deferred Taxation | | 17,863 | (857) |
| Profit After Taxation | | 148,162 | 53,109 |
| Add : Profit Brought Forward From Last Year | | 384,154 | 331,045 |
| Profit Carried Forward to Balance Sheet | | 532,316 | 384,154 |
| Earnings Per Equity Share (Rs.) | | 2.96 | 1.06 |
| Significant Accounting Policies and Notes on Accounts | 10 | | |

Schedules referred to above form an integral part of the Accounts.

On behalf of the Board

For Chetan Chaturvedi & Co.
Chartered Accountants

A. Som
Partner

Place : Kolkata

Dated : 10th June, 2008

P. K. Bhattacharjee
Director

Bajrang K. Choudhary
Director

Cash Flow Statement for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|---------------|-----------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit / (Loss) before tax | 238,710 | 70,210 |
| Adjustments for: | | |
| Depreciation | 23,760 | 23,760 |
| Bad Debts | 104,590 | |
| Preliminary Expenses written off | 4,752 | 4,752 |
| Operating Profit before Working Capital Changes | 267,222 | 98,722 |
| Adjustments for: | | |
| (Increase) / Decrease in Receivables / others | 107,921 | 95,189 |
| Increase / (Decrease) in Trades Payables / others | (297,615) | (211,154) |
| Cash generated from Operating activities | 77,528 | (17,243) |
| Less: Advance Tax Paid | - | 69,063 |
| Net Cash (used in) / Generated from Operating Activities | 77,528 | (86,306) |
| B. Cash Flow from Investing Activities | - | - |
| Net Cash (used in) / Generated from Investing Activities | - | - |
| C. Cash Flow from Financing Activities | - | - |
| Net Cash (used in) / Generated from Financing Activities | - | - |
| Net Increase / (Decrease) in Cash & Cash Equivalents | 77,528 | (86,306) |
| Cash and Cash Equivalents as on 01.04.2007 | 87,511 | 173,817 |
| Cash and Cash Equivalents as on 31.03.2008 | 165,039 | 87,511 |

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS 3) 'Cash Flow Statements' issued by The Institute of Chartered Accountants of India'.
- Cash and Cash equivalents represents Cash in Hand and Balances with Bank.

On behalf of the Board

For Chetan Chaturvedi & Co.
Chartered Accountants

A. Som
Partner

P. K. Bhattacharjee
Director

Bajrang K. Choudhary
Director

Place : Kolkata

Dated : 10th June, 2008

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|----------------|----------------|
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 10,00,000 Equity Shares of Rs. 10/- each | 10,00,000 | 10,00,000 |
| Issued, Subscribed & Paid-up | | |
| 50,000 (Previous Year 50,000) Equity Shares of Rs. 10/- each | 500,000 | 500,000 |
| Fully paid-up in cash | 500,000 | 500,000 |
| Note : The entire Share Capital is held by Srei Infrastructure Finance Ltd., the Holding Co. and its nominees | | |
| SCHEDULE 2 - RESERVES & SURPLUS | | |
| Profit and Loss Account | 532,316 | 384,154 |
| | 532,316 | 384,154 |

SCHEDULE 3 - FIXED ASSETS

Amount in Rupees

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---------------------|---------------------|--------------------------------|----------------------------|---------------------|---------------------|-----------------|------------|---------------------|---------------------|---------------------|
| | As at 01.04.2007 | Addition during the year | Sold during the year | As at 31.03.2008 | Up to 31.03.2007 | For the year | Adjustment | As at 31.03.2008 | As at 31.03.2008 | As at 31.03.2007 |
| Furniture & Fixture | 374,222 | - | - | 374,222 | 30,656 | 23,760 | - | 54,416 | 319,806 | 343,566 |
| Total | 374,222 | - | - | 374,222 | 30,656 | 23,760 | - | 54,416 | 319,806 | 343,566 |
| Previous Year | 374,222 | - | - | 374,222 | 6,896 | 23,760 | - | 30,656 | 343,566 | |

Amount in Rupees

| | 2008 | 2007 |
|---|----------------|----------------|
| SCHEDULE 4 - CURRENT ASSETS | | |
| Sundry Debtors (Unsecured, considered good) | | |
| - Debts outstanding for a period exceeding six month | - | 104,590 |
| - Other debts | - | 9,401 |
| Cash and Bank Balances | | |
| Cash In Hand | 3,660 | 8,243 |
| Balances with Banks | | |
| - in Current Accounts | 101,379 | 79,268 |
| - in Fixed Deposit Account | 60,000 | |
| | 165,039 | 201,502 |
| SCHEDULE 5 - LOANS & ADVANCES | | |
| (Unsecured, considered good) | | |
| Advance recoverable in cash or in kind or for value to be received or pending adjustments | | |
| Other Advance | 726,070 | 720,000 |
| Advance Tax | 141,258 | 141,258 |
| Tax Deducted at Source | 73,307 | 73,307 |
| | 940,635 | 934,565 |

Schedules to the Balance Sheet as at 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|----------------|----------------|
| SCHEDULE 6 - CURRENT LIABILITIES | | |
| Other Liabilities | 132,615 | 430,230 |
| | 132,615 | 430,230 |
| SCHEDULE 7 - PROVISION | | |
| Provision for Taxation | 264,968 | 192,283 |
| | 264,968 | 192,283 |
| SCHEDULE 8 - MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Preliminary Expenses | | |
| Opening Balance | 19,010 | 23,762 |
| Less: Written off during the year | 4,752 | 4,752 |
| | 14,258 | 19,010 |

Schedules to the Profit and Loss Account

for the year ended 31st March, 2008

Amount in Rupees

| | 2008 | 2007 |
|---|----------------|----------------|
| SCHEDULE 9 - ADMINISTRATIVE & OTHER EXPENSES | | |
| Rent | 250,000 | 300,000 |
| Repair & Maintenance | 125,000 | 181,470 |
| Electricity Charges | - | 90,147 |
| Directors' Sitting Fees | 48,000 | 36,000 |
| Payments to Auditors | | |
| - Audit Fees | 3,000 | 3,000 |
| - Certification Charges | 6,300 | |
| Rates & Taxes | 4,408 | 2,500 |
| Professional Fees | 3,200 | 2,178 |
| Filing Fees | 2,000 | 2,917 |
| Bank Charges | - | 1,115 |
| Miscellaneous Expenses | 2,583 | - |
| Bad Debts | 104,590 | - |
| | 549,081 | 619,327 |

Schedules To Balance Sheet & Profit And Loss Account

SCHEDULE 10 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

A. Significant Accounting Policies

1. Basis of Accounting

The financial statements are prepared and presented in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The Company follows the accrual method of accounting under historical cost convention.

2. Recognition of Income and Expenditure

All income and expenditure are accounted on accrual basis.

3. Fixed Assets

- i) Fixed Assets are stated at their original cost of acquisition less accumulated depreciation.
- ii) Depreciation on Fixed Assets has been provided on straight-line method at rates prescribed under Schedule XIV to the Companies Act, 1956.
- iii) Fixed Assets costing less than Rs. 5,000/- are depreciated fully in the year of acquisition.

4. Impairment of Fixed Assets

Wherever events or changes in circumstances indicate that the carrying value of Fixed Assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal of such assets. If the assets are impaired, the Company recognises an impairment loss as the difference between the carrying value and fair value less costs to sell. None of the Company's Fixed assets are considered impaired as on the Balance Sheet date.

5. Miscellaneous Expenditure

Preliminary expenses are being amortised in 10 equal installments. These expenses include expenses incurred at the time of incorporation of the Company.

6. Contingent Liabilities

Contingent Liabilities not provided for, if any, are separately shown by way of a note in this schedule.

7. Tax on Income

- i) Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- ii) Deferred Tax is recognised on timing difference; being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subjects to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

8. Earning per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, Earnings Per Share issued by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earning per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

9. Segment Reporting

The Company is primarily engaged in a single business segment of Financial and Trusteeship Services. All the activities of the Company revolved around the main business. As such there are no separate reportable segments as per Accounting Standard-17 "Segment Reporting" issued by The Institute of Chartered Accountants of India.

B. Notes on Accounts

- i. There are no dues outstanding to small-scale industrial undertakings as on the Balance Sheet date. Rs. - NIL (Previous Year - Nil).
- ii. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
- iii. Since there are no such expenses on which Fringe Benefit Tax is applicable, therefore no provision has been made for Fringe Benefit Tax.

Schedules To Balance Sheet & Profit And Loss Account

SCHEDULE 10 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008 (Contd.)

- iv. Earnings and Expenditure in Foreign Currency – Rs. Nil (Previous Year Rs. Nil)
- v. The previous year's figures have been regrouped / rearranged, wherever considered necessary.
- vi. Earnings Per Share
Basic / dilutive Earnings per Share

| Particulars | Year ended March 31 | |
|------------------------------------|---------------------|--------|
| | 2008 | 2007 |
| 1. Opening No. of Shares | 50,000 | 50,000 |
| 2. Total No. of Shares Outstanding | 50,000 | 50,000 |
| 3. Profit after Taxes (Rs.) | 148,162 | 53,109 |
| 4. Earning Per Share (Rs.) | 2.96 | 1.06 |

vii. Related Party Transactions:

The Company has the following related parties:

| Holding Companies | Fellow Subsidiaries |
|-------------------------------------|--|
| Srei Infrastructure Finance Limited | Srei Capital Markets Limited |
| | Srei Forex Limited |
| | Srei Sahaj e-Village Limited |
| | Srei Venture Capital Limited |
| | Srei Insurance Broking Private Limited |
| | Srei Infrastructure Advisors Limited |
| | Srei Equipment Finance Pvt. Limited |
| | Bengal Srei Infrastructure Development Limited (Subsidiary of Srei Capital Markets Limited) |
| | Hyderabad Information Technology Venture Enterprises Limited (Subsidiary of Srei Venture Capital Limited) |
| | Cyberabad Trustee Company Private Limited (Subsidiary of Srei Venture Capital Limited) |
| | IIS International Infrastructure Services GmbH, Germany |
| | ZAO Srei Leasing, Russia (Subsidiary of IIS International Infrastructure Services GmbH, Germany) |

Summary of Transactions with Related Parties:

Amount in Rupees

| Name of the related party | Nature of relationship | Nature of transaction | Amount | Outstanding at the year end |
|-------------------------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| Srei Infrastructure Finance Limited | Holding Company | Short Term Advance Refunded | 3,16,000 (2,00,000) | 1,00,000 (4,16,000) |

Amount in brackets represent previous year figures.

Signatories to Schedules 1 to 10.

Schedules referred to above form an integral part of the Accounts.

As per our report annexed.

On behalf of the Board

For Chetan Chaturvedi & Co.
Chartered Accountants

A. Som
Partner

Place : Kolkata

Dated : 10th June, 2008

P. K. Bhattacharjee
Director

Bajrang K. Choudhary
Director

Balance Sheet Abstract

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (AS AMENDED)
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|----------------------|---------------------------|------|
| I. Registration Details | | | |
| Registration No. | 71670 | State Code | 21 |
| Balance Sheet Date | 31/03/2008 | | |
| II. Capital Raised during the year (Amount in Rs. Thousands) | | | |
| Public Issue | Nil | Right Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |
| III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands) | | | |
| Total Liabilities | 1440 | Total Asset | 1440 |
| Source of Funds | | | |
| Paid up Capital | 500 | Reserves & Surplus | 532 |
| Secured Loans | Nil | Unsecured Loans | Nil |
| | | Deferred Tax Liability | 10 |
| Application of Funds | | | |
| Net Fixed Assets | 320 | Investments | Nil |
| Net Current Assets | 708 | Misc. Expenditure | 14 |
| Accumulated Losses | Nil | Deferred Tax Asset | Nil |
| IV. Performance of the Company (Amount in Rs. Thousands) | | | |
| Turnover | 816 | Total Expenditure | 578 |
| Profit / (Loss) Before Tax | 238 | Profit / (Loss) After Tax | 148 |
| Earnings Per Share (Rs.) | 2.96 | Dividend Rate (%) | Nil |
| V. Generic names of Three Principal Products / Services of Company (as per monetary terms) | | | |
| Item Code No (ITC Code) | N.A. | | |
| Products Description | Trusteeship Services | | |
| Item code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |
| Item Code No. (ITC Code) | N.A. | | |
| Products Description | N.A. | | |

On behalf of the Board

Place : Kolkata

Dated : 10th June, 2008

P. K. Bhattacharjee

Director

Bajrang K. Choudhary

Director

DIRECTORS

Dr. Stefan Friedrich Kinnemann
Mr. Hemant Kanoria

AUDITORS

Sauerland Rybka und Partner

Directors' Report

Dear Members,

The Board of Directors of your Company takes pleasure in presenting the Fifth Annual Report together with the Audited Accounts of your Company for the Financial Year ended 31st March, 2008.

FINANCIAL RESULTS

| Particulars | Amount in Euro | | Amount in Rupees | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Year ended 31st March, 2008 | Year ended 31st March, 2007 | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
| Other operating income | 18.995,00 | 3.176,75 | 1,198,956 | 182,854 |
| Other operating expenses | (48.310,52) | (27.121,79) | (3,049,338) | (1,561,133) |
| Other interest | 42.865,21 | 5.662,88 | 2,705,633 | 325,956 |
| Write-off of financial assets | - | (189.362,40) | - | (10,899,719) |
| Interest and similar expenses | - | (688.11) | - | (39,608) |
| Profit / Loss from ordinary operations | 13.549,69 | (208.332,67) | 855,250 | (11,991,649) |
| Loss carried forward | (222.065,49) | (13.732,82) | (14,016,672) | (790,462) |
| Accumulated deficit | (208.515,80) | (222.065,49) | (13,161,422) | (12,782,112) |

RESULTS OF OPERATIONS

During the year under review, your Company made a profit of Euro 13.549,69 (Rs. 855,250) against a loss of Euro 208.332,67 (Rs. 11,991,649) in the previous year.

OUTLOOK

The Company has made an investment of approx. Euro 3.7 million (Rs. 233.54 million) in Zao Srei Leasing, Russia during the year. Your Directors are confident of reaping the rewards of its investment from Zao Srei Leasing in the coming years of its operations.

DIVIDEND

The Directors do not recommend any dividend for the Financial Year ended 31st March, 2008.

SHARE CAPITAL

The Share Capital of your Company was increased during the reporting period by the amount of Euro 3.4 million (Rs. 214.61 million). Your Company is a subsidiary of Srei Infrastructure Finance Limited and has a share capital of Euro 6.37 million (Rs. 402.07 million).

DIRECTORS

During the period under review, Dr. Stefan Kinnemann and Mr. Hemant Kanoria held the office of Managing Directors of the Company.

AUDITORS

Sauerland Rybka und Partner, Independent Auditors of your Company for the year under review have submitted their Report on the Financial Year 2007-08.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and cooperation extended by various clients, agencies, vendors, banks, the holding company and statutory authorities and look forward to their continued support.

By Order of the Board
Dr. Stefan Kinnemann
Managing Director

Dated : July 19, 2008

Independent Auditors' Report

We have audited the accompanying financial statements of IIS International Infrastructure Services GmbH, Bonn, which comprise the Balance Sheet as at 31st March, 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error: selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of IIS International Infrastructure Services GmbH, Bonn, as of 31st March, 2008 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting standards.

Cologne, 6th May, 2008

Sauerland Rybka und Partner
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Matthias Küpper
Wirtschaftsprüfer

Wolfgang Rogalli
Wirtschaftsprüfer

Balance Sheet as at 31st March, 2008

| | Notes | Amount in Euro | | Amount in Rupees | |
|---|-------|---------------------|---------------------|--------------------|--------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| ASSETS | | | | | |
| A. Fixed Assets | | | | | |
| Financial Assets | (1) | | | | |
| 1. Subsidiaries | | 5.944.793,82 | 2.721.842,95 | 375,232,675 | 156,669,552 |
| 2. Associates | | - | 58.876,00 | - | 3,388,908 |
| | | 5.944.793,82 | 2.780.718,95 | 375,232,675 | 160,058,461 |
| B. Current Assets | | | | | |
| I. Accounts receivable & other Assets | | | | | |
| 1. Accounts due from subsidiary companies | (2) | - | 2.758,75 | - | 158,794 |
| 2. Other Receivables | | 5.034,52 | 3.563,72 | 317,777 | 205,128 |
| | | 5.034,52 | 6.322,47 | 317,777 | 363,922 |
| II. Cash at Banks | (3) | 223.237,85 | 7.320,09 | 14,090,671 | 421,345 |
| | | 228.272,37 | 13.642,56 | 14,408,448 | 785,267 |
| | | 6.173.066,19 | 2.794.361,51 | 389,641,123 | 160,843,728 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | |
| A. Shareholders' Equity | | | | | |
| I. Share Capital | (4) | 6.370.000,00 | 2.970.000,00 | 402,071,495 | 170,953,497 |
| II. Accumulated Deficit | | (208.515,80) | (222.065,49) | (13,161,422) | (12,782,112) |
| | | 6.161.484,20 | 2.747.934,51 | 388,910,073 | 158,171,385 |
| B. Current Liabilities | | | | | |
| Trade account payable | | 81,99 | - | 5,175 | - |
| Accounts due to subsidiary companies | | - | 35.549,13 | - | 2,046,211 |
| Other Liabilities & accrued expenses | (5) | 11.500,00 | 10.877,87 | 725,875 | 626,131 |
| | | 11.581,99 | 46.427,00 | 731,050 | 2,672,342 |
| | | 6.173.066,19 | 2.794.361,51 | 389,641,123 | 160,843,728 |

Income Statement for the period 1st April, 2007 to 31st March, 2008

| | Notes | Amount in Euro | | Amount in Rupees | |
|---|-------|---------------------|---------------------|---------------------|---------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| 1. Other Operating Income | (6) | 18.995,00 | 3.176,75 | 1,198,956 | 182,854 |
| 2. Other Operating Expenses | (7) | (48.310,52) | (27.121,79) | (3,049,338) | (1,561,133) |
| 3. Other interest | | 42.865,21 | 5.662,88 | 2,705,633 | 325,956 |
| 4. Written-off of financial assets | (8) | - | (189.362,40) | - | (10,899,719) |
| 5. Interest and similar expenses | | - | (688,11) | - | (39,608) |
| 6. Loss / Profit from ordinary operations | | 13.549,69 | (208.332,67) | 855,250 | (11,991,649) |
| 7. Loss carried forward | | (222.065,49) | (13.732,82) | (14,016,672) | (790,462) |
| 8. Accumulated Deficit | | (208.515,80) | (222.065,49) | (13,161,422) | (12,782,112) |

Statement of Changes in Shareholders' Equity

for the year ended 31st March, 2008

| | Amount in Euro | | | Amount in Rupees | | |
|---------------------------|----------------|---------------------|----------------------------|------------------|---------------------|----------------------------|
| | Share Capital | Accumulated Deficit | Total Shareholders' Equity | Share Capital | Accumulated Deficit | Total Shareholders' Equity |
| At 31st March, 2006 | 1.500.000,00 | (13.732,82) | 1.486.267,18 | 94,679,316 | (866,809) | 93,812,507 |
| Issuance of share capital | 1.470.000,00 | - | 1.470.000,00 | 92,785,730 | - | 92,785,730 |
| Net Loss | - | (208.332,67) | (208.332,67) | - | (13,149,863) | (13,149,863) |
| At 31st March, 2007 | 2.970.000,00 | (222.065,49) | 2.747.934,51 | 187,465,046 | (14,016,672) | 173,448,374 |
| Issuance of share capital | 3.400.000,00 | - | 3.400.000,00 | 214,606,450 | - | 214,606,450 |
| Net Profit | - | 13.549,69 | 13.549,69 | - | 855,250 | 855,250 |
| At 31st March, 2008 | 6.370.000,00 | (208.515,80) | 6.161.484,20 | 402,071,496 | (13,161,422) | 388,910,074 |

Statement of Cash Flows for the year ended 31st March, 2008

| | Amount in Euro | | Amount in Rupees | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net profit | 13.549,69 | (208.332,67) | 855,250 | (11,991,649) |
| Write-off of financial assets | - | 189.362,40 | - | 10,899,719 |
| Increase / Decrease receivables | 1.287,95 | (1.004,41) | 81,295 | (57,814) |
| Decrease / Increase liabilities | (34.845,01) | (13.573,00) | (2,199,401) | (781,263) |
| Operating Cash-flow | (20.007,37) | (33.547,68) | (1,262,856) | (1,931,008) |
| Investing Cash-flow | | | | |
| Cash payments for investment in financial non-current assets | (3.222.950,87) | (1.890.549,13) | (203,431,189) | (108,820,197) |
| Cash receipts from the disposal of financial non-current assets | 58.876,00 | 459.837,88 | 3,716,226 | 26,468,314 |
| Financing Cash-flow | | | | - |
| Cash receipts from capital increases | 3.400.000,00 | 1.470.000,00 | 214,606,450 | 84,613,347 |
| | 235.925,13 | 39.288,75 | 14,891,487 | 2,261,464 |
| Change in Cash at Banks | 215.917,76 | 5.741,07 | 13,628,631 | 330,457 |
| Cash at Banks April 1 | 7.320,09 | 1.579,02 | 462,041 | 90,889 |
| Cash at Banks March 31 | 223.237,85 | 7.320,09 | 14,090,672 | 421,346 |

Notes to the Financial Statements for the Year 2007 / 08

1. General

Nature and purpose of the IIS International Infrastructure Services GmbH, Bonn, Germany, business is leasing and hiring out of movable property, especially for infrastructure projects and consulting services in Germany and other countries. The Company is acting as a holding company with one subsidiary company operating in this business. The Company itself is a subsidiary of Srei Infrastructure Finance Limited, India.

2. Presentation of financial statement

The financial statements of IIS International Infrastructure Services GmbH, Bonn, Germany, are based on the German financial statements which were prepared under Germany Generally Accepted Accounting Principles (GAAP) and were transformed according to International Financial reporting Standards (IFRS) so that the financial statements of the company have been prepared in accordance with International Financial reporting Standards (IFRS).

The measurement and presentation currency for the accompanying financial statements is EURO.

3. Summary of Significant Accounting Policies

Foreign Currency transactions

Transactions in currency other than EURO (only financial assets) are initially recorded at the rates of exchange prevailing on the dates of the transactions.

1. Financial Assets

Subsidiaries show the 88,89% participation in the closed joint stock company ZAO Srei leasing in Moscow / Russia Federation.

The subsidiaries are capitalised under the cost method. Cost include capital injections and legal and advisory cost connected with the legal foundation of the participations (Euro 9.893,82) (Rs. 624,493).

The capital injections were paid in local currency (Russian Ruble) and converted into Euro with the exchange rate of the date of the capital injection. At 31st March, 2008 no currency translation adjustment was made.

Impairment of financial assets - At each balance Sheet date, the Company reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. There was no indication for an impairment loss.

Financial Investments

| Company | | Subscribed capital in local currency | Quote part-thereof | Quote-part % |
|----------------------------|--------------------|--------------------------------------|--------------------|--------------|
| Closed joint stock company | Russian Federation | 236.250.000,00 | 210.000.000,00 | 88,89 |
| ZAO Srei Leasing | Moscow | RUB | RUB | |

Amount in Euro

Amount in Rupees

| | Subsidiaries | Associates | Total | Subsidiaries | Associates | Total |
|---------------------------------|--------------|-------------|--------------|--------------|-------------|-------------|
| Cost / Valuation | | | | | | |
| As at 31st March, 2007 | 2.721.842,95 | 58.876,00 | 2.780.718,95 | 171,801,486 | 3,716,226 | 175,517,712 |
| Additions / (Disposals) | 3.222.950,87 | (58.876,00) | 3.164.074,87 | 203,431,189 | (3,716,226) | 199,714,963 |
| At 31st March, 2008 | 5.944.793,82 | - | 5.944.793,82 | 375,232,675 | - | 375,232,675 |
| Accumulated Depreciation | | | | | | |
| At 31st March, 2007 | - | - | - | - | - | - |
| Write-off | - | - | - | - | - | - |
| Additions / (Disposals) | - | - | - | - | - | - |
| At 31st March, 2008 | - | - | - | - | - | - |
| Net Book Value | | | | | | |
| At 31st March, 2007 | 2.721.842,95 | 58.876,00 | 2.780.718,95 | 171,801,486 | 3,716,226 | 175,517,712 |
| At 31st March, 2008 | 5.944.793,82 | - | 5.944.793,82 | 375,232,675 | - | 375,232,675 |

Notes to the Financial Statements for the Year 2007 / 08 (Contd.)

2. Other receivables

Other receivables included tax refunds and interests.

3. Cash at banks

Cash at banks are a current bank account (EURO 8.058,43) (Rs. 508,644) and fixed deposit (EURO 215.179,42) (Rs. 13,616,111) at Deutsche Bank AG with the nominal value at 31st March, 2008.

4. Share Capital

The share capital of the Company amounts to Euro 6.370.000,00 (Rs. 402,071,495). It was increased during the reporting period by the amount Euro 3.400.000,00 (Rs. 214,606,450). The share capital was fully paid into the Company by the shareholders at 31st March, 2008 which are:

| | Amount in Euro | Amount in Rupees |
|---|---------------------|--------------------|
| Srei Infrastructure Finance Limited., India | 5.895.000,00 | 372,089,712 |
| MBCV Holding Limited., Mauritius | 250.000,00 | 15,779,886 |
| Eternity Venture Pty Limited., Singapore | 224.000,00 | 14,138,778 |
| Dr. Kinnemann, Germany | 1.000,00 | 63,119 |
| | 6.370.000,00 | 402,071,495 |

5. Liabilities

Liabilities are valued at their nominal value. The amounts recognised as accrued expenses are the best estimate of the expenditure required to settle the present obligation.

Profit and Loss Statement

6. Other Operating income

Other operating incomes are travel costs and provisions for the acquisition of German suppliers as customers and were invoiced to ZAO Srei Leasing.

7. Other operating expenses

| | Amount in Euro | Amount in Rupees |
|---------------------------------|------------------|------------------|
| Legal and Consulting cost | 27.981,25 | 1,766,164 |
| Travelling Cost | 10.480,67 | 661,535 |
| Other cost | 9.848,60 | 621,639 |
| Other operating expenses | 48.310,52 | 3,049,338 |

Due to the taxable loss carry forward no taxes on profit from ordinary operations are disclosed.

8. Other information

The Company has entered into a suretyship agreement of USD 6.5 million for the benefit of Investment Credit bank Limited Company, Moscow, Russia. The suretyship ends:

| | Amount in USD | Amount in Rupees |
|-------------------|---------------------|--------------------|
| December 5, 2008 | 1.000.000,00 | 40,020,000 |
| March 31, 2009 | 2.500.000,00 | 100,050,000 |
| December 31, 2009 | 3.000.000,00 | 120,060,000 |
| | 6.500.000,00 | 260,130,000 |

Another suretyship agreement of USD 3,0 million was given to Commercial bank of India LLC until 31st December, 2009.

All suretyships were given for credits for the subsidiary ZAO Srei Leasing.

Note : The Audited Financial Statements of IIS International Infrastructure Services GmbH, prepared in accordance with the laws of Germany, the country of incorporation, do not include the Indian Rupee equivalent figures, which have been arrived at by applying the year end interbank exchange rate of EURO 1 = Rs. 63.1195 (2007 EURO 1 = Rs. 57.5601) and USD 1 = Rs. 40.02.

Managing Directors

Dr. Stefan Kinnemann, Bonn

Hemant Kanoria, Kolkata / India

IIS International Infrastructure Services GmbH

Dr. Stefan Kinnemann

Hemant Kanoria

Bonn, 5th May, 2008

Managing Director

Managing Director

DIRECTORS

Mr. Rajinder Singh Sethi – *Chairman*
 Dr. Stefan Friedrich Kinnemann
 Mr. Hemant Kanoria
 Mr. Sunil Kanoria
 Mr. Rostyslav Futalo
 Mr. Arnab Basu

AUDITORS

RSM-Top Audit

Directors' Report

Dear Members,

The Board of Directors of your Company takes pleasure in presenting the Fourth Annual Report together with the Audited Accounts of your Company for the Financial Year ended 31st December, 2007.

Financial Results

| Particulars | Amount in RUR | | Amount in Rupees | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Year ended 31st December, 2007 | Year ended 31st December, 2006 | Year ended 31st December, 2007 | Year ended 31st December, 2006 |
| Interest Income and management fees | 110,510,099 | 24,524,354 | 188,276,465 | 40,685,903 |
| Other Income | (1,504,940) | 490,746 | (2,563,972) | 814,148 |
| Interest Expense | (40,171,073) | (5,188,833) | (68,439,608) | (8,608,274) |
| Other Operating and Administrative expenses | (62,055,020) | (19,258,768) | (105,723,366) | (31,950,296) |
| Profit / (Loss) before Income Tax | 6,779,066 | 567,499 | 11,549,520 | 941,481 |
| Income Tax | (1,874,583) | (470,267) | (3,193,734) | (780,173) |
| Net Profit / (Loss) | 4,904,483 | 97,232 | 8,355,786 | 161,308 |
| Loss carried forward | (4,802,812) | (4,900,044) | (7,967,865) | (8,129,173) |
| Accumulated Surplus / Deficit | 101,670 | (4,802,812) | 173,216 | (7,967,865) |

Result of Operations

The total income during the year under report was RUR 109,005,159 (Rs. 185,712,089) as against RUR 25,015,100 (Rs. 41,500,051) during the previous year. Net Profit for the year was RUR 4,904,483 (Rs. 8,355,768) against the profit of RUR 97,232 (Rs. 161,308) in 2006.

Entry of your Company in Russia has been successful. During its first 2 full years of its operations, the Company achieved net profits. Your Directors are confident of reaping the rewards of its efforts in the coming year of its operations.

Dividend

The Directors do not recommend any Dividend for the financial year ended 31st December, 2007.

Share Capital

Your Company is a subsidiary of IIS International Infrastructure Services GmbH and has a Share Capital of RUR 236,250,000 (Rs. 402,499,125).

Directors

Mr. Arun Kedia has resigned from Directorship of the Company w.e.f. February 15, 2007. The Board placed on record the contribution of Mr. Kedia for the success of the Company.

Mr. Arnab Basu was appointed as Director of the Company in place of Mr. Kedia w.e.f. February 15, 2007.

Auditors

RSM-Top Audit, independent auditors for the year under review, has submitted their Report under IFRS Accounting on the Financial Year ended 31st December, 2007.

Acknowledgement

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and cooperation extended by various clients, agencies, vendors, banks, the holding Company and statutory authorities and look forward to their continued support.

By order of the Board

Rajinder Singh Sethi
Chairman

Dated : 15th July, 2008

Auditor's Report

To the Shareholders of the CJSC " Srei Leasing"

We have audited the accompanying financial statements of CJSC "Srei Leasing" (the Company) which comprise the Balance Sheet as of 31st December, 2007 and the statement of operations, Cash Flow Statement and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The

procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31st December, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

For RSM Top-Audit

Place : Moscow, Russian Federation

Dated : 15th July, 2008

Nina Dantser

Partner

Balance Sheet for the year ended 31st December, 2007

| | Notes | Amount in RUR | | Amount in Rupees | |
|---|-------|----------------------|--------------------|----------------------|--------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property and equipment, less accumulated depreciation | 4 | 2,754,014 | 1,145,476 | 4,692,024 | 1,900,345 |
| Intangible Assets | | 3,167,179 | - | 5,395,935 | - |
| Investment in leases, less allowance for losses | 5 | 453,277,278 | 138,929,485 | 772,250,177 | 230,484,016 |
| Deferred profit tax | 10 | 720,970 | 1,050,637 | 1,228,319 | 1,743,007 |
| | | 459,919,441 | 141,125,598 | 783,566,455 | 234,127,367 |
| CURRENT ASSETS | | | | | |
| Trade accounts and other receivables | 6 | 333,992,320 | 86,279,384 | 569,023,953 | 143,137,498 |
| Investment in leases, less allowance for losses | 5 | 295,457,316 | 62,680,206 | 503,371,724 | 103,986,462 |
| Cash and cash equivalents | 7 | 74,894,398 | 35,808,990 | 127,597,863 | 59,407,114 |
| | | 704,344,034 | 184,768,580 | 1,199,993,540 | 306,531,074 |
| TOTAL ASSETS | | 1,164,263,475 | 325,894,178 | 1,983,559,995 | 540,658,441 |
| Shareholders' Equity and Liabilities | | | | | |
| Shareholders' Equity | | | | | |
| Share Capital | 8 | 236,250,000 | 105,000,000 | 402,500,000 | 174,195,000 |
| Accumulated profit (deficit) | | 101,670 | (4,802,812) | 173,216 | (7,967,865) |
| | | 236,351,670 | 100,197,188 | 402,673,216 | 166,227,135 |
| Non-Current Liabilities | | | | | |
| Long term borrowings | 9 | 511,494,695 | 122,833,613 | 871,435,406 | 203,780,964 |
| | | 511,494,695 | 122,833,613 | 871,435,406 | 203,780,964 |
| Current Liabilities | | | | | |
| Current loans and current part of long-term loans | 9 | 364,079,082 | 88,503,228 | 620,282,881 | 146,826,855 |
| Accounts payable and accrued charges | 11 | 47,940,055 | 13,400,788 | 81,675,649 | 22,231,907 |
| Short-term taxes payable | 12 | 4,397,973 | 959,361 | 7,492,843 | 1,591,580 |
| | | 416,417,110 | 102,863,377 | 709,451,373 | 170,650,342 |
| | | 927,911,805 | 225,696,990 | 1,580,886,779 | 374,431,306 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 1,164,263,475 | 325,894,178 | 1,983,559,995 | 540,658,441 |

Income Statement for the year ended 31st December, 2007

| | Notes | Amount in RUR | | Amount in Rupees | |
|---|-------|---------------------|---------------------|----------------------|---------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| Interest Income and Management Fees: | | | | | |
| Finance leases | | 110,510,099 | 24,524,354 | 188,276,465 | 40,685,903 |
| | | 110,510,099 | 24,524,354 | 188,276,465 | 40,685,903 |
| Interest Expense: | | | | | |
| Loan interest | | (40,171,074) | (5,188,833) | (68,439,608) | (8,068,274) |
| | | (40,171,074) | (5,188,833) | (68,439,608) | (8,068,274) |
| Net Interest Income | | 70,339,025 | 19,335,521 | 119,836,857 | 32,077,629 |
| Foreign currency translation differences, net | | (2,892,431) | (589,372) | (4,927,845) | (977,768) |
| Other income | 13 | 1,387,491 | 1,080,118 | 2,363,874 | 1,791,916 |
| Net Non-Interest Income / (Expense) | | (1,504,940) | 490,746 | (2,563,972) | 814,148 |
| Salaries and employees' benefits | | (31,941,751) | (8,924,471) | (54,419,279) | (14,805,697) |
| Administrative and other operating expenses | 14 | (29,707,825) | (10,204,525) | (50,613,331) | (16,929,307) |
| Depreciation of fixed assets | | (405,443) | (129,772) | (690,755) | (215,292) |
| Operating Expenses | | (62,055,019) | (19,258,768) | (105,723,366) | (31,950,296) |
| Profit (Loss) Before Income Tax | | 6,779,066 | 567,499 | 11,549,520 | 941,481 |
| Income tax expense | 10 | (1,874,583) | (470,267) | (3,193,734) | (780,173) |
| Net Profit (Loss) | | 4,904,483 | 97,232 | 8,355,786 | 161,308 |

Statement of Changes in Shareholders' Equity

for the year ended 31st December, 2007

| | Amount in RUR | | | Amount in Rupees | | |
|--------------------------------|--------------------------|------------------------------|----------------------------|--------------------------|------------------------------|----------------------------|
| | Registered Share capital | Accumulated Profit / deficit | Total Shareholders' Equity | Registered Share capital | Accumulated Profit / deficit | Total Shareholders' Equity |
| At 31st December, 2005 | 30,000,000 | (4,900,044) | 25,099,956 | 51,111,111 | (8,348,223) | 42,762,888 |
| Net profit | - | 97,232 | 97,232 | - | 165,655 | 165,655 |
| Contributions to share capital | 75,000,000 | - | 75,000,000 | 127,777,778 | - | 127,777,778 |
| At 31st December, 2006 | 105,000,000 | (4,802,812) | 100,197,188 | 178,888,889 | (8,182,568) | 170,706,321 |
| Net Profit | - | 4,904,483 | 4,904,483 | - | 8,355,786 | 8,355,786 |
| Contributions to share capital | 131,250,000 | - | 131,250,000 | 223,611,111 | - | 223,611,111 |
| At 31st December, 2007 | 236,250,000 | 101,670 | 236,351,670 | 402,500,000 | 173,218 | 402,673,218 |

Cash Flow Statement for the year ended 31st December, 2007

| | Amount in RUR | | Amount in Rupees | |
|---|----------------------|----------------------|------------------------|----------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Cash Flow from Operating Activities | | | | |
| Profit / (loss) before income tax | 6,779,066 | 567,499 | 11,549,520 | 941,481 |
| Adjustments for: | | | | |
| Depreciation expense | 405,443 | 129,772 | 690,755 | 215,292 |
| Foreign exchange difference in financing activities | 4,221,396 | (3,664,370) | 7,192,008 | (6,079,190) |
| Non-monetary adjustments in financing activities | (25,358,229) | (1,865,689) | (43,202,909) | (3,095,178) |
| Accrued expenses | (869,790) | (117,579) | (1,481,864) | (195,064) |
| Interest accruals | 40,171,073 | 5,188,833 | 68,439,606 | 8,608,274 |
| Cash flow from operating activities before changes in operating assets and liabilities | 25,348,959 | 238,466 | 43,187,116 | 395,615 |
| <i>(Increase) / decrease in operating assets</i> | | | | |
| Investment in lease | (547,124,902) | (174,901,103) | (932,138,722) | (290,160,930) |
| other assets | (249,257,854) | (77,327,712) | (424,661,529) | (128,286,674) |
| <i>Increase / (decrease) in operating liabilities</i> | | | | |
| Other liabilities | 140,121,058 | 26,417,535 | 238,724,765 | 43,826,691 |
| Taxes payable, other than income tax | 3,438,612 | 905,900 | 5,858,376 | 1,502,888 |
| Net cash provided by operating activities before income tax and interest paid | (627,474,127) | (224,666,914) | (1,069,029,994) | (372,722,410) |
| Interest paid | (31,495,861) | (4,827,705) | (53,659,615) | (8,009,163) |
| Net cash provided by operating activities | (658,969,988) | (229,494,619) | (1,122,689,609) | (380,731,573) |
| Cash Flow From Investing Activities: | | | | |
| Purchase of property and equipment | (5,181,161) | (503,323) | (8,827,163) | (835,013) |
| Net cash inflow / (outflow) from investing activities | (5,181,161) | (503,323) | (8,827,163) | (835,013) |
| Cash flow from financing activities: | | | | |
| Loans returns | (108,345,158) | (18,876,874) | (184,588,047) | (31,316,734) |
| Loan received | 785,043,715 | 221,998,783 | 1,337,481,885 | 368,295,981 |
| Proceeds from shareholders | 26,538,000 | 57,465,468 | 45,212,889 | 95,335,211 |
| Net cash inflow / (outflow) from financing activities | 703,236,557 | 260,587,377 | 1,198,106,727 | 432,314,458 |
| Increase / (decrease) in cash equivalents | 39,085,408 | 30,589,435 | 66,589,954 | 50,747,872 |
| Cash and cash equivalents, beginning of year | 35,808,990 | 5,219,555 | 61,007,909 | 8,659,242 |
| Cash and cash equivalents, end of year | 74,894,398 | 35,808,990 | 127,597,863 | 59,407,114 |

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007

1. General

CJSC "Srei Leasing" (The Company) was incorporated in Moscow, Russian Federation by IIS International Infrastructure Services GmbH (IIS, a subsidiary company of Srei Infrastructure Finance Limited, India) on 29.09.2004.

The Company's registered address is located at bldg. 1, Street Ulofa Plame, Moscow 119590, Russia.

At the reporting date CJSC "Srei Leasing" is co-owned by a companies IIS GmbH (Bonn, Germany) having a 88.89 % interest, AXIOS INVESTMENT PTE. LTD. (Amber Road, Singapore) having a 10.98 % interest and individual - Vinod Eldandy, having a 0,13% interest.

The Company's objective is to do leasing business mainly for SME's in the infrastructure sector as a highly dedicated and service-oriented Company. Its main focus sectors include Construction, Mining, Oil & Gas and Transport sector. The Company will be based on the same asset based business model and establish the same pro-active degree of customer orientation as Srei in India.

The General Director is Rajesh Bhalotia. The number of employees on payroll as at 31.12.2007 was 34 (as at 31.12.2006 -14).

The Company does not have any branches, subsidiaries and associated companies. The Company has representative offices in Krasnodar and Saint-Petersburg.

2. Summary of accounting policies

Basis of preparation - These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards ("IAS") and Standing Interpretations Committee Interpretations ("SIC") approved by the International Accounting Standards Committee that remain in effect. These financial statements are presented in Russian Rubles ("RUR"), unless otherwise indicated. Transactions in other currencies are treated as transactions in foreign currencies.

The Company is required to maintain its records and prepare its financial statements for regulatory purposes in Russian Rubles in accordance with Russian accounting legislation and related instructions ("RAL"). These financial statements are based on the Company's statutory books and records, as adjusted and reclassified in order to comply with IFRS.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

The preparation of financial statements in conformity with IFRS requires management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses and impairment and the fair value of financial instruments.

Recognition and measurement of financial instruments - The Company recognises financial assets and liabilities in its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents - Cash and cash equivalents are recognised and measured at the fair value of consideration received. Cash and cash equivalents include cash on hand, amounts due from commercial banks that mature within ninety days from the date of origination and are free from contractual encumbrances.

- **Finance leases** - Leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Taxation - Taxes on income are computed in accordance with the laws of the Russian Federation. Deferred taxes, if any, are provided on items recognised in different periods for financial reporting purposes and income tax purposes, using the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax liabilities, if any, which result from temporary differences are provided for in full. Deferred tax assets are recorded to the extent that is probable that such deferred tax assets will be realised.

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007 (Contd.)

Deferred income tax assets and liabilities are offset when:

- The Company has a legally enforceable right to offset the recognised amounts of current tax assets and current tax liabilities;
- The Company has an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously;
- The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which deferred tax liabilities and assets are expected to be settled or recovered.

The Russian Federation also has various other taxes. These taxes are included as a component of operating expenses in the income statement.

Property and equipment - Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment loss. Capitalised cost includes major expenditures on improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repair and maintenance expenditures that do not meet the above criteria for capitalisation are charged to income as incurred.

Depreciation is provided over the estimated useful life of fixed assets on a straight-line basis at the following rates:

| | Rates of depreciation |
|--|-----------------------|
| Building | 1.63% |
| Motor and Vehicles | 9.50% |
| Computers | 16.21% |
| Other plant and machinery | 4.75% |
| Furniture, fixtures and office equipment | 6.33% |
| Leasehold improvements | Lease term |

Loans from banks and customers - Loans and Borrowings are measured at amortised costs.

Provisions - Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital - Share capital is recognised at restated cost.

Dividends will be recognised in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Recognition of income and expense - Interest income and expense are recognised on an accrual basis calculated using the effective interest rate method. The recognition of interest income is suspended when loans and investments in leases become overdue by more than 90 days. Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognised at the time when the transaction occurs.

Management fees are recognised as an income at the date of receipt.

Foreign currency translation - Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Russian Rubles at the official CBR exchange rates at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the profit and loss account as net gain / (loss) on foreign currency translation differences.

3. Related parties

International Infrastructure Services GmbH (IIS) - IIS is the owner 88.89 % of share capital of CJSC "Srei Leasing".

The owners' debt to the Company in the amount of 104,712,000 RUR (Rs. 178,397,834) as of 31.12.2007 represents outstanding contributions to the issued share capital. The last increase of share Capital was registered in September 2007.

During the 2007 year IIS gave the Company a loan in the amount of 3,300,000 EURO (Rs. 208,294,350); out of which EURO 300,000 (Rs. 18,935,850) was returned back in December, 2007 and balance in January, 2008.

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007 (Contd.)

Axios Investment PTE. LTD. (Axios) - Axios is the owner of 10.98 % of share capital of CJSC "Srei Leasing".

The last increase of share Capital was registered in September 2007.

The share capital is completely paid in the reporting period.

There has been no loans provided during the reporting period.

Yelandi Virender Vinod. Yelandi Virender Vinod is the owner of 0.13% of share capital of CJSC "Srei Leasing".

There has been no loans provided during the reporting period.

Director's remuneration - Total remuneration paid to the General Director comprises contractual salary, yearly bonuses as determined in accordance with Russia legislation and compensation for accommodation.

Total remuneration paid to the General Director for the year 2007 was 5,139,568 RUR (Rs. 8,756,282) {3,259,576 RUR (Rs. 5,407,637) in 2006}.

4. Property, plant and equipment

| | Amount in RUR | | | | Amount in Rupees | | | |
|----------------------------------|------------------|-------------------------------------|--|-----------|------------------|-------------------------------------|--|-----------|
| | Motor & Vehicles | Computers, Communication facilities | Furniture, fixtures and office equipment | Total | Motor & Vehicles | Computers, Communication facilities | Furniture, fixtures and office equipment | Total |
| Opening Balance as at 31/12/2006 | 571,049 | 533,840 | 195,473 | 1,300,362 | 972,898 | 909,505 | 333,028 | 2,215,431 |
| Additions | - | 1,098,034 | 761,061 | 1,859,095 | - | 1,870,725 | 1,296,622 | 3,167,347 |
| Disposals | - | - | - | - | - | - | - | - |
| Closing Balance as at 31/12/2007 | 571,049 | 1,631,874 | 956,534 | 3,159,457 | 972,898 | 2,780,230 | 1,629,650 | 5,382,778 |
| Accumulated depreciation | | | | | | | | |
| Opening Balance as at 31/12/2006 | 72,642 | 71,367 | 10,877 | 154,886 | 123,760 | 121,588 | 18,531 | 263,879 |
| Charge for the year | 54,386 | 161,297 | 34,874 | 250,557 | 92,658 | 274,802 | 59,415 | 426,875 |
| Disposals | - | - | - | - | - | - | - | - |
| Closing Balance as at 31/12/2007 | 127,028 | 232,664 | 45,751 | 405,443 | 216,418 | 396,390 | 77,946 | 690,754 |
| Net Book Value | | | | | | | | |
| At 31st December, 2006 | 498,407 | 462,473 | 184,596 | 1,145,476 | 849,138 | 787,917 | 314,497 | 1,951,552 |
| At 31st December, 2007 | 444,022 | 1,399,210 | 910,782 | 2,754,014 | 756,480 | 2,383,840 | 1,551,704 | 4,692,024 |

5. Financial leasing

| | Amount in RUR | | | | Amount in Rupees | | | |
|--|------------------------|--------------|--|-------------|------------------------|--------------|--|-------------|
| | Minimum lease payments | | Present value of minimum lease payment | | Minimum lease payments | | Present value of minimum lease payment | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Investments in leases, gross | | | | | | | | |
| - under 1 year | 430,340,496 | 95,863,424 | 295,457,316 | 62,680,206 | 733,172,697 | 159,037,420 | 503,371,724 | 103,986,462 |
| - 1 – 5 years | 529,663,184 | 163,132,979 | 453,277,278 | 138,929,485 | 902,389,128 | 270,637,612 | 772,250,177 | 230,484,016 |
| | 960,003,680 | 258,996,403 | 748,734,594 | 201,609,691 | 1,635,561,825 | 429,675,033 | 1,275,621,901 | 334,470,477 |
| Less: future finance income | (211,269,087) | (57,386,712) | - | - | (359,939,926) | (95,204,555) | - | - |
| Present value of lease obligations | 748,734,594 | 201,609,691 | 748,734,594 | 201,609,691 | 1,275,621,899 | 334,470,477 | 1,275,621,901 | 334,470,477 |
| Less: Amount due for settlement within 12 months | | | | | | | | |
| (shown under current Assets) | | | 295,457,316 | 62,680,206 | | | 503,371,724 | 103,986,462 |
| Amount due for settlement after 12 months | | | 453,277,278 | 138,929,485 | | | 772,250,177 | 230,484,016 |

Basically leasing contracts were assigned for the period from 1 to 4 years. Interest rates are linked to the risk profile of the customer and averaged 1-2% per month. According to the terms of lease contracts management fees should be paid as Onetime lease fees which were non-refundable and non-adjustable under any circumstances irrespective of whether the lease is terminated.

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007 (Contd.)

6. Trade accounts and other receivables

Amount in RUR

Amount in Rupees

| | 2007 | 2006 | 2007 | 2006 |
|------------------------------|--------------------|-------------------|--------------------|--------------------|
| Inventory | 215,496 | - | 367,141 | - |
| Value added tax recoveries | 145,056,501 | 40,274,521 | 247,133,298 | 66,815,430 |
| Prepaid Expenses | 4,551,779 | 989,433 | 7,754,883 | 1,641,469 |
| Advance paid to suppliers | 72,911,815 | 26,893,481 | 124,220,129 | 44,616,285 |
| Receivable from shareholders | 104,712,000 | 17,534,532 | 178,398,225 | 29,089,789 |
| Other receivable | 6,544,728 | 587,417 | 11,150,277 | 974,525 |
| Total | 333,992,320 | 86,279,384 | 569,023,953 | 143,137,498 |

Advances paid are the advance paid to the supplier for the equipment which is expected to be leased out.

Value added tax recoverable was calculated in accordance with Russian Tax Legislation.

7. Cash and cash equivalents

Amount in RUR

Amount in Rupees

| | 2007 | 2006 | 2007 | 2006 |
|---------------|-------------------|-------------------|--------------------|-------------------|
| Cash in banks | 74,894,398 | 35,808,990 | 127,597,863 | 59,407,114 |
| Total | 74,894,398 | 35,808,990 | 127,597,863 | 59,407,114 |

8. Share Capital

During the reporting period the share capital of the Company increased by RUR 131,250,000 (Rs. 223,611,111)

The increase in share capital was not paid completely by the end of the reporting period. Therefore, the change in the share capital mentioned above was shown in these financial statements in full amount. The unpaid part of the increase of the share capital in the amount of 104,712,000 RUR (Rs. 178,398,222) was recognised as Receivables from shareholders (see note 6). This amount (104,712,000 RUR) was fully paid in January 2008.

The shareholder is entitled to dividends and capital distributions. No dividends were declared in the reporting period.

The share capital of CJSC «SREI Leasing» is divided into 1 share of a nominal value of RUR 1000 thousand.

9. Long term borrowings

Amount in RUR

Amount in Rs.

| | Currency | Denominated in currency | 2007 | 2007 |
|------------------------------------|-----------|-------------------------|--------------------|----------------------|
| Long term loans | US Dollar | 2,190,763 | 53,774,896 | 91,616,489 |
| | EURO | 6,339,269 | 227,790,233 | 388,087,064 |
| | RUR | | 219,312,335 | 373,643,237 |
| Long-term deposit | US Dollar | 432,541 | 10,617,231 | 18,088,616 |
| Total long-term borrowings | | | 511,494,695 | 871,435,406 |
| Short-term part of long-term loans | US Dollar | 3,568,500 | 87,593,112 | 149,232,709 |
| | EURO | 3,333,441 | 119,781,187 | 204,071,652 |
| | RUR | | 39,513,652 | 67,319,555 |
| Short-term loans | EURO | 3,031,611 | 108,935,483 | 185,593,785 |
| Short-term deposit | US Dollar | 336,331 | 8,255,649 | 14,065,180 |
| Total short-term loans | | | 364,079,082 | 620,282,881 |
| Total borrowings | | | 875,573,777 | 1,491,718,287 |

All borrowings are reported inclusive of outstanding interest accrued as of the balance sheet date.

Long-term deposit (including current portion) is the interest-bearing deposit received from lessee as collateral for the future payments for the material lease contract.

Pledge contracts are negotiated for loan security.

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007 (Contd.)

| | Amount in RUR | | Amount in Rupees | |
|---|--------------------|------------------|--------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Current profit tax charge | (1,544,916) | (56,825) | (2,632,079) | (94,273) |
| Deferred profit tax benefit (expenses) | (329,667) | (413,442) | (561,655) | (685,900) |
| Total profit tax benefit / (expense) | (1,874,583) | (470,267) | (3,193,734) | (780,173) |

Income/ (loss) before profit tax for financial reporting purposes is reconciled to the profit tax (expense) / benefit as follows:

| | Amount in RUR | | Amount in Rupees | |
|--|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| (Loss) / Profit before taxation | 6,779,066 | 567,499 | 11,549,520 | 941,481 |
| Theoretical profit tax at an average statutory tax rate of 24% thereon | (1,626,976) | (136,200) | (2,771,885) | (225,956) |
| Tax effect of items which are not deductible or assessable for taxation purposes | 1,379,368 | (334,067) | 2,350,034 | (554,217) |
| Total Profit tax benefit / (expense) | (247,608) | (470,267) | (421,851) | (780,173) |

Deferred profit tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred profit tax assets and liabilities are measured at 24 percent, the rate applicable when the asset or liability will be realised.

| Deferred profit tax | Amount in RUR | | | Amount in Rupees | | |
|--|------------------|--------------------|-----------------------|--------------------|--------------------|-----------------------|
| | Sept. 2007 | Dec. 2006 | Income for the period | Sept. 2007 | Dec. 2006 | Income for the period |
| Receivables | 179,696,303 | 48,386,326 | 131,309,977 | 306,149,257 | 80,272,915 | 223,713,294 |
| Advances received | 3,207,427 | 9,770,996 | (6,563,569) | 5,464,505 | 16,210,082 | (11,182,377) |
| Prepayments | (59,729,134) | (11,161,363) | (48,567,771) | (101,760,747) | (18,516,701) | (82,745,091) |
| Property, Plant and Equipment | (127,791,986) | (48,313,773) | (79,478,213) | (217,719,680) | (80,152,549) | (135,407,326) |
| Intangible Assets | 760,123 | - | 760,123 | 1,295,024 | - | 1295,024 |
| Loss according to tax accounting | (1,371,173) | (180,588) | (1,190,585) | (2,336,073) | (299,595) | (2,028,404) |
| Loans payable | 4,507,470 | 447,765 | 4,059,705 | 7,679,393 | 742,842 | 6,916,534 |
| Total deferred profit tax liabilities (asset) | (720,970) | (1,050,637) | 329,667 | (1,228,321) | (1,743,007) | 561,654 |

| | Amount in RUR | | Amount in Rupees | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Trade payables | 7,997,854 | 162,173 | 13,625,975 | 269,045 |
| Advance received | 36,107,690 | 12,078,020 | 61,516,805 | 20,037,435 |
| Accrued liabilities and other creditors | 3,834,510 | 1,160,595 | 6,532,869 | 1,925,427 |
| Total | 47,940,054 | 13,400,788 | 81,675,649 | 22,231,907 |

The advances received consist of receipts from the lease before disposal of the equipment.

Accrued liabilities and other creditors principally consist of the accrued audit services for the year 2007 and holiday provision.

| | Amount in RUR | | Amount in Rupees | |
|--------------|------------------|----------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Profit tax | 1,326,794 | 56,825 | 2,260,464 | 94,273 |
| Property tax | 3,071,179 | 902,256 | 5,232,379 | 1,496,843 |
| Other taxes | - | 280 | - | 465 |
| Total | 4,397,973 | 959,361 | 7,492,843 | 1,591,580 |

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007 (Contd.)

| 13. Other income | Amount in RUR | | Amount in Rupees | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Interest received from bank deposit | 394,991 | 33,000 | 672,948 | 54,747 |
| Insurance compensation | - | 408,252 | - | 677,290 |
| Penalties & fines | 905,961 | 147,921 | 1,543,489 | 245,401 |
| Recovery of commission fees | - | 490,945 | - | 814,478 |
| Recovery from disposal of inventory | 86,539 | - | 2,363,874 | - |
| Total | 1,387,491 | 1,080,118 | 2,363,874 | 1,791,916 |

Penalties and fines are the revenue received from lessees for breach of the lease contract schedules.

14. Administrative and other operating expenses

| | Notes | Amount in RUR | | Amount in Rupees | |
|--------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| Taxes other than on income | 15 | 7,503,268 | 1,762,046 | 12,783,345 | 2,923,234 |
| Rent | | 6,261,228 | 1,778,289 | 10,667,277 | 2,950,181 |
| Other administrative expenses | | 4,444,770 | 446,675 | 7,572,571 | 741,034 |
| Bank charges | | 3,000,613 | 493,794 | 5,112,155 | 819,204 |
| Audit, legal and consulting services | | 2,784,976 | 2,063,921 | 4,744,774 | 3,424,045 |
| Advertising expenditure | | 1,853,068 | 1,059,970 | 3,157,079 | 1,758,490 |
| Business and travel expenses | | 1,295,877 | 487,593 | 2,207,790 | 808,917 |
| Telephone, post, internet | | 1,162,404 | 549,331 | 1,980,392 | 911,340 |
| Office supply | | 665,245 | 1,115,686 | 1,133,380 | 1,850,923 |
| Transportation expenses | | 470,086 | 104,597 | 800,887 | 173,526 |
| Staff recruitment and training | | 183,051 | 60,076 | 311,865 | 99,666 |
| Translation expenses | | 81,266 | 177,420 | 138,451 | 294,340 |
| Profit (loss) previous periods | | 1,785 | - | 3,041 | - |
| Accounting | | 190 | 105,127 | 324 | 174,406 |
| Total | | 29,707,825 | 10,204,525 | 506,13,331 | 16,929,307 |

15. Taxes other than on income

| | Amount in RUR | | Amount in Rupees | |
|----------------|------------------|------------------|-------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Property tax | 7,429,948 | 1,760,836 | 12,658,430 | 2,999,943 |
| Other taxation | 73,320 | 1,210 | 124,915 | 2,061 |
| Total | 7,503,268 | 1,762,046 | 12,783,345 | 3,002,004 |

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007 (Contd.)

16. Financial commitments and contingencies

Operating environment - The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain characteristics consistent with that of a market in transition. These attributes have in the past included higher than normal historic inflation, lack of liquidity in capital market and the existence of currency controls that cause the national currency to be illiquid outside of Russia. The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal and economic reforms. The Company could be affected, for the foreseeable future, by these risks and their consequences. As a result, there are significant uncertainties that may affect future operations, the recoverability of the Company's assets, and the ability of the Company to maintain or pay its debts as they mature.

17. Contingencies and operating risks.

Insurance - The Company has insurance contracts in relation to collateralised property, plant and equipment. The Company has no insurance policies in relation to other assets, operations, public liability or other insurable risks.

Legal proceedings - During the period under review the Company did not initiate legal proceedings.

Environment - The Company has no liabilities for environmental damage.

Non-payment risks - Financial assets, which potentially subject the Company to the highest risks of losses, consist principally of advances given to suppliers and contractors.

18. Events after the balance sheet date

There were no events after the balance sheet date which could have material effect on the financial statements.

19. Financial Instruments: Information on financial risks

In performing its operating, investing and financing activities, the Company is exposed to the following financial risks:

Credit risk, liquidity risk and market risk and define those risks as follows:

- **Credit Risk:** The possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Company.
- **Liquidity Risk:** the Company define this risk as the risk that it may not have, or may not be able to raise cash funds when needed and therefore encounter the difficulty in meeting obligations associated with financial liabilities.
- **Market Risk:** The risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically the Company is exposed to two market price risks.
- Interest rate risk
- Currency risk

In order to effectively manage those risks, Management has approved some strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks that the Company faces.

The major guidelines of this policy are the following:

- Minimise interest rate, currency and market risk for all kind of transactions
- All financial risk management activities are carried out and monitored at central level.
- All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices.
- The Company can invest in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by Management.

Accounting Policies and Explanatory Notes

for the year ended 31st December, 2007 (Contd.)

The following table summarises the carrying amount of financial assets and liabilities recorded at 31st December by IAS 39 category:

| | Amount in RUR | | Amount in Rupees | |
|--|----------------------|--------------------|----------------------|--------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Financial Assets | | | | |
| Cash and Cash equivalents | 74,894,398 | 35,808,990 | 127,597,863 | 59,407,114 |
| Investment in leases | 748,734,594 | 201,609,691 | 1,275,621,901 | 334,470,477 |
| Trade accounts and other receivables | 333,992,320 | 86,279,384 | 569,023,953 | 143,137,498 |
| Balance at 31st December | 1,157,621,312 | 323,698,065 | 1,972,243,717 | 537,015,089 |
| Financial Liabilities | | | | |
| Measured at amortised cost: | | | | |
| - Borrowings | 875,573,777 | 211,336,841 | 1,491,718,287 | 350,607,819 |
| - Accounts payable, accrued charges and other payables | 52,338,028 | 14,360,149 | 89,168,492 | 23,823,487 |
| Balance at 31st December | 927,911,805 | 225,696,990 | 1,580,886,779 | 374,431,306 |

Credit Risk

The Company controls its exposure to credit risk by setting limits on its exposure to individual customers. There are no significant concentrations of credit risk.

Liquidity risk

The Company manages liquidity risk on the basis of expected maturity dates.

At present the Company does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Company expects the operating activity to generate sufficient cash inflows. In addition, the Company holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

Interest rate risk

The Company's exposure to interest rate risk mainly concerns financial liabilities. Liabilities are all have fixed rates.

Foreign currency risk

Since the Company operates internationally, it is exposed to foreign currency risk as part of its normal industrial and commercial business. The Company's operations are partly financed by local currency loans.

Financial liabilities by currency

| | Amount in RUR | Amount in Rupees |
|--|--------------------|----------------------|
| Financial assets as at 31st December 2007 are analysed by currency as follows | Borrowings | Borrowings |
| US Dollar | 160,240,888 | 273,002,994 |
| Euro | 456,506,902 | 777,752,500 |
| RUR | 258,825,987 | 440,962,793 |
| Balance at 31st December | 875,573,777 | 1,491,718,287 |

| | Borrowings | Borrowings |
|--|--------------------|--------------------|
| Financial assets as at 31st December 2006 are analysed by currency as follows | | |
| US Dollar | 195,723,416 | 333,454,709 |
| Euro | 15,613,425 | 26,600,650 |
| RUR | - | - |
| Balance at 31st December | 211,336,841 | 360,055,359 |

Note: The Audited Financial Statements of ZAO Srei Leasing, Moscow Prepared in accordance with the laws of Russian Federation, the country of incorporation, do not include the Indian Rupees equivalent figures, which have been arrived at by applying the year end interbank exchange rate of RUR 1 = Rs. 1.7037 (2006 RUR 1 = Rs. 1.659)

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