

Chairman and Board of Directors



V.P. Nandakumar
Chairman & Managing Director



I. Unnikrishnan
Managing Director

Directors



B.N. Raveendra Babu



Dr. K.K. Mohandas



Juguna G. Panikamparambil



Adv. V.R. Ramachandran



Jyothy Prasannan



P. Manomohan



Dr. V.M. Manoharan



A.R. Sankaranarayanan



Ashvin C Chadha

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From Chairman's Desk

It is once again a great privilege and pleasure to welcome you, on the occasion of the 16th Annual General Meeting of our Company. Our mutual association now spans 16 fruitful years. It is with a sense of immense pride and achievement that I look back at this long and productive association with you. I feel that during this period, our Company has witnessed progressive, all round growth year on year, for which I feel immensely grateful to all our stakeholders who have contributed in no small measure, to this continuing saga of our success.

Macro – economic scenario

The fiscal year 2007-08 started off as one of the most promising year notable for several reasons such as our nation celebrating its 60th year of independence, the country's highest office being adorned by a woman President, increased global recognition of Indian entrepreneurs etc. The overall macro-economic fundamentals of the country continued to be robust. The economy recorded a growth of around 8.5% during the year on the top of 9% growth recorded in the previous two years. Agricultural sector, however, continued to be a laggard with only 2.2% growth which prompted our planners to target a 4% growth for agriculture in the eleventh plan. Besides, the inflation touching a dreaded 12.1% at the end of July 2008 and oil prices rising to a record level caused a very serious concern that triggered a slew of fiscal and monetary measures to try and address the situation. The stock market witnessed a bull rally till December 2007 and sensx which is the barometer of Indian Capital market rose to an all time high level to touch the coverable 21K but tanked by around 6K in January 2008 on account of global cues before it started looking up. Gold prices rose to an all time record surpassing the historic high of \$850 per ounce recorded in 1981 and gold proved to be an investment avenue that outperformed several other investment options. The interest rate cuts announced by US Federal Reserve in aftermath of sub-prime meltdown that rocked US triggered capital flows into India and our forex reserves crossed \$ 313 billion. Meanwhile, Indian political economy witnessed certain initiatives like Affirmative Action, financial inclusion and inclusive growth. In sum, India remained as one of the best-managed economies amidst the turbulence in the international financial arena.

Banking and NBFC sector

Indian financial sector was on a firmer footing and was substantially insulated from the sub-prime crisis in US. Indian Banks are gearing up to meet the BASEL – II norms with a considerable decline in their delinquency levels. NBFC sector witnessed stricter regulatory prescriptions. Non-deposit taking Companies with asset base over Rs.100 crores were rechristened as Systemically Important Non-Deposit Taking NBFCs (SI-NBFCs-ND) and were subjected to prudential

regulations of capital adequacy and credit concentration norms. Besides bank lending to NBFCs were subjected to higher risk weight of 125% forcing NBFCs to look for an alternative funding options. Corporate governance standards were also made mandatory for NBFCs by RBI in May 2007.



About the Company

Fiscal 2007–08 was quite significant for your Company. With the improved availability of working capital finance from banks and financial institutions, we could vigorously pursue our expansion plans and could penetrate and establish branches in Eastern, Western and Northern parts of the country. Today your Company has 320 branches spread across 13 states in the country. The spurt in the gold prices further brightened the profitable operations of your Company. Another noteworthy development was the infusion of equity into the Company by two internationally renowned private equity players viz; Hudson Equity Holdings Limited and Sequoia Capital India Growth Investments I. Thus your Company has the distinction of being the first NBFC in Kerala to receive foreign direct investment.

It is a matter of great pride for us that ICRA, the rating agency has upgraded the rating of your Company to MA+ for its Fixed Deposit Programme. The Company has thus achieved the distinction of being the highest rated NBFC in Kerala. The Company has also been awarded a rating of LA by ICRA for its working capital limit enjoyed from banking system denoting average credit risk for lending Banks. This rating has been awarded as part of BASEL – II discipline which makes it mandatory for corporate borrowers of banks to get themselves rated from the year 2008 – 09. Corporate borrowers like our Company with average credit risk attracts only a lower capital adequacy ratio for Banks. Our Bankers, therefore, enjoy much greater comfort level while lending to us.

Performance of the Company in 2007-08

In the above background your Company could successfully and sustainably meet the challenges and achieve excellent working results. The Company posted a consolidated net profit of Rs. 21.36 crores during the last financial year as against Rs.10 .80 crores during the previous financial year recording an increase of 97.78%. Profit Before Tax for the year is Rs. 32.53 crores as against Rs.16.64 crores in the previous year showing an increase of 95.49%. The gross

income of the Company rose to Rs. 80.58 crores from Rs.44.21 crores during the last financial year. There has also been substantial spurt in the fee-based income of the Company from Rs. 0.63 crores in 2006-07 to Rs. 0.96 crores in the year 2007-08. Earning per share (EPS) of the Company also recorded a significant increase from Rs. 9.48 to Rs. 18.76 this year. Considering the overall improvement, your directors are pleased to recommend a higher dividend of 20% including the interim dividend of 15% declared and paid by the Company in March 2008.

Future Plan

All that I have highlighted above is only a beginning of our growth story and we have much greater plans ahead. We plan to explore new vistas in the field of gold loans about which we have great ambitions. It has all along been our vision to impart liquidity to the vast privately held gold reserves in the country, which is estimated to be around 15,000 tones. We aim to be a major player in this field with at least 10% of the market share. To start with we have an ambitious plan to have a loan size of Rs.2000 crores by the

end of the current financial year. The recent spurt in the price of gold has provided impetus to our plan which we plan to christen and launch as "Mission Rs2.K Crore-9".

It is clearly evident that our Company has made commendable progress during the year under report. This is substantially, on account of invaluable support and patronage of the distinguished stakeholders, the guidance and co-operation from the Company's Board of Directors, and dedicated hard work and enthusiasm of our executives and employees. Let me take this opportunity to express my sincere gratitude to all the stakeholders of the Company. With their continued support and co-operation, the Company is confident of making its dream a reality. Once again I thank each member for the trust and confidence reposed in the management. We look forward to even more success in the year to come.

With warm regards,

Sd/-

V.P.Nandakumar
Chairman

PROFILE OF DIRECTORS

| | | |
|----|---|--|
| 1 | Mr. V.P. Nandakumar Chairman and Managing Director | M.Sc., CAIIB (Part I). Chairman and Managing Director. Chief Promoter of Manappuram Group of Companies. Served the Banking Industry in various capacities for a period of 7 years. Vice Chairman of Equipment Leasing Association (India). Chairman of KNBFC Association |
| 2 | Mr. I. Unnikrishnan Managing Director | B.Com., FCA. Advisory expert in matters relating to NBFCs. |
| 3 | Mr. B.N. Raveendra Babu Non-Executive Director | M. Com., I.C.M.A (Inter). Expertise in Information Technology. Served 12 years in a senior position in the Finance and Accounts Dept. of M/s Blue Marine at UAE. |
| 4 | Dr. K.K. Mohandas Non-Executive Director | MBBS, M.S. Medical Practitioner, Managing Partner of Elite Mission Hospital, Thrissur. |
| 5 | Mr. Juguna G. Panikampambal Non-Executive Director | B.Tech (IIT), M.Tech (Cornel University, US). Have 12 years experience as Senior Production Engineer, M/s Abu Dhabi Petroleum Corporation, UAE |
| 6 | Adv. V.R. Ramachandran Non-Executive Director | B.Sc., LLB. Advocate. Well known Civil Lawyer of the Thrissur Bar |
| 7 | Smt. Jyothi Prasannan Non-Executive Director | M.Sc., B.Ed., Whole time Director of one of the Group Cos. |
| 8 | Mr. P. Manomohanam Non-Executive Director | B.Com., CAIIB. Former General Manager of Reserve Bank of India. Long experience in the Reserve Bank of India in various capacities. |
| 9 | Dr. V.M. Manoharan Non-Executive Director | M.Com., Phd. Formerly, Dean, KMCT School of Business, Manassery, Kozhikode. Former Dy. Director of Collegiate Education, Thrissur Zone, Principal of Government Colleges, Thrissur, Thalassery, Chittur and Manjeswar. Syndicate Member, University of Calicut. |
| 10 | Mr. A.R. Sankaranarayanan Non-Executive Director | M.Sc., IRS (Retd). Presently Advisor Arya Vaidya Sala, Kottakkal. Former MD, Steel Authority International Ltd. Director, Prime Minister's Secretariate. Director Federal Bank. |
| 11 | Mr. Ashvin C Chadha Non-Executive Director | BA in Economics from Wesleyan University. Vice President, India Equity Partners Advisors Pvt. Ltd. |

Company Secretary : C. Radhakrishnan

Chief Finance Officer : Bindhu A.L.

Auditors : M/s S.R. Batliboi & Associates
Chartered Accountants
TPL House, Second Floor, 3
Cenotaph Road, Teynampet
Chennai - 600 018

Registrars & Share Transfer Agents : M/s SKDC Consultants Limited
PB No.2979, No.11, S.N. Layout
Street No.1, West Power House Road
Coimbatore - 641 012.
Phone : 91-422-2499856

MANAPPURAM General Finance and Leasing Limited
Regd. Office : V/104, Manappuram House, Valapad, Thrissur - 680 567
 Ph: (0487) 2391306, 2391892
 E-mail : mail@manappuram.com Website - www.manappuram.com

OUR SERVICES AVAILABLE AT

| KERALA STATE - THRISSUR | | Phone | | | | PALAKKAD | Phone | |
|--------------------------------|-------------------|---------------|---------------------------|----------------|----------------|-------------------|-----------------|---------------|
| 1. | Naikkanal | 0487-2335544 | 29. | Kothamangalam | 0485-3266711 | 59. | Palakkad | 0491- 2528634 |
| 2. | Guruvayur | 0487-2554041 | 30. | Pallikkara | 0484-3223720 | | | 3257969 |
| | | 3252967 | 31. | Thoppumpady | 0484-3277665 | 60. | Nemmara | 04922-244332 |
| 3. | Triprayar | 0487- 2392663 | 32. | Thripunithura | 0484-3298884 | | | 3322153 |
| | | 3258731 | THIRUVANANTHAPURAM | | | 61. | Kollengode | 0492-264505 |
| 4. | Kodakara | 0480-2728441 | 33. | Nedumangad | 0472-2801525 | | | 3322633 |
| | | 3295790 | | | 3205949 | 62. | Kozhijampara | 0492-273091 |
| 5. | Kechery | 04885-242644 | 34. | Varkala | 0470-2611489 | | | 3322779 |
| | | 325277 | | | 3249075 | 63. | Shornur | 0466-223379 |
| 6. | Cherpu | 0487-2347666 | 35. | Attingal | 0470-2629798 | | | 3205955 |
| | | 3253496 | | | 3209792 | 64. | Alathur | 0492-2226251 |
| 7. | Irinjalakuda | 0480-2832671 | 36. | Karamana | 0471-3216020 | | | 2322285 |
| | | 3295753 | 37. | Neyyattinkara | 0471-2222261 | 65. | Mannarkkad | 04924-223768 |
| 8. | Pazhayannur | 04884-226824 | | | 095471-3249779 | | | 321557 |
| 9. | Chirakkal | 0487-2272694 | KOLLAM | | | 66. | Cheruppalasseri | 0466-2284920 |
| | | 3206435 | 38. | Ochira | 0476-2698008 | | | 3207249 |
| 10. | Varandarappilli | 0480-2763731 | | | 3204241 | 67. | Kuzhalmannam | 04992-272948 |
| | | 3202844 | 39. | Chathannoor | 0474-2593171 | | | 322895 |
| 11. | Thiruvilwamala | 04884-283818 | | | 3206667 | 68. | Olavakkode | 04912-2552591 |
| 12. | Kodali | 0480-2744024 | 40. | Ayur | 0475-2293002 | | | 3201265 |
| 13. | Koorkenchery | 0487-2428439 | | | 3208878 | 69. | Pudunagaram | 0492-251841 |
| | | 3244291 | 41. | Kottarakara | 0474-2459587 | | | 3322770 |
| 14. | Sreenarayanapuram | 0480-2859999 | | | 3200131 | 70. | Koottanad | 0466-3200667 |
| | | 3205168 | 42. | Punalur | 0475-3205533 | 71. | Kanjikode | 0491-3209001 |
| 15. | Kattoor | 0480-2870016 | 43. | Ramapuram | 04822322545 | 72. | Mangalam Dam | 0492-2324404 |
| | | 3202451 | 44. | Pathanapuram | 0475-3206978 | MALAPPURAM | | |
| 16. | Mullassery | 0487-2262784 | PATHANAMTHITTA | | | 73. | Tirur | 0494-2421440 |
| | | 3246739 | 45. | Pathanamthitta | 0468-2271658 | | | 3253290 |
| 17. | Pattikkad | 0487-2283018 | | | 3207818 | 74. | Manjeri | 0483- 2769989 |
| | | 3246743 | 46. | Ranni | 0473-5326868 | | | 3299300 |
| 18. | Azhikode | 0480-2815955 | 47. | Adoor | 04734321324 | 75. | Ponnani | 0494-2669086 |
| | | 3202593 | 48. | Kozhenchery | 04683203234 | | | 3209050 |
| 19. | Kanjani | 0487-2639600 | 49. | Pandalam | 04734323376 | 76. | Kondotti | 0483-3204272 |
| | | 3251005 | 50. | Konni | 04683203785 | | | 2104730 |
| 20. | Kuttanellur | 0487-3269785 | ALAPUZHA | | | 77. | Kuttiapuram | 0494-2609878 |
| 21. | Chazhur (Alappad) | 0487-2275188 | 51. | Alappuzha | 0477-2239334 | | | 3207097 |
| | | 3269752 | | | 3203007 | 78. | Parappanangadi | 0494-2415243 |
| 22. | Perumbilavu | 04885-320865 | 52. | Hari pad | 0479-2404127 | | | 3204692 |
| 23. | Mundoor | 0487-2215544 | | | 3200858 | 79. | Angadipuram | 04933-227373 |
| | | 3259732 | 53. | Kayamkulam | 04793249690 | | | 320927 |
| ERNAKULAM | | | 54. | Chengannur | 0479-2452675 | 80. | Wandur | 0493-321414 |
| 24. | Ernakulam | 0484-2371525 | | | | 81. | Payyanangadi | 0493-2425328 |
| | | 3238554 | 55. | Pala | 9548-22323343 | | | 3207780 |
| 25. | Kaloor | 0484-2537020 | 56. | Erattupetta | 04822325255 | 82. | Tanur | 0494-2444490 |
| | | 3231578 | 57. | Erumely | 04828322992 | | | 3207530 |
| 26. | Aluva | 0484-2629731 | KOTTAYAM | | | 83. | Changaramkulam | 0494-2656088 |
| | | 3213310 | 58. | Kanjirappally | 0482-8323299 | | | 3207760 |
| 27. | Cherai | 0484-2418223 | | | | 84. | Kalikavu | 04931-321817 |
| | | 3246482 | | | | | | 258867 |
| 28. | Malipuram | 0484-3200623 | | | | 85. | Karuvarakundu | 04931-282324 |
| | | | | | | | | 321770 |

| | | | | | |
|--------------------------------------|-------------------------|------------------------------|-------------------------|-----------------------------|--------------------------|
| 86. Downhill Malappuram-Tirur road | 09548-33208404 | 116. Nagercoil | 04652-226870 321003 | 141. Coimbatore-Gandhipuram | 0422- 2492680 3297899 |
| KOZHICKODE | | TIRUNELVELI | | 142. Avinashi | 04296-271270 324422 |
| 87. Kozhikode | 0495-2727767 3246206 | 117. Alangulam | 04633-270662 324432 | THOOTHUKUDI | |
| 88. West Hill | 0495-2380713 3246687 | 118. Ambasamudram | 09943632912 | 143. Thoothukudi | 0461-3204595 |
| 89. Thamarassery | 0495-2222787 3248950 | 119. Tenkasi | 04633322808 | NILGIRI | |
| 90. Ramanattukara | 0495-2441478 3249349 | TIRUVARUR | | 144. Coonoor | 0423-2221332 3200925 |
| 91. Koyilandi | 0496-2621904 3295326 | 120. Mannargudi | 04367-324544 253903 | 145. Ootty | 0423-2445615 3204277 |
| 92. Vadakara | 0496-2517741 3295141 | 121. Nidamangalam | 04367-260065 324300 | 146. Gudalur | 09894627783 |
| 93. Perambra | 0496-2615302 3294836 | 122. Tiruvarur | 04331-250498 320105 | ERODE | |
| 94. Feroke | 0495-2481057 3222227 | NAMAKKAL | | 147. Kangayam | 04257-222040 325521 |
| 95. Balussery | 0496-2640033 3260067 | 123. Rasipuram | 0428-7326787 | 148. Sathyamangalam | 04295-220051 |
| 96. Vellimadukunnu | 0495-3222039 | THENI | | 149. Bhavani | 04256-320003 233234 |
| 97. Medical College | 0495-3224848 | 124. Cumbum | 04554-270381 320980 | 150. Punjaipuliyampatti | 04295-269546 320810 |
| 98. Kadalundi | 0495-3229000 | 125. Bodinayakkanur | 04554-6282436 325828 | 151. Dharapuram | 04258-221081 320882 |
| 99. Pallur | 0490-3242930 | 126. Periyakulam | 04546-230950 326688 | KARUR | |
| WAYANAD | | 127. Andipatti | 04546-242885 321222 | 152. Karur | 04324-262650 320680 |
| 100. Kalpatta | 0493- 6204384 324689 | 128. Theni | 04546-327752 | THANJAVUR | |
| KANNUR | | MADURAI | | 153. Papanasam | 0437-4320211 |
| 101. Kannur | 0497-2711318 3253507 | 129. Arapalayam | 0452-3209290 2380133 | 154. Kumbakonam | 0435-2402020 3208877 |
| 102. Talap | 0497-2704832 3292182 | 130. Townhall Road | 0452-2343069 3205560 | 155. Tiruvaiyaru | 04362-260976 321210 |
| 103. Iritty | 0490-2491534 3293129 | 131. Tallakulam | 0452-2532303 3208020 | TIRUPUR | |
| 104. Thalassery | 0490-2343860 3292943 | 132. Madura West Masi Street | 0452-2343069 3202632 | 156. Tirupur P. N. Road | 0421-3260016 |
| 105. Payyanur | 04985- 206455 325099 | DINDIGUL | | SALEM | |
| 106. Pappinissery | 0497-2788832 | 133. Batlagundu | 04543-264533 320772 | 157. Salem Five Road | 0427-3200440 |
| 107. Valapattanam | 0497-2776582 | 134. Oddanchatram | 04553-243359 320550 | 158. Attur | 04282-253435 320599 |
| 108. Sreekandapuram | 0460-2233378 | 135. Dindigul | 0451-2424432 3205030 | KRISHNAGIRI | |
| 109. Mattannur | 0490-3247800 | 136. Palani | 04545-244055 320069 | 159. Hosur | 04344-245022 325343 |
| 110. Kuthuparamba | 0490-2365090 | 137. Natham | 0454-4246093 4320111 | 160. Krishnagiri | 04843-235606 324113 |
| KASARGODE | | COIMBATORE | | DHARMAPURI | |
| 111. Manjeshwar | 04998-230038 3252904 | 138. Udumalpet | 04252-232939 320535 | 161. Dharmapuri | 04342-326006 |
| 112. Uppala | 04998-242001 | 139. Mettupalayam | 04254-220264 320885 | 162. Hosur Tank Street | |
| TAMILNADU STATE - KANYAKUMARI | | 140. Ganapathy | 0422-2630255 3255458 | VILLUPURAM | |
| 113. Kanniyakumari | 04652-247325 321777 | | | 163. Villupuram | 04146-324998 |
| 114. Kolachel | 04651-225779 323337 | | | 164. Tindivanam | 0414-7321717 |
| 115. Monday Market | 04651-220414 323858 | | | | |

| | | | | | |
|--------------------------|---------------------------|---|--------------------------|--|-------------------------|
| THIRUVANNAMALAI | | VIRUDHU NAGAR | | 216. J.P.Nagar | 080-32478702 |
| 165. Chetput | 04181-320970 252444 | 190. Rayapalayam | 04563-222153 326030 | CHICKMAGALURE | |
| 166. Arni | 0417-3322972 | KARNATAKA STATE - CHAMRAJNAGAR | | 217. Chikmagalur | 08262-233213 320938 |
| VELLORE | | 191. Kollegal | 08224-256709 320500 | 218. Tarikere | 08261-222096 320933 |
| 167. Walajapet | 0417-2324361 232595 | 192. Gundlupet | 08229-222857 321539 | UDUPPI | |
| 168. Vellore | 0416-2211533 3206589 | 193. Chamrajnagar | 08226-222226 3242914 | 219. Karkala | 08258-232388 326219 |
| 169. Arcot | 0417-2325246 | MYSORE | | 220. Uduppi | 0820-2526663 3206667 |
| KANCHIPURAM | | 194. Devaraj Urs Road | 0821-2420243 3205565 | TUMKUR | |
| 170. Kanchipuram | 044-27234949 37206132 | 195. Mandimohalla | 0821-3264408 | 221. Tumkur | 0816-2277664 3297772 |
| 171. Adyar | 044-24405542 32521123 | MANDYA | | 222. Tiptur | 08134-251124 325970 |
| CHENNAI | | 196. Mandya | 08232-223028 324060 | 223. Gubbi | 08131-222024 321112 |
| 172. Theyanmpet | 044- 2341839 30962026 | DAKSHINA KANNADA | | 224. Madhugiri | 081-37282138 321616 |
| 173. Anna Nagar | 044-30961982 26203484 | 197. B C Road | 08255-324852 233854 | 225. Pavagada | 09343732521 |
| 174. Vadapalani | 044-32961983 24727372 | 198. Sullia | 08257-230665 320413 | KOLAR | |
| 175. Aynavaram | 044-6442092 32006343 | 199. Thookottu | 0824-2460888 3212197 | 226. Kolar | 08152-320922 222193 |
| 176. Kaladipet | 044-25993895 32536672 | 200. Kankanady | 0824-2430287 3212474 | CHITRADURGA | |
| 177. Thiru –Vi –Ka Nagar | 044-25592310 32537582 | 201. Puttur | 08251-231036 320564 | 227. Chitradurga | 08194-228850 320979 |
| 178. Ramapuram | 044-224904224 32538573 | HASSAN | | 228. Hiriyur | 08193-229977 320909 |
| 179. Muthamizh Nagar | 044-25549096 32538140 | 202. Hassan | 08172-326066 232119 | 229. Hubli | 083-63206824 |
| 180. Madavaram High Road | 044-25594774 32528438 | 203. Arsikere | 08174-324635 233717 | 230. Belgaum | 0831-2451809 |
| 181. Virugampakam | 044-32413338 | BANGALORE | | SHIMOGA | |
| 182. T Nagar | 044-32419941 | 204. Ramamurthy Nagar | 080-25661198 32977244 | 231. Shimoga | 0818-2225623 2320065 |
| THIRUVALLUR | | 205. Kamashipalayam | 080-23281124 32978066 | RAICHUR | |
| 183. Avadi | 044-26556018 32936200 | 206. Ulsoor | 080-25775048 32938013 | 232. Sindhanur | 08535221212 |
| 184. Ambatthur | 044-26585325 3200199 | 207. Rajaji Nagar | 080-23577751 32938014 | BELLARY | |
| 185. Karayanchavadi | 044-26490945 3200076 | 208. Kengeri | 080-28484193 32978727 | 233. Bellary | 08392327627 |
| 186. Tirittani | 044-27885162 37802177 | 209. Jalahalli | 080-32446246 | 234. Hospet | 08394-321988 |
| TUTICORIN | | 210. Sunkadakatte | 080-32446448 | UTTAR KARNATAKA | |
| 187. Vilattikulam | 04638-234002 320321 | 211. St. John's Church Road (Coles Park) | 080-32447552 | 235. Karwar | 0838-2326980 2226211 |
| 188. Nazareth | 04639-324445 | 212. Sreenivas Nagar (Banshankari) | 080-32448030 | ANDHRA PRADESH STATE - CHITTOOR | |
| PERAMBALLUR | | 213. J C Nagar | 080-32467475 | 236. Chittoor | 0857-2231716 2320902 |
| 189. Jeyangondam | 04331-250498 320105 | 214. Hoskote | 081-11329704 | 237. Tirupathi | 0857-2222357 3208990 |
| | | 215. Kammanahalli | 080-32478566 | 238. Madanapally | 0857-1322022 |
| | | | | 239. Palamaner | 0857-9321116 |

KURNOOL

240. Kurnool 0851-8313933

NELLORE241. Nellore 0861-3200296
3206022
242. Kavali 0862-6324878**ANANTAPUR**243. Anantapur 08554-275722
324747
244. Hindupur 08556-223172
320707
245. Tadpatri 0855-8320444
246. Guntakal 0855-2325770
247. Kadiri 09390982286**GUNTUR**248. Guntur 0863-3201131
249. Tenali 0864-4325625
250. Vinukonda 9396694099**KRISHNA**251. Governpet 0866-2577173
3209809
252. Benzircle 0866-2471787
3202101
253. One town 0866-2566465
3200404
254. Machavaram 0866-2435356
23207076
255. Nuzvid 0865-6320800**KARIMNAGAR**

256. Sircilla 0872-3326600

RANGAREDDY257. Kamala Nagar 040-27134968
32944605
258. Dilsuknagar 040-24050369
32996881
259. Malkajgiri 040-27052439
32002041
260. Uppal 040-27201590
32002040
261. Kukatpally 040-23051170
32975253
262. Vikarabad 0841-6321262
263. Attapur 04032480044**NIZAMABAD**

264. Kamareddy 08468222777

KHAMMAM265. Khammam 08742322610
266. Kothagudem 08744326009**HYDERABAD - WEST GODAVARI**267. Eluru 08812-227472
320507268. Tadepalligudem 0881-8224211
269. Nidadavole 0881-3324878
270. Hanuman Junction 08656-242223**EAST GODAVARI**271. Jaganathapuram 0884-237435
3205475
272. Devichowk 0883-2462177
3205477
273. Ramachandrapuram 08857-325170
57243533
274. Rajahmundry 08822208088**VISAKAPATTANAM**275. NAD Cross Road 0891-2517432
3207335
276. Dhabagarden 0891-2529876
3209660
277. Vizag 0891-3209660
278. Anakapalle 08924324677
279. Gajuwaka 08913267683**MEDAK**

280. Zahirabad 09397071611

ADILABAD281. Adilabad 0873-2324432
2220729
282. Nirmal 08734324208
283. Kagaznagar 087-38235001**PRAKASAM**

284. Ongole 0859-2324445

MAHARASHTRA STATE - MUMBAI285. Sakinaka 022-28514572
32573539**THANE**286. Kalyan 0251-2337751
3251341
287. Kalyan West 0251-2313775
3249422
288. Nerul 022-65117804
3255776
289. Dombivli 0251-2443578
3299753
290. Thane 022-25399437
32455944
291. Vasai 0250-2348393
3259059292. Mira Road- Mumbai 022-32636803
293. Ambernath 0251-2605612
3246898294. Vashi 022-27655565
32637793
295. Bhiwandi 02522-222724
3206146296. Badlapur 0251-2675722
3208511297. Airoli 022-27603368
298. Ghansoli 022-27546077
32484931**RAIGAD**

299. Navi Mumbai-Khargar 022-32476113

NAGPUR300. Gittikhadan 0712-3255415
2596879
301. Hingana Road 0712-3255158
302. Kamptee 07109-320350
303. Gandhibagh 0712-2309315
2730801
304. Kamalchawk 0712-2630410
3257152**PUNE**305. Khadki 020-25824640
32100054
306. Chinchawad 020-27463349
32601988
307. Shukrawarpeth 020-24486226
308. M.G.Road Pune 020-26334165**GUJARAT**309. Amraiwadi 079-2585069
310. Old Vadaj 079-27552918
311. Sabarmati 079-27516658**AHAMADABAD**

312. Odhav 079-27552918

HARYANA STATE - AMBALA

313. Ambala 0171-3200733

PANCHKULA314. Panchkula 0172-2586217
3203616**PUNJAB STATE - PATIALA**315. Rajapura 01762-240383
322654**SAS NAGAR**316. Mohali 0172-3205443
5013948**RAJASTHAN - Jaipur**317. Jhotwara 0141-3140996
318. Sanganeer 0141-3140995**UTTAR PRADESH STATE - GAZIABAD**319. Gaziabad 0120-2702678
3225010**DELHI- North West Delhi**

320. Rohini 011-32542712

DIRECTORS' REPORT

Dear Members

Your Directors have pleasure to present the 16th Annual Report on the working of the company together with the Audited Accounts and the report of the Auditors for the financial year ended 31st March 2008.

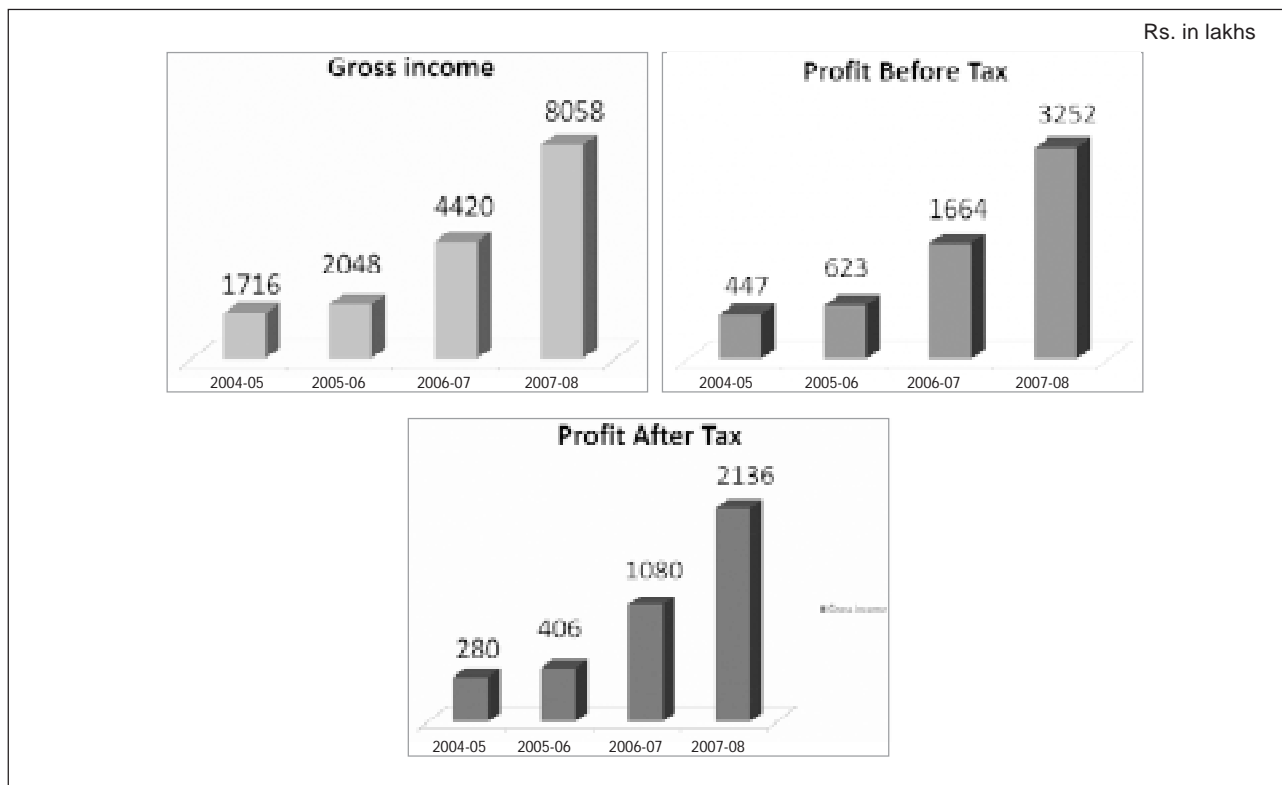
1. Financial Results

(Rupees in lakhs)

| Description | 2007-08 | 2006-07 | 2007-08 (Consolidated) |
|---|----------------|----------------|---------------------------|
| Income from Operations | 7966.00 | 4365.00 | 8058.00 |
| Total Expenditure | 4770.00 | 2730.00 | 4806.00 |
| Profit before Tax | 3196.00 | 1635.00 | 3252.00 |
| Provision for Taxes/Deferred tax | 1097.00 | 574.00 | 1116.00 |
| Net Profit | 2099.00 | 1061.00 | 2136.00 |
| Profit b/f from previous year | 61.40 | 28.00 | 102.00 |
| Amount available for appropriations | 2160.40 | 1089.20 | 2238.10 |
| Appropriation | | | |
| Transfer to Statutory Reserve | 420.00 | 220.00 | 420.00 |
| Transfer to General Reserve | 1000.00 | 500.00 | 1000.00 |
| Transfer to Capital Redemption Reserve | 57.15 | 57.15 | 57.15 |
| Dividend on Convertible Preference shares | 0.65 | - | 0.65 |
| Dividend on Preference shares | 30.00 | 16.25 | 30.00 |
| Interim dividend paid | 165.00 | - | 165.00 |
| Proposed equity dividend | 55.00* | 198.00 | 55.00 |
| Tax on dividend | 42.60 | 36.40 | 42.60 |
| Balance carried forward to next year | 390.00 | 61.40 | 467.70 |

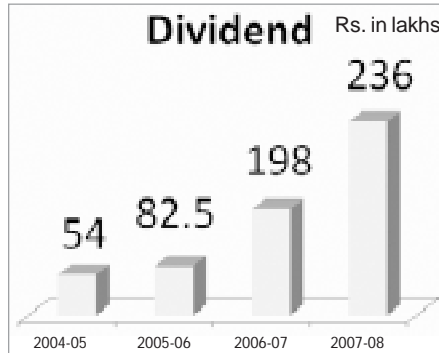
*Excluding the dividend on Converted Equity

CONSOLIDATED FINANCIAL HIGHLIGHTS OVER THE YEARS



2. Dividend

Encouraged by the improved performance of your company during the year, the Board is pleased to recommend a dividend of 20% (ie; Rs.2/- per equity share of Rs.10 each) on the paid up equity capital of the company. The company had already paid an interim dividend of 15% and the remaining 5% would be paid, after the same is passed by the members at the coming Annual General Meeting, to those members whose name appears on the register of members as on the date of book closure. The cash outflow on account of dividend would be Rs. 236 lakhs compared to Rs 198 lakhs during the previous year.



3. Issue of Compulsorily Convertible Preference Shares

As per the approval given by the members at the Extra Ordinary General Meeting of the company held on 05.12.2007, your directors had allotted 2340000 Nos Compulsorily Convertible Preference Shares (CCPS) of Rs. 100 each to M/s Hudson Equity Holding Limited and Sequoia Capital India Growth Investments I respectively. As per the terms of agreement entered into with the investors the CCPS were converted into equity shares at the board meeting held on 21-6-2008 and 3283582 equity shares were allotted to the investors. With the above allotment, the paid up equity share capital of the company has been increased to Rs. 142,835,820.

4. Capital and reserves

Capital and reserves of the company as on 31.03.2008 stood at Rs.9298.28 lakhs. During the year under review the Company transferred Rs.420 lakhs to Statutory Reserve and Rs.1000 lakhs to General Reserve.

5. Working results

The year 2007-08 was a year with excellent financial results as far as your company was concerned. The company has posted a record profit after tax of Rs. 2099 lakhs as against Rs.1061 lakhs during the previous year signifying an increase of 98%. Income from operations also registered an increase of 82% at Rs.7966 lakhs as against Rs.4365 lakhs for the year 2006-07. The consolidated profit after tax was also up by 98% at Rs. 2136 lakhs against Rs.1081 lakhs during the previous year.

Your directors propose to expand the reach of the company still further by opening new branches in all important urban/semi urban locations of the country. Along with this, we also plan to introduce new products and services catering to the needs of different types of customers.

6. Subsidiary Company

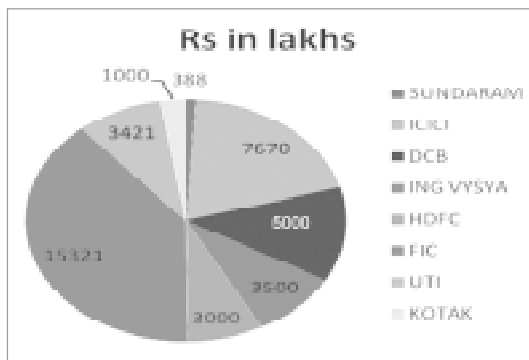
The subsidiary of the company viz; Manappuram Insurance Brokers (P) Limited is active in the field of Insurance broking - both life and general. The company could post an after tax profit of Rs. 37 lakhs during the year under review on a total turnover of Rs. 92.46 Lakhs. The required details pursuant to Section 212 of the Companies Act 1956 relating to subsidiary Companies are given separately and forms part of the report of the Board.

7. Business outlook

Your directors are confident that there exists ample potential for growth for a well run financial service company like yours. Future of a financial service industry depends much on its credibility, efficiency and customer satisfaction. Further, new market segments have to be identified along with strengthening the marketing techniques. Diversification of funding avenues is also highly essential for lowering fund costs. Innovative products, improved relationship management, efficient customer service, better use of technology and reduced operational costs will become the hallmark of successful NBFCs in future. Your directors recognized these facts and worked out suitable action plans well in advance.

8. Resources

As part of the efforts to identify cheaper source of funds, your directors held discussions with many reputed concerns at national and international levels. As a result of the negotiations and discussions, your company could mobilize overseas funds to the tune of Rs.46.80 Crores recently. To meet the expansion plans as also the escalating needs of retail customers, your directors will have to make all out efforts for further mobilization. Efforts in this direction are already on.



Details of mobilization of resources during the year under review are shown in the pie chart below:-

a) Deposits

Your directors have decided at the Board meeting held on 15.01.2007 to phase out the public deposits held by the company. Accordingly, the company stopped accepting fresh public deposits. Existing deposits will not be renewed further. The company has already approved the appointment of M/s IDBI Trusteeship Services Private Limited, Mumbai to act as Trustees of the Depositors in line with the RBI Directions .

Details required as per para 5(1) of special provisions applicable to NBFCs are given below:-

- i) Total number of accounts of public deposits of the company which have not been claimed by the depositors or not paid by the Company after the due date : 4070 nos
- ii) Total amount due under such accounts remaining unclaimed or unpaid beyond the dates referred to in (i) above : 8.09 crore

As on the date of this report, there were no deposits which are due for transfer to the IEPF Account of the Central Government on the expiry of seven years after maturity. There is regular follow up on the part of the company to redeem unclaimed deposits. The company enjoys MA+ rating awarded by ICRA for its public deposit programme.

b) Debentures

Your company continues to issue fully secured redeemable non-convertible debentures of Rs 1000/- each on private placement basis. The outstanding balance of Debentures as on 31/03/2008 amounted to Rs.63 crores. The debentures are issued on private placement basis and are secured by a floating charge created on the receivables of Gold Loan and other current assets of the company. The Company has appointed trustees to see that the interests of debenture holders are well protected. Any amount remaining unclaimed is transferred to debenture trustees account after the expiry of sixty days from the date of maturity.

- c) Unsecured Bonds : The company issued unsecured Subordinated Bonds in the nature of Promissory Notes on private placement basis. These Bonds will be treated as Tier II Capital as per RBI norms. The outstanding figure of these bonds as on 31-03-2008 amounted to Rs. 27 crores.

9. New recognitions

Credit Rating

Your directors feel pleasure to inform that the existing MA rating of the company has been upgraded to MA+ by ICRA. Further the company got 'LA' rating from ICRA, Chennai for the working capital limit of Rs 100 Crores under Basel II norms which indicate average credit risk. Your company is the first to get the highest rating in Kerala awarded to an NBFC. The Company was also nominated for Customer Responsiveness Award 2006 instituted by M/s. Avaya Global Connect.

10. Compliance with NBFC regulations

Your Company has complied with all the regulatory provisions framed by Reserve Bank of India for Non-Banking

Financial Companies. The capital adequacy ratio of the company as on 31-03-2008 is 34.21% as against the statutory requirement of 15%.

11. Directors

Following Directors are liable to retire by rotation at the coming Annual General Meeting. Being eligible, they offer themselves for reappointment.

- 1) Sri. Juguna G Panikamparambil
- 2) Dr. K K Mohandas
- 3) Smt. Jyothy Prasannan

Shri. Juguna G Panikamparambil has been associated with the company from 16.08.97 when he was inducted as an additional director. His appointment was confirmed at the Annual General Meeting of the company held on 27.09.97.

Dr. K K Mohandas is a Medical Professional and has been associated with the company from 14.07.93 when he was inducted as an additional director. His appointment was confirmed at the annual general meeting of the company held on 04.09.1993.

Smt. Jyothy Prasannan was appointed as an additional director of the company with effect from 19.04.2002. Her appointment was confirmed by the members at the annual general meeting held on 06.09.2002.

Following Directors have resigned on their own from the directorship of the company with effect from 05.12.2007. Their resignations were accepted by your Board.

Mr. T.S. Ramakrishnan
Mr. P.G. Wales

As per the terms of the agreement for private equity, M/s Hudson Equity Holdings Limited has nominated Mr. Ashvin Chadha as a nominee director on the Board of Your Company. His appointment was made at the Board Meeting dated 31.01.2008.

12. Particulars of Employees

The company has no employees whose remuneration would exceed the limits prescribed under section 217 (2A) of the Companies Act, 1956. The details of remuneration paid to managerial personnel are separately given in the disclosure on Corporate Governance.

13. The Companies (disclosure of particulars in the report of the Board of Directors) Rules, 1988

Conservation of energy, Technology absorption & Foreign exchange earnings and outgo

Your company has no activities relating to conservation of energy/technology absorption or foreign exchange earnings and outgo.

14. Directors' Responsibility Statement

As required under Section 227 (2AA) of the Companies Act, 1956, the Board of Directors hereby declare that:

- a) In the preparation of Annual Accounts for the financial year ended 31/03/2008, applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- b) 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 2007-08 and of the profit of the company for that period.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors have prepared the Annual Accounts for the year 2007-08 on a going concern basis.

15. Auditors

The statutory Auditors M/s S.R. Batliboi & Associates, Chartered Accountants, TPL House, Second Floor, 3, Cenotaph Road, Teynampet, Chennai - 600 018 retire at the coming Annual General Meeting of the company and are eligible for re-appointment.

16. Report on Corporate Governance

Your Company has been practicing principles of good Corporate Governance over the years. The endeavor of the Company is not only to comply with the regulatory requirements but also practice good Corporate Governance that lays strong emphasis on integrity, transparency and overall accountability. A separate section on Corporate Governance along with a certificate from the Statutory Auditors confirming compliance is annexed and forms part of this report.

17. Management discussion and analysis

Management discussion and analysis report is attached and forms an integral part of the report of the Board of Directors.

18. Acknowledgement

Your Directors acknowledge the dedicated service rendered by the Employees of the Company at all levels. The Directors also acknowledge the support and co-operation received especially from Shareholders, Investors, Customers and Well-wishers, Reserve Bank of India, Government Departments, Banks and other Financial Institutions.

For and on behalf of the Board of Directors

Sd/-

V.P. Nandakumar

Chairman & Managing Director

Place : Valapad
Date : 30.06.2008

Annexure to the Board's Report

Comments/reply to Clause 18.10 of Notes to accounts of the Auditor's report

Company, suomotu, has filed a petition with ROC Kerala for compounding of offence under section 621A of the Companies Act, 1956 for the violation of section 297 of the Act.

For and on behalf of the Board of Directors

Sd/-

V.P. Nandakumar

Chairman & Managing Director

Place : Valapad
Date : 30.06.2008

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Economic outlook

Despite the concerns on inflation touching a dreaded 12% and unprecedented rise in oil prices, Indian economy is expected to sustain its growth in the coming years also. The stock market has also started stabilizing after tanking by 6000 points in January 2008. Unprecedented rise in gold prices and certain degree of volatility have offered both a challenge and an opportunity to financial institutions lending against gold.

2. Industry Structure and Developments

The non banking financial sector in India has recorded considerable growth during the last two decades.

They render a wide range of services catering to the needs of both savers and investors. NBFCs in India are capable of providing services similar to banks. Growing financialisation of savings has given a boost to the development of NBFC sector. There has also been marked improvement in the attitude of commercial banks in the matter of providing financial assistance to NBFCs. Basel – II discipline which imposed mandatory rating on corporate borrowers of banks posed challenges to NBFCs seeking bank finance.

Manappuram General Finance and Leasing Limited with net fixed asset of Rs. 1632 lakhs is one of the leading non-banking finance companies in India. The company, along with its subsidiary company, provides a range of services such as Gold loan, vehicle finance, insurance, forex, distribution of mutual fund and other financial products. Over the years, the company has built a strong presence in the market through its cumulative experience, strong distribution network as well as sound systems and processes. The company's long-term aspiration is to play a significant role in meeting the financial requirements of retail customers as well as medium enterprises.

During the year the gold market has witnessed substantial changes in the business environment. Rising gold prices further strengthened the profitable operations of the Company, which has been constantly re-evaluating its strategy to effectively capitalise on the opportunity by offering appropriate products and services to its customers. Another noteworthy development was the infusion of equity into the Company by the two internationally renowned private equity players viz; Hudson Equity Holdings and Sequoia Capital. Considering these positive developments ICRA, the rating agency has upgraded the rating of the Company to MA+ for its Fixed Deposit Programme. The Company has also been awarded a rating of LA by ICRA for working capital limits enjoyed from banking system denoting average credit risk for lending Banks.

3. Opportunities

The core area of the Company's activities viz. Gold Loan continues to offer immense potential. It is estimated that there are 15000 tonnes of privately held gold in the country. Our vision is to impart liquidity to at least 10% of such privately held gold. Consistent with this vision, we have been establishing branches across the country. During the year the company has taken a number of initiatives to improve the quality of its operations. Several schemes were introduced to meet the needs and preferences of customers. There has also been a perceptible improvement in the attitude of lending institutions and this has substantially alleviated the problems of working capital finances.

4. Threats

The foray of commercial banks and other NBFCs into retail loans continues to be a threat for business growth. Maintenance of regulatory capital (CRAR) at 15% is another challenge towards asset growth. The interest of global investors in Indian Capital Market is however increasing and this can bring in sizable FDI funds. The company is well equipped to explore this potential as exemplified by the recent infusion of foreign private equity into the company. Attrition level in the industry is high on account of growing opportunities in the employment market. Retaining talented professional is therefore a great challenge before the company. In this context there is a paramount need to leverage on the technology to offer prompt customer service.

5. Segment wise performance

There are mainly three segments in which the company is operating. Segment wise performance for the last two years is given.

(Rupees in Lacs)

| Description | Asset Finance | | Gold Loan and other loans | | Fee Based Activities | | Unallocated Items | |
|-------------|-------------------|-------------------|---------------------------|-------------------|----------------------|-------------------|-------------------|-------------------|
| | As on 31.03.08 | As on 31.03.07 | As on 31.03.08 | As on 31.03.07 | As on 31.03.08 | As on 31.03.07 | As on 31.03.08 | As on 31.03.07 |
| Revenue | 1844.65 | 954.83 | 5992.41 | 3203.39 | 188.47 | 119.30 | 32.89 | 143.16 |
| Expense | 1123.94 | 535.87 | 3371.90 | 1614.31 | 51.02 | 29.34 | 258.94 | 576.73 |
| Result | 720.71 | 418.96 | 2620.51 | 1589.08 | 137.45 | 89.96 | (226.05) | (433.57) |

(Figures in brackets signify losses/ expenses)

6. Risks and Concerns

The company has put in place a mechanism to minimize operational risk by way of effective internal control systems, constant system of review and an ongoing internal audit programme. The risk management framework of the company aims to identify the diverse risks faced by the company and evolve appropriate mitigation strategies. The Internal Auditors of the Company undertake a comprehensive audit of functional areas and operations at all branches of the Company. The Internal Audit Team reports directly to the Audit Committee of the Board. The Company had engaged M/s. KPMG to conduct a detailed study of its risk perspectives. The Company is in the process of implementing their recommendations.

The management of credit risk, interest rate risk and liquidity risk are critical components in risk management system of the company. The Company has laid down stringent credit norms through Lending Policy Framework approved by the Board. The Company has developed an asset-liability management model to measure and manage interest rate and liquidity risks. Issues are periodically discussed and reviewed in the meetings of Risk Management Committee.

The Company faces currency risks arising out of the accumulation of foreign currencies at branches. To address this, branches have been given proper instructions on the unloading of currencies which are also centrally monitored.

7. Internal Control System and their Adequacy

The internal control systems of the company are commensurate with the size, scale and nature of its operation. The adequacy of the control system is examined by the management at regular intervals and also by the internal auditors. The internal auditors carry out audit at regular intervals to identify the weakness, if any, of the system and suggest improvements for better functioning. The issues raised by the internal auditors on the operation of the Company are regularly discussed at the audit committee meetings.

8. Discussion on Financial Performance

The consolidated income from operations rose to Rs. 80.58 crores from Rs 44.21 crores during the financial year ended 31st March 2008. The company posted a consolidated net profit of Rs. 21.36 crores during the year as against Rs 10.80 crores during the previous year recording an increase of 97.78 %. The profit is inclusive of Rs 37 lakhs contributed by the 100% subsidiary of the company viz; Manappuram Insurance Brokers (P) Limited. Board of directors has recommended a dividend of 20 % on the paid up capital of the company considering the improved performance during the year under reference.

9. Human resources and the infrastructure developments

Company's dynamic growth greatly depends on the development and maintenance of an organisation structure and human resources to keep pace with the changing business environment and ensuring staff continuity. The company took a number of initiatives to strengthen human resources during the year to improve several HR practices in the organisation. Towards this the company has also engaged the services of an internationally reputed consultant to advice on matters like Manpower planning, training and development, performance appraisal HR audit and the like.

During the year, the company further strengthened its IT infrastructure and systems to support its operations. Connectivity to branches was also upgraded so as to provide improved information flow to branches and to further support the collection system.

10. Cautionary Statement

Statement in this report of the Company's objective, projections, estimates, exceptions, and predictions are forward looking statements subject to the applicable laws and regulations. The statements may be subjected to certain risks and uncertainties. Company's operations are affected by many external and internal factors which are beyond the control of the management. Thus the actual situation may differ from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.

By order of the Board

Sd/-

V.P. Nandakumar

Chairman and Managing Director

Valapad
30.06.2008

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

The principles of Corporate Governance Standards of the company places strong emphasis on transparency, accountability and integrity in the entire business activities of the company. The objective is not merely compliance but to uphold transparency and integrity in all its operations and thereby optimize shareholder value. The Company believes that its business plans and strategies should be consistent with a view to achieving the above objective and thereby leading to sustained corporate growth and long-term benefit to all. Company follows this principle in all its business decisions and dealings.

The company has complied with all mandatory requirements of corporate governance as detailed in the revised clause 49 of the listing agreement. The company has also complied some of the non mandatory requirements the details whereof are given in the following information.

Board of Directors

The Board of Manappuram comprises eleven directors drawn from varying fields who have mastered their respective areas. The composition of the Board fulfills the prescribed requirements as laid down in Clause 49 of the listing agreement. The composition also fulfills the requirements of the circular issued by the Reserve Bank of India in this regard. Of the total 11 directors, 9 directors are non-executives directors. There are 6 independent directors as detailed in the table below. During the period from 01.04.2007 to 31.03.2008, the Board met on 14 occasions. The dates of board meetings are:-28.04.2007, 12.05.2007, 26.05.2007, 23.06.2007, 28.07.2007, 11.08.2007, 08.09.2007, 27.10.2007, 09.11.2007, 02.12.2007, 05.12.2007, 20.12.2007, 31.01.2008 and 12.03.2008. Details of participation of directors, committee membership etc are also shown in the following table.

| Sl No | Name & Status of Director | No. of Meetings | No. of Meetings attended | Whether attended last AGM | Sub- Committee Membership | Directorships in other public limited Companies |
|-------|---|-----------------|--------------------------|---------------------------|--|---|
| 1 | V.P. Nandakumar <i>Chief Promoter Chairman and Managing Director</i> | 14 | 14 | Yes | Nil | 4 |
| 2 | I. Unnikrishnan <i>Managing Director</i> | 14 | 13 | Yes | Nil | 2 |
| 3 | B.N. Raveendra Babu <i>Promoter Non-Executive Director</i> | 14 | 13 | yes | Nil | 1 |
| 4 | Dr.K.K.Mohandas <i>Non-Executive and Independent Director</i> | 14 | 7 | Yes | Grievance Committee (w.e.f. 20-12-2007) | 1 |
| 5 | Juguna G Panikkaparambil <i>Non-Executive and Independent Director</i> | 14 | 5 | No | Remuneration Committee | Nil |
| 6 | Jyothy Prasanna <i>Non-Executive Director</i> | 14 | 14 | Yes | Nil | 3 |
| 7 | Adv. V.R. Ramachandran <i>Non-Executive and Independent Director</i> | 14 | 14 | Yes | Audit & Remuneration Committee Grievance (w.e.f. 20.12.2007) | Nil |
| 8 | Dr.V.M.Manoharan <i>Non-Executive and Independent Director</i> | 14 | 14 | Yes | Audit Committee | 2 |
| 9 | P. Manomohanan <i>Non-Executive and Independent Director</i> | 14 | 14 | Yes | Audit Committee | 2 |
| 10 | A.R. Sankaranarayanan <i>Non-Executive and Independent Director</i> | 14 | 12 | Yes | Audit and Remuneration Committee | Nil |
| 11 | Ashvin Chadha <i>Non-Executive Director (Nominee)</i> | 2 | 2 | Appointed on 31.01.08 | Audit Committee | Nil |

Changes among directors during the year 2007-08.

1. Mr. P.G.Wales and Mr. T.S. Ramakrishnan have resigned from the directorship of the company with effect from 20.12.2007.
2. Mr. Ashvin Chadha was appointed as Nominee Director at the Board meeting held on 31.01.2008.

COMMITTEES OF THE BOARD

a. Audit Committee

The Company has constituted a qualified and independent audit committee as required under section 292 (A) of the companies Act 1956 as also in fulfillment of the requirements of clause 49 of the Listing Agreement. The committee also fulfills the guidelines issued by the Reserve Bank of India in this regard.

Audit committee of the company was reconstituted with effect from 12.03.2008 under the chairmanship of an independent director. The committee has five members who possess sound knowledge of accounts, finance, audit and legal matters. The company secretary acts as the Secretary of the Audit Committee. The terms of reference of the Committee shall be the same as those mentioned in the Listing Agreement as given below:-

Terms of reference:

- 1) Oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending to the Board the appointment, reappointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
- 3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 4) Reviewing, with management the annual financial statements before submission to the Board for approval with particular reference to
 - a) Matters required to be included in the directors responsibility statement to be included in the boards report in terms of clause 2AA of section 217 of the companies act 1956.
 - b) Changes if any in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustment made in the financial statement arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to the financials statements
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report
- 5) Reviewing with the management the quarterly financial statements before submission to the board for approval.
- 6) Reviewing with the management performance of the statutory and internal auditors and adequacy of the internal control system.
- 7) Reviewing the adequacy of internal audit function if any including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 8) Discussion with internal auditors any significant findings and follow up thereon.
- 9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- 10) Discussion with statutory auditors before audit commences about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- 11) To look into the reasons for substantial defaults in the payments to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
- 12) To review the function of whistle blower mechanism in case the same is existing.
- 13) Carrying out any other function as mentioned in the terms of reference of audit committee.

The constitution, meeting attendance and other details of the audit committee of the company are detailed below:-

| Sl. No. | Name of the Member | Position | Status | No. of Meetings held | No. of meetings attended |
|---------|-----------------------|----------|-------------------------------|----------------------|--------------------------|
| 1 | P. Manomohan | Chairman | Independent and Non Executive | 6 | 6 |
| 2 | Adv. V.R.Ramachandran | Member | Independent and Non Executive | 6 | 6 |
| 3 | Dr. V.M.Manoharan | Member | Independent and Non Executive | 6 | 6 |
| 4 | A.R. Sankaranarayanan | Member | Independent and Non Executive | 6 | 6 |
| 5 | *Ashvin Chadha | Member | Non Executive (Nominee) | 1 | 1 |

The audit committee regularly invites such executives as it considers appropriate including the head of finance, head of internal audit and the representative of the statutory auditors to be present at the meetings of the committee. During the period under review, the committee met on 6 occasions on 12.05.2007, 28.07.2007, 27.10.2007, 05.12.2007, 31.01.2008 and 12.03.2008 respectively.

* Mr. Ashvin Chadha was inducted as a member w.e.f. 12-3-2008.

b. Remuneration committee

The Board has also constituted a remuneration committee as part of good corporate governance. The main role of remuneration committee is to determine on behalf of the Board and on behalf of the shareholders the company's policies on specific remuneration packages to executive directors including pension rights and any compensation payment. Following is the constitution of the committee:

1. Shri. A.R. Sanakaranarayanan : Chairman [Non-Executive and Independent]
2. Shri. Juguna G Panikkaparambil : Member [Non-Executive and Independent]
3. Adv. V.R. Ramachandran : Member [Non Executive and Independent]

Remuneration committee met three times during the period from 01.04.2007 to 31.03.2008 to consider the payment of commission to managerial personnel and payment of commission to non executive directors.

c) Remuneration Policy

The Chairman and Managing Directors are paid a fixed monthly salary and perquisites. They are also eligible for such percentage of commission based on the performance of the company which will be within the overall limits permitted under the Companies Act, 1956 as approved by the members.

Details of Remuneration paid to Directors during the financial year 2007-08. (Amount in Rupees)

| SI No | Name of Director | Sitting fees | | Salaries and other allowances | Commission | Total |
|-------|--------------------------|---------------|--------------------|-------------------------------|------------|---------|
| | | Board Meeting | Committee Meetings | | | |
| 1 | V.P. Nandakumar | — | — | 2400000 | 1200000 | 3600000 |
| 2 | I. Unnikrishnan | — | — | 1410000 | 302775 | 1712775 |
| 3 | B.N. Raveendra Babu | — | — | — | — | — |
| 4 | *P.G. Wales | 50000 | 500 | — | — | 50500 |
| 5 | Dr. K.K. Mohandas | 35000 | — | — | — | 35000 |
| 6 | Juguna G Panikkaparambil | 30000 | 1000 | — | — | 31000 |
| 7 | Jyothy Prasanna | 80000 | — | — | — | 80000 |
| 8 | *T.S. Ramakrishnan | 50000 | 500 | — | — | 50500 |
| 9 | Adv. V.R. Ramachandran | 80000 | 41000 | — | — | 121000 |
| 10 | Dr. V.M. Manoharan | 80000 | 40000 | — | — | 120000 |
| 11 | P. Manomohanan | 80000 | 55000 | — | — | 135000 |
| 12 | A.R. Sankaranarayanan | 70000 | 41000 | — | — | 111000 |

Note: Except the Chairman and Managing Director, other Directors are not entitled to any remuneration other than sitting fee for attending meetings of the Board. Remuneration of the Chairman and Managing Director was revised at the Annual General Meeting of the company held on 8/9/2007 as per the provisions of Part I and II of Schedule XIII of the companies Act 1956.

The company has proposed to remunerate the non executive directors by way of commission at a certain percentage of the profits of the company which will be implemented after the same is approved by the members.

c. Shareholders Grievance Committee

The company has constituted a Shareholders Grievance committee to monitor the investor complaints/grievances like non receipt of share certificate, dividend, annual report etc. The committee has been reconstituted with effect from 20.12.2007 as per details shown hereafter. The Committee reviews and redresses shareholders grievances/ complaints. During the period under review the Company has received 32 investor's complaints. All the complaints received as on the date of this report were settled.

| | |
|------------------------|-----------|
| Adv. V.R. Ramachandran | Chairman |
| Dr. K.K. Mohandas | Member |
| Shri. C. Radhakrishnan | Secretary |

Other relevant details are given below:-

Name and designation of compliance officer

C. Radhakrishnan, Joint General Manager & Company Secretary
e-mail : cosecretary@manappuram.com

* Resigned w.e.f. 20-12-2007

d. Other Committees**i. Risk Management Committee**

The Company has constituted a Risk Management Committee to review on an ongoing basis the measures adopted by the Company for the identification, measurement, monitoring and mitigation of the risks involved in various areas of the functioning of the Company. The committee is under the charge of an independent director as chairman and three other directors as members.

The Committee deliberates on the various risk aspects related with its business such as appraisal risk, custodial risk, competition risk, price fluctuation risk as regards the business of gold loan and sourcing risk, borrower risk, product risk etc as regards its vehicle loan segment.

ii. Business Planning Development and Monitoring Committee

The above committee was constituted to draw up, review business plans of the Company, analyze expenditure to identify the emerging pattern and also to suggest measures for expenditure control. The committee is headed by the Chairman with three directors as its members.

Business planning and development and monitoring committee shall deliberate on formulating and reviewing business plan, budgeting and review of capital and revenue expenditures, branch opening plans, business promotion activities, review of profitability and major expenditure, expenditure and analysis, setting norms for branch profitability, allocation of expenses etc.

iii. Human Resources Development Committee

The Company has constituted a Human resource Development Committee under the direct responsibility of an independent director with four other member directors. The purpose of the constitution of the committee is to frame policies for man power planning, setting norms for staff productivity, promotion, training schemes, executive remuneration and to oversee their implementation with a view to enhancing productivity, efficiency and profitability of the organization.

iv. Nomination committee

The nomination committee was constituted in fulfillment of the Reserve Bank of India circular no.DNBS/PD/CC 94/03.10.042/2006-07 dated 08.05.2007 to see that only fit and proper persons are appointed as directors. The committee is headed by the chairman and has two other member directors.

General Body Meetings

Details of the last three Annual General Meetings of the Company are given below :-

| Year | Date | Time and Place | Details of special resolutions passed |
|------|------------|---|---|
| 2007 | 08.09.2007 | 11 AM Anugraha Auditorium PO Valapad, Thrissur - 680 567 | Alteration of Articles of Association of the Company Delisting the securities of the company from Madras Stock Exchange Limited |
| 2006 | 15.07.2006 | 11AM Anugraha Auditorium PO Valapad, Thrissur - 680 567 | Increasing the investment powers of the company to Rs.200 Crores Variation of the terms of appointment of Mr. V.P. Nandakumar, CMD |
| 2005 | 30.07.2005 | 11.00 AM Anugraha Auditorium PO Valapad, Thrissur - 680 567 | Preferential issue of 1000000 equity shares of Rs.10/- each at a premium of Rs.15 per share aggregating Rs.2.5 crores (Including premium) |

Details of Extra Ordinary General Meetings held during the period are given below:-

| Year | Date | Time and Place | Details of special resolutions passed |
|------|------------|--|--|
| 2007 | 05.12.2007 | 11.30 AM Anugraha Auditorium PO Valapad, Thrissur- 680 567 | Increasing the Authorized Capital Alteration of Articles of Association Preferential issue of Compulsorily Convertible Preference Shares |
| 2008 | 31.01.2008 | 11AM Anugraha Auditorium PO Valapad, Thrissur- 680 567 | Alteration of Articles of Association of the Company |

There were no resolutions that needed to be put through postal ballot.

Disclosures

There were no materially significant related party transactions having potential conflict with the interests of company at large. Transactions with related parties are disclosed in Schedule 18 (notes forming part of Accounts - Clause 18.4 in the Annual Report). The Company has complied with all the directives issued by stock exchanges and other statutory authorities. No penalties and strictures were imposed on the company by any regulatory authorities viz; the Stock Exchange, SEBI, Reserve Bank, Registrar of Companies for non-compliance of any law, guidelines and directives during the year.

The Company has fulfilled the following non-mandatory requirements as prescribed by Clause 49 of the listing agreement.

- The Company has constituted a remuneration committee, details of which were given here in before.
- The Company has adopted the code of conduct for the board members and senior management personnel

Means of Communication

The company used to publish the unaudited/audited financial results on quarterly basis as required under clause 41 of the listing agreement. The financial results in the prescribed format are published in newspapers including Economic Times, Business line, Business Standard, Manorama, Mathrubhumi etc. Other major announcements like Book Closure, Board Meetings etc. are also published as above. The company has its web site at www.manappuram.com wherein information on the company and its performance are given. Financial results are also posted on the web site.

Code of Conduct

As per the new clause 49 of the Listing Agreement the Company has framed a Code of Conduct for the Directors and Senior managerial persons and the same was up loaded in the website of the Company and can be accessible to the shareholders of the Company. Requisite Certificate from CEO and the Chief Financial Officer as per clause 49 of the Listing agreement was noted by the Board of directors at its meeting held on 08.05.2008.

Declaration on code of conduct

As required by clause 49 (1) (d) of Listing Agreement it is here by affirmed that all the board members and senior management personnel have complied with Code of Conduct of the company

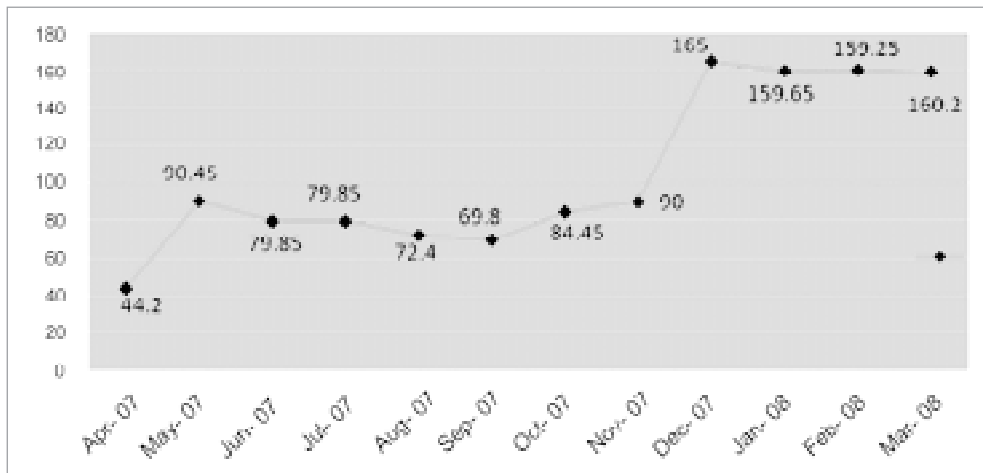
General Shareholder Information

| | | |
|-------------------------------------|---|---|
| ANNUAL GENERAL MEETING | Date | 25.09.2008 |
| | Time | 10.30 A.M. |
| | Place | Anugraha Auditorium, Valapad PO - 680 567, Thrissur |
| Financial Year | 2007-2008 | |
| Date of Book closure | 18.09.2008 to 25.09.2008 (both days inclusive) | |
| Dividend Payment Date | From 15.10.2008 | |
| Listing on Stock Exchanges | Mumbai, Chennai and Cochin | |
| Stock Code | 531213 | |
| Registrar and Share Transfer Agents | M/s SKDC Consultants Limited PB No.2979, No.11, S.N. Layout, Street No.1 West Power House Road, Coimbatore Ph: 0422 2499804 | |
| Compliance Officer | C. Radhakrishnan : Joint General Manager & Company Secretary | |
| Company Address | Manappuram General Finance and Leasing Limited, V/104 Manappuram House, Valapad PO, Thrissur-680 567, Kerala Phone: 0487- 2391306, 2391892. Fax 0487- 2399298 E-mail: mail@ manappuram.com Website: www.manappuram.com | |

Share price movements of the company [BSE] during each month of the financial year 2007-08

| Date | Close (Rs.) | No. of Shares | No. of Trades | Net T/O (Rs.) |
|----------------|-------------|---------------|---------------|----------------|
| April 2007 | 44.20 | 31513 | 228 | 1,414,779.00 |
| May 2007 | 90.45 | 251512 | 1111 | 17,684,418.00 |
| June 2007 | 79.85 | 244080 | 1208 | 19,522,984.00 |
| July 2007 | 79.85 | 112336 | 607 | 8,814,591.00 |
| August 2007 | 72.40 | 58178 | 333 | 4,290,504.00 |
| September 2007 | 69.80 | 139715 | 767 | 10,499,635.00 |
| October 2007 | 84.45 | 412456 | 2089 | 34,099,323.00 |
| November 2007 | 90.00 | 314141 | 1471 | 27,939,986.00 |
| December 2007 | 165.00 | 474264 | 2234 | 60,489,726.00 |
| January 2008 | 159.65 | 1065031 | 2805 | 185,995,801.00 |
| February 2008 | 160.20 | 137530 | 1432 | 22,365,317.00 |
| March 2008 | 159.25 | 297133 | 1999 | 44,044,109.00 |

Share Price Movements

Distribution of shareholding as on 31st March 2008

| Equity Shares | Number | % to total | Amount (in Rs) | % to total |
|--------------------|-------------|---------------|------------------|---------------|
| Upto 5,000 | 1787 | 53.09 | 3301260 | 3.00 |
| 5,001 10,000 | 884 | 26.26 | 8407090 | 7.64 |
| 10,001 20,000 | 389 | 11.56 | 7041290 | 6.40 |
| 20,001 30,000 | 64 | 1.90 | 1761870 | 1.61 |
| 30,001 40,000 | 41 | 1.22 | 1519900 | 1.38 |
| 40,001 50,000 | 67 | 1.99 | 3273510 | 2.98 |
| 50,001 1,00,000 | 59 | 1.75 | 4457230 | 4.05 |
| 1,00,001 and above | 75 | 2.23 | 80237850 | 72.94 |
| TOTAL | 3366 | 100.00 | 110000000 | 100.00 |

Dematerialisation of shares

The shares of the Company are under compulsory Demat trading. The Company has joined as a member of the depository services with National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of its shares. Shareholders can get their shares dematerialized with either NSDL or CDSL. The code number allotted to the company is: INE 522 D01019. Total shares dematerialized as on 31.03.2008 comprised nearly 80%.

Payment of unpaid/ unclaimed dividend

The Company has remitted all unclaimed and unpaid dividends up to the financial year 2000 to the Investor Education and Protection Fund of the Central Government. Dividends relating to the subsequent financial years would be transferred to the said account on the expiry of seven years after transfer of the same to the unpaid dividend account.

Common Agency for Physical and Electronic Transfer

Share transfers, dividend payment and all other investor related activities are attended to and processed at the office of the Registrars and Transfer Agent, as detailed above.

On behalf of the Board

Sd/-

V.P. Nandakumar
Chairman and Managing Director

Valapad
Date:30.06.2008

AUDITORS' CERTIFICATE

To
The Members of Manappuram General Finance and Leasing Limited

We have examined the compliance of conditions of Corporate Governance by Manappuram General Finance and Leasing Limited, for the year ended on March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
per S Balasubrahmanyam
Partner
Membership No.: 053315

City : Chennai
Date : May 8, 2008

AUDITORS' REPORT

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

TPL House, Second Floor, 3, Cenotaph Road,
Teynampet, Chennai - 600 018

To
The Members of
Manappuram General Finance & Leasing Limited

1. We have audited the attached Balance Sheet of Manappuram General Finance & Leasing Limited ('the Company') as at March 31, 2008 and also 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.
2. 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.
3. As required by 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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to 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 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;
 - v. On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. Without qualifying our opinion, we draw attention to Note 10 of Schedule 18 to the financial statements regarding the requirement of previous approval of the Central Government in respect of certain transactions for the purchase and sale of services from/to parties covered under Section 297 of the Companies Act, 1956;
 - vii. 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 March 31, 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 cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Sd/-

per S Balasubrahmanyam

Partner

Membership No.: 053315

Place: Chennai
Date: May 8, 2008

Annexure referred to in paragraph 3 of our report of even date

Re: Manappuram General Finance & Leasing Limited ('the Company')

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
(c) There was no disposal of a substantial part of fixed assets during the year.
- ii) The Company is a non banking finance company engaged in the business of providing loans and does not maintain any inventory. Therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b),(c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
(b) The Company had taken loans from a director and a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 76.75 crores and the year-end balance taken from such parties was Rs 1.36 crores.
(c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
(d) The loans taken are re-payable on demand. As informed, the lenders have not demanded repayment of any such loan during the year, thus, there has been no default on the part of the Company. The payment of interest has been regular.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The activities of the Company do not involve purchase of inventory and sale of goods.
- v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 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 products of the Company.
- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax and other material statutory dues applicable to it. Investor education and protection fund, wealth-tax, customs duty, excise duty and cess are not applicable to the Company
b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax and service tax on account of any dispute are as follows:

| Name of the statute | Nature of dues | Amount (Rs.) | Period to which the amount relates | Forum where dispute is pending |
|------------------------------------|------------------------------|--------------|------------------------------------|---|
| Kerala General Sales Tax Act, 1963 | Penalty | 690,000 | 1994-1999 | Commissioner (Revision) of Sales Tax, Trivandrum |
| Kerala Money Lenders Act, 1958 | Penalty | 30,000 | 2003-2004 | Deputy Commissioner (Revision) of Commercial Tax, Kannur & Malappuram |
| Income Tax Act, 1961 | Disallowance of depreciation | 700,000 | 2000-2001 | Income tax Appellate Tribunal |

- x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a bank or debenture holders. There are no dues to financial institutions.
- xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv) In our opinion, 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 (as amended) are not applicable to the Company.
- xv) According to 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) The Company did not have any term loans outstanding 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 or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has created security or charge in respect of debentures issued.
- xx) The Company has not raised any money by public issues and accordingly, provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xxi) *As more fully discussed in Note 14 of Schedule 18 to the financial statements, we report that, during the year there have been three instances of fraud on the Company by employees where gold loan related misappropriations have occurred for amounts aggregating Rs 24 Lakhs.*

Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that there are no other instances of fraud on or by the Company that have been noticed or reported during the course of our audit, other than those described above.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
per S Balasubrahmanyam
Partner
Membership No.: 053315

Place: Chennai
Date: May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
BALANCE SHEET AS ON 31st MARCH, 2008

| | Schedule No. | As at 31-03-2008 (Rs.) | As at 31-03-2007 (Rs.) |
|--|-----------------|------------------------------|------------------------------|
| I. SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Share capital | 1 | 618,000,000 | 150,000,000 |
| Reserves and surplus | 2 | 311,828,798 | 131,258,099 |
| Loan funds | | | |
| Secured loans | 3 | 1,351,081,230 | 511,935,739 |
| Unsecured loans | 4 | 393,925,578 | 420,938,488 |
| Deferred tax liability (net) | 5 | 391,613 | 956,193 |
| Total | | <u>2,675,227,219</u> | <u>1,215,088,519</u> |
| II. APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross block | 6 | 208,119,688 | 133,713,310 |
| Less : Accumulated depreciation / amortisation | | <u>44,911,022</u> | <u>26,831,110</u> |
| Net block | | 163,208,666 | 106,882,200 |
| Investments | | | |
| | 7 | 29,278,285 | 29,007,720 |
| Current Assets, Loans and Advances | | | |
| Cash and bank balances | 8 | 672,230,174 | 215,653,438 |
| Other current assets | 9 | 202,704,232 | 156,221,456 |
| Loans and advances | 10 | 1,849,330,138 | 959,100,349 |
| | | <u>2,724,264,544</u> | <u>1,330,975,243</u> |
| Less : Current liabilities and provisions | | | |
| Current liabilities | 11 | 216,814,629 | 217,769,016 |
| Provisions | 12 | <u>24,709,647</u> | <u>34,007,628</u> |
| | | 241,524,276 | 251,776,644 |
| Net current assets | | | |
| | | <u>2,482,740,268</u> | <u>1,079,198,599</u> |
| Total | | <u>2,675,227,219</u> | <u>1,215,088,519</u> |
| Notes to accounts | 18 | | |

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
V.P.Nandakumar
Chairman & Managing Director

Sd/-
I. Unnikrishnan
Managing Director

Sd/-
P. Manomohanam
Director

Sd/-
per **S Balasubrahmanyam** (Partner)
Membership No.: 053315

Sd/-
B.N.Raveendra Babu
Director

Sd/-
A.L.Bindu
Chief Financial Officer

Sd/-
C.Radhakrishnan
Company Secretary

Place : Valapad
Date : May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2008

| | Schedule No. | As at 31-03-2008 (Rs.) | As at 31-03-2007 (Rs.) |
|--|-----------------|------------------------------|------------------------------|
| INCOME | | | |
| Income from services | 13 | 779,595,153 | 420,325,081 |
| Other income | 14 | 17,000,957 | 16,174,378 |
| | | <u>796,596,110</u> | <u>436,499,459</u> |
| EXPENDITURE | | | |
| Personnel expenses | 15 | 116,374,957 | 60,607,301 |
| Operating and other expenses | 16 | 198,841,214 | 111,881,747 |
| Depreciation / amortisation | 6 | 18,259,051 | 10,658,791 |
| Financial expenses | 17 | 143,506,745 | 89,837,283 |
| | | <u>476,981,967</u> | <u>272,985,122</u> |
| Profit before tax | | 319,614,143 | 163,514,337 |
| Less: Provision for tax | | | |
| - Current tax | | 109,201,427 | 57,500,000 |
| - Fringe benefit tax | | 1,081,344 | 266,453 |
| - Deferred tax | | (564,580) | (378,800) |
| Profit after tax | | 209,895,952 | 106,126,684 |
| Balance brought forward from previous year | | 6,141,103 | 2,795,599 |
| Profit available for appropriation | | 216,037,055 | 108,922,283 |
| Appropriations: | | | |
| - Transfer to Statutory Reserve | | 42,000,000 | 22,000,000 |
| - Transfer to General Reserve | | 100,000,000 | 50,000,000 |
| - Transfer to Capital Redemption Reserve | | 5,715,000 | 5,715,000 |
| - Dividend on Convertible Preference Shares | | 65,390 | 1,625,000 |
| - Interim Dividend on Equity Shares | | 16,500,000 | - |
| - Interim Dividend on Redeemable Preference Shares | | 3,000,000 | - |
| - Proposed Dividend on Equity Shares | | 5,500,000 | 19,800,000 |
| - Tax on distributed profit | | 4,259,863 | 3,641,180 |
| Net profit carried forward to balance sheet | | <u>38,996,802</u> | <u>6,141,103</u> |
| Earnings per share information - | | | |
| - Weighted average number of equity shares | | | |
| - Basic | | 11,000,000 | 11,000,000 |
| - Diluted | | 11,915,097 | 11,000,000 |
| - Basic earnings per share (in Rs.) | | 18.76 | 9.48 |
| - Diluted earnings per share (in Rs.) | | 17.31 | 9.48 |
| - Nominal value per equity share | | Rs 10/- | Rs 10/- |

Notes to Accounts

18

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

For and on behalf of the Board of Directors

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Sd/-

V.P.Nandakumar

Chairman & Managing Director

Sd/-

I. Unnikrishnan

Managing Director

Sd/-

P. Manomohanam

Director

Sd/-

per **S Balasubrahmanyam** (Partner)

Membership No.: 053315

Sd/-

B.N.Raveendra Babu

Director

Sd/-

A.L.Bindu

Chief Financial Officer

Sd/-

C.Radhakrishnan

Company Secretary

Place : Valapad

Date : May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENT
FOR THE YEAR ENDED ON 31st MARCH, 2008

SCHEDULE 1 - Share Capital

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|--|----------------------------|----------------------------|
| Authorized | | |
| 28,000,000 (Previous year - 16,000,000) equity shares of Rs. 10 each | 280,000,000 | 160,000,000 |
| 400,000 (Previous year - 400,000) redeemable preference shares of Rs. 100 each | 40,000,000 | 40,000,000 |
| 4,800,000 (Previous year - Nil) compulsorily convertible preference shares of Rs. 100 each | 480,000,000 | - |
| Issued, subscribed and paid-up | | |
| 11,000,000 (Previous year -11,000,000) equity shares of Rs. 10 each fully paid up* | 110,000,000 | 110,000,000 |
| 400,000 (Previous year - 400,000) 7.5% redeemable preference shares of Rs. 100 each fully paid up** | 40,000,000 | 40,000,000 |
| 4,680,000 (Previous year -Nil) 0.05% compulsorily convertible preference shares of Rs. 100 each fully paid up*** | 468,000,000 | -- |
| Total | 618,000,000 | 150,000,000 |

* Out of the above, 5,500,000 (Previous year - 5,500,000) equity shares of Rs.10 each are allotted as fully paid up bonus shares by capitalisation of General Reserve - Rs. 40,000,000 (Previous year - Rs. 40,000,000) and Securities Premium - Rs. 15,000,000 (Previous year - Rs. 15,000,000)

** Out of the above 400,000 (Previous year - 400,000) 7.5% redeemable preference shares of Rs. 100 each fully paid up:— 200,000 preference shares issued on September 11, 2004 are redeemable at par by September 10, 2011— 200,000 preference shares issued on September 30, 2004 are redeemable at par by September 29, 2011

*** The CCPS are convertible into equity shares by September 30, 2008 at a premium to be determined based on terms of the share subscription agreement dated December 19, 2007 between the Company, Sequoia Capital India Growth Investments I and Hudson Equity Holdings Limited.

SCHEDULE 2 - Reserves & Surplus

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|----------------------------|----------------------------|
| Capital redemption reserve | | |
| Opening balance | 11,422,500 | 5,707,500 |
| Add: Transferred from Profit and loss account | 5,715,000 | 5,715,000 |
| | 17,137,500 | 11,422,500 |
| Securities premium account | | |
| Opening balance | - | 15,000,000 |
| Less: Transferred to share capital | - | 15,000,000 |
| | - | - |
| Statutory reserve | | |
| Opening balance | 50,300,000 | 28,300,000 |
| Add: Transferred from Profit and loss account | 42,000,000 | 22,000,000 |
| | 92,300,000 | 50,300,000 |
| General reserve | | |
| Opening balance | 63,394,496 | 53,394,496 |
| Less: Transferred to share capital | - | 40,000,000 |
| Add: Transferred from Profit and loss account | 100,000,000 | 50,000,000 |
| | 163,394,496 | 63,394,496 |
| Profit & Loss Account | 38,996,802 | 6,141,103 |
| Total | 311,828,798 | 131,258,099 |

SCHEDULE 3 - Secured Loans

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|----------------------------|----------------------------|
| 653,949 (Previous year - 370,797) 9 - 11.5% Secured Non-convertible Debentures of Rs. 1,000 each redeemable at par at the end of the term of each series of debentures ranging between 1-5 years* | 633,375,000 | 370,797,000 |
| Add: Interest accrued and due thereon | 3,246,115 | 11,825,182 |
| | 636,621,115 | 382,622,182 |
| From bank* | | |
| - Cash credit | 372,449,300 | 128,934,882 |
| - Working Capital Demand Loans | 340,037,436 | - |
| Vehicle loans (Secured by hypothecation of vehicles) | 1,973,379 | 378,675 |
| Total | 1,351,081,230 | 511,935,739 |

*Refer Note 11 to Schedule 18 for details of charge created on assets of the Company

SCHEDULE 4 - Unsecured Loans*

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|----------------------------|----------------------------|
| Deposits (Due within one year - Rs. 33,359,984 (Previous year - Rs. 117,762,876)) | 80,996,128 | 240,938,459 |
| Debenture application money | 20,574,000 | 15,956,000 |
| Inter-Corporate Deposits (Due within one year - Rs. 18,285,652 (Previous year - Rs. 4,665,000)) | 18,285,652 | 4,665,000 |
| Subordinate bond (Due within one year - Rs. 6,570,051 (Previous year - Rs. 35,456,100)) | 271,113,000 | 152,060,100 |
| Interest Accrued and Due | 2,956,798 | 7,318,929 |
| Total | 393,925,578 | 420,938,488 |

*Deposits from Directors - Rs Nil (Previous year - Rs 33,774,220)

Maximum amount outstanding at any time during the year - Rs. 753,774,220 (Previous year - Rs. 264,100,000)

SCHEDULE 5 - Deferred tax liability (net)

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|----------------------------|----------------------------|
| Deferred Tax Liability | | |
| Differences in depreciation and other differences in block of fixed assets as per tax books and financial books | 12,035,450 | 6,620,996 |
| Deferred tax asset | | |
| Provision for loans and advances | (11,643,837) | (5,664,803) |
| Deferred tax liability (net) Total | 391,613 | 956,193 |

Depreciation Statement as per Companies Act, 1956
SCHEDULE 6 - Fixed Assets

| Description | GROSS BLOCK | | | DEPRECIATION/AMORTISATION | | | | NET BLOCK | |
|------------------------------------|----------------------------|-------------------|-------------------|----------------------------|----------------------------|------------------------|------------------|----------------------------|----------------------------|
| | As at 01-04-2007 Rs. | Additions Rs. | Deductions Rs. | As at 31.03.2008 Rs. | As at 01-04-2007 Rs. | For the year Rs. | Deletions Rs. | As at 31.03.2008 Rs. | As at 31.03.2007 Rs. |
| Land * | 955,275 | 700,100 | - | 1,655,375 | - | - | - | 1,655,375 | 955,275 |
| Building | 2,722,123 | 645,748 | - | 3,367,871 | 112,881 | 47,607 | - | 3,207,383 | 2,609,242 |
| Office equipment | 8,313,954 | 8,881,156 | 35,872 | 17,159,238 | 2,555,774 | 2,351,689 | 2,314 | 12,254,089 | 5,758,180 |
| Computer equipment and software | 47,410,788 | 30,086,493 | 638,872 | 76,858,409 | 13,088,532 | 9,608,619 | 63,116 | 54,224,374 | 34,322,256 |
| Furniture & Fittings | 71,029,333 | 32,574,029 | - | 103,603,362 | 10,269,252 | 5,873,798 | - | 87,460,312 | 60,760,081 |
| Vehicle** | 3,281,837 | 2,541,986 | 348,390 | 5,475,433 | 804,671 | 377,338 | 113,709 | 4,407,133 | 2,477,166 |
| TOTAL | 133,713,310 | 75,429,512 | 1,023,134 | 208,119,688 | 26,831,110 | 18,259,051 | 179,139 | 163,208,666 | 106,882,200 |
| Previous year | 67,173,783 | 68,627,563 | 2,088,036 | 133,713,310 | 16,233,657 | 10,658,791 | 61,338 | 106,882,200 | |

* The Company is in the process of registering the title of the land acquired during the year in its name as at March 31, 2008

** Include vehicles taken on finance lease - Gross block Rs. 3,534,766 (Previous year - Rs. 992,770); Net block Rs. 3,229,054 (Previous year - Rs. 851,171)

SCHEDULE 7 - Investments

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|----------------------------|----------------------------|
| Long Term Investments | | |
| <i>(Quoted, at cost)</i> | | |
| A. Other than trade | | |
| Nil (Previous year - 10,000) units of Rs. 100 each in 13.30% APPFCL Bonds | - | 1,000,000 |
| 17,000 (Previous year - 17,000) units of Rs. 100 each in 6.13% Govt. of India Loan | 1,638,800 | 1,638,800 |
| 15,000 (Previous year - 15,000) units of Rs. 100 each in 6.17% Govt of India Loan | 1,398,000 | 1,398,000 |
| 53,700 (Previous year - 53,700) units of Rs. 100 each in 6.85% Govt. of India Loan | 5,341,860 | 5,341,860 |
| 23,500 (Previous year - 23,500) units of Rs. 100 each in 8% TN Loan | 2,460,450 | 2,460,450 |
| 30 (Previous year - 30) units of Rs. 1,00,000 each in 8 % Gujarat Electricity Board | 3,000,000 | 3,000,000 |
| 5,000 (Previous year - 5,000) units of Rs. 100 each in 7.00% Govt of India Loan | 514,000 | 514,000 |
| 2,960 (Previous year - 2,960) units of Rs. 100 each in 7.50% Govt of India Loan | 307,692 | 307,692 |
| 20,000 (Previous year - 20,000) units of Rs. 100 each in 7.33% HAR Loan | 1,882,000 | 1,882,000 |
| 62,000 (Previous year - 62,000) units of Rs. 100 each in 7.38% Govt. of India Loan | 6,153,500 | 6,153,500 |
| 15,000 (Previous year - 15,000) units of Rs. 100 each in 7.59% Govt. of India Loan | 1,502,250 | 1,502,250 |
| 800 (Previous year - 800) equity shares of Rs. 10 each fully paid in Chowgule Steamship | 52,755 | 52,755 |
| 500 (Previous year - 500) equity shares of Rs. 10 each fully paid in Sterling Holiday Resorts India Limited | 51,455 | 51,455 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in Raipur Alloys and Steels Limited | 2,000 | 2,000 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in Western Paques India Limited | 10,000 | 10,000 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in Rohit Pulp and Paper Mills Limited | 11,000 | 11,000 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in The Dhanalakshmi Bank Limited | 5,000 | 5,000 |
| 400 (Previous year - 400) equity shares of Rs. 10 each fully paid in Global Finance Limited | 48,000 | 48,000 |
| 300 (Previous year - 300) equity shares of Rs. 10 each fully paid in Vijaya Bank Limited | 7,200 | 7,200 |
| <i>(Unquoted, at cost)</i> | | |
| A. Other than trade | | |
| 1,000 (Previous year - 1,000) equity shares of Rs. 10 each fully paid in The Catholic Syrian Bank Limited | 32,000 | 32,000 |
| B. In Subsidiary Companies | | |
| 500,000 (Previous year - 500,000) equity shares of Rs. 10 each fully paid in Manappuram Insurance Brokers Private Limited | 5,000,000 | 5,000,000 |
| Current Investments - Trade (Quoted, at lower of cost and market value) | | |
| 1,629 units (previous year - 1,629) of Rs. 20.46 each in Sundaram Mutual Fund | 33,323 | 33,323 |
| | 29,451,285 | 30,451,285 |
| Less: Provision for permanent diminution in the value of investment | 173,000 | 1,443,565 |
| Total | 29,278,285 | 29,007,720 |
| Aggregate book value of unquoted investments | 5,032,000 | 5,032,000 |
| Aggregate book value of quoted investments | 24,419,285 | 25,419,285 |
| Aggregate market value of quoted investments | 23,264,250 | 24,036,239 |

SCHEDULE 8 - Cash & Bank Balance

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|-------------------------------|----------------------------|----------------------------|
| Cash on hand | 166,707,353 | 66,072,243 |
| Balances with scheduled banks | | |
| - on current accounts | 213,863,116 | 56,941,726 |
| - on deposit accounts * | 274,702,523 | 92,131,602 |
| - on unpaid dividend accounts | 16,957,182 | 507,867 |
| Total | 672,230,174 | 215,653,438 |

* deposit accounts includes

- Collateral deposit towards gold loans assigned (Refer Note 12 to Schedule 18)
- Deposit held as per Section 45(IB) of the Reserve Bank of India Act

SCHEDULE 9 - Other Current Assets

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|------------------------------|----------------------------|----------------------------|
| Interest accrued but not due | 190,949,555 | 153,271,918 |
| Stock of foreign currency | 35,474 | 2,949,538 |
| Others | 11,719,203 | - |
| Total | 202,704,232 | 156,221,456 |

SCHEDULE 10 - Loans and Advances

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|--|----------------------------|----------------------------|
| Secured, considered good | | |
| Loans: | | |
| - Gold | 977,168,728 | 197,622,016 |
| - Hypothecation | 620,173,304 | 441,046,903 |
| - Stock on Hire | 71,383,290 | 101,286,300 |
| - Others | 56,470,843 | 62,422,898 |
| Unsecured, considered good | | |
| Advances recoverable in cash or kind or for value to be received | 33,040,829 | 4,668,806 |
| Deposits | 91,093,144 | 152,053,426 |
| Unsecured, considered doubtful | | |
| Loans: | | |
| - Gold | 6,967,280 | 6,076,659 |
| - Hypothecation | 15,475,163 | 6,359,690 |
| - Stock on Hire | 2,489,364 | 1,171,187 |
| - Others | 4,049,795 | 1,614,989 |
| Advances recoverable in cash or kind or for value to be received | 5,275,052 | - |
| | 1,883,586,792 | 974,322,874 |
| Less: Provision for doubtful loans and advances | 34,256,654 | 15,222,525 |
| Total | 1,849,330,138 | 959,100,349 |

SCHEDULE 11 - Current Liabilities

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---------------------------------------|----------------------------|----------------------------|
| Sundry creditors for expenses* | 26,185,994 | 15,552,161 |
| Interest accrued but not due on loans | 17,570,073 | 23,771,094 |
| Unmatured finance charges | 121,030,885 | 13,289,842 |
| Sundry deposits | 22,918,950 | 13,834,282 |
| Unclaimed dividend | 457,182 | 507,867 |
| Dividend payable | 16,500,000 | - |
| Other liabilities | 12,151,545 | 150,813,770 |
| Total | 216,814,629 | 217,769,016 |

* There are no dues outstanding to any enterprises covered under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company as at March 31, 2008 and March 31, 2007.

SCHEDULE 12 - Provisions

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|----------------------------|----------------------------|
| Provisions for taxation (net of advance tax and tax deducted at source) | 17,688,569 | 8,859,797 |
| Provision for fringe benefit tax (net of advance tax) | - | 81,651 |
| Provision for dividend on preference shares | 65,390 | 1,625,000 |
| Proposed final dividend | 5,500,000 | 19,800,000 |
| Tax on proposed dividend | 1,455,688 | 3,641,180 |
| Total | 24,709,647 | 34,007,628 |

SCHEDULE 13 - Income from services

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|-----------------------------------|----------------------------|----------------------------|
| Interest and other income from | | |
| - Gold and other loans* | 587,634,968 | 320,119,137 |
| - Hypothecation loans | 182,359,118 | 93,844,578 |
| Income from fee based activities* | 9,601,067 | 6,361,366 |
| Total | 779,595,153 | 420,325,081 |

SCHEDULE 14 - Other Income

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|-----------------------------|----------------------------|----------------------------|
| Interest (gross)* | 12,336,907 | 12,425,192 |
| Foreign exchange gain (net) | - | 219,504 |
| Bad debts recovered | 2,101,523 | 1,638,660 |
| Others | 2,562,527 | 1,891,022 |
| Total | 17,000,957 | 16,174,378 |

* Taxes deducted at source Rs. 3,091,011 (Previous year - Rs. 1,654,733)

SCHEDULE 15 - Personnel Expenses

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|----------------------------|----------------------------|
| Salaries, wages and bonus | 109,885,414 | 56,628,713 |
| Contribution to provident and other funds | 6,120,404 | 3,929,664 |
| Staff welfare expenses | 369,139 | 48,924 |
| Total | 116,374,957 | 60,607,301 |

SCHEDULE 16 - Operating and other expenses

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|----------------------------------|----------------------------|----------------------------|
| Rent | 27,528,503 | 15,676,893 |
| Electricity | 5,622,438 | 2,993,018 |
| Travel and conveyance | 8,437,141 | 7,151,582 |
| Communication expenses | 16,341,704 | 6,678,004 |
| Advertisement | 61,437,551 | 23,210,944 |
| Directors sitting fees | 749,000 | 392,000 |
| Repairs and maintenance | | |
| - Vehicles | 561,756 | 379,786 |
| - Others | 3,855,512 | 2,074,830 |
| Legal and professional fees | 6,834,807 | 2,313,652 |
| Security charges | 15,233,701 | 6,794,219 |
| Rates and taxes | 5,659,698 | 4,470,937 |
| Printing and stationery | 9,681,322 | 4,017,582 |
| Bad debts | 14,685,390 | 21,320,320 |
| Provision for loans and advances | 19,034,129 | 9,516,516 |
| Miscellaneous expenses | 3,178,562 | 4,891,464 |
| Total | 198,841,214 | 111,881,747 |

SCHEDULE 17 - Financial Expenses

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|------------------------|----------------------------|----------------------------|
| Interest | | |
| - on Debentures | 46,468,643 | 33,955,946 |
| - on Deposits | 40,928,011 | 27,235,310 |
| - on Banks | 26,734,608 | 13,401,357 |
| - Others | 27,790,851 | 13,689,322 |
| Bank and other charges | 1,584,632 | 1,555,348 |
| Total | 143,506,745 | 89,837,283 |

SCHEDULE 18 - Notes to accounts

18.1 Background

Manappuram General Finance and Leasing Limited ('MAGFIL' or 'the Company') was incorporated on July 15, 1992 in Thrissur, Kerala. The Company is a non banking financial company ('NBFC') which provides a wide range of fund based and fee based services including gold loans, hypothecation loans, hire purchase loans, money exchange facilities, etc. The Company currently operates through more than 300 branches spread across the country.

During the current year, the Company has issued and allotted 4,680,000, 0.05% compulsorily convertible preference shares of Rs. 100 each to Hudson Equity Holdings Limited and Sequoia Capital India Investment Holdings I pursuant to an agreement with the aforesaid parties.

18.2 Statement of significant accounting policies

a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standard by Companies Accounting Standards Rules, 2006, the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC. The financial statements have been prepared under the historical cost convention and on an accrual basis except for interest and discount on non performing assets which are recognised on realization basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Change in accounting policy

Adoption of Accounting Standard 15 (Revised) - 'Employee Benefits'

Until March 31, 2007, the Company was providing for gratuity based on actuarial valuation as per certificate from Life Insurance Corporation of India. In the current year, the Company has adopted the Accounting Standard 15 (Revised) [AS 15(R)], which is mandatory from accounting periods commencing on or after from December 7, 2006. Accordingly, the Company has provided for gratuity based on actuarial valuation done as per projected unit credit method. This change does not have a material impact on the profits for the current year and earlier periods.

There are no other employee benefits that have a significant impact on account of adoption of AS 15R.

d) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use.

e) Depreciation

Depreciation, except for computer software (depreciated at the rate of 16.21%), is provided using the straight line method at the rates prescribed under schedule XIV of the Companies Act, 1956, which is management's estimate of the useful lives of the assets.

f) Impairment

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

g) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at

the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease item, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i) Revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income on loans given is recognized under the internal rate of return method. Such interests, where installments are overdue in respect of non performing assets are recognized on realization basis. Any such income recognized and remaining unrealized after the instalments become overdue with respect to non performing assets is reversed.

Revenues from fee-based activities are recognized as and when services are rendered.

Interest on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

j) Retirement benefits

i. Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective fund is due. There are no other obligations other than the contribution payable to the respective trusts.

ii. Gratuity liability under the Payment of Gratuity Act is accrued and provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

iii. Short term compensated absences are provided for based on estimates.

k) Foreign currency transactions

i. Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

l) Income Tax

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders' share split; and reverse share split, if any.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o) Segment reporting

Identification of segments: The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. As the Company operates only in India it has a single geographical segment.

Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items: Unallocable costs include general corporate income and expense items which are not allocated to any business segment.

p) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

18.3 Segment reporting

Primary Segment: Business Segment

The three identified reportable segments are:

1. Gold and other loans - Financing of loans against pledging of gold and gold ornaments
2. Asset financing - Financing of loans against hypothecation of vehicles
3. Fee based activities - Money transfer, foreign currency exchange

Secondary segment information

The Company has no reportable geographical segment as it renders its services entirely in India.

Primary segment information

| Particulars | March 31, 2008 | March 31, 2007 |
|-------------------------------|-----------------------|-----------------------|
| <u>Segment revenues</u> | | |
| Gold and other loans | 599,240,786 | 330,585,130 |
| Asset financing | 184,464,522 | 95,483,238 |
| Fee based activities | 9,601,066 | 6,580,870 |
| | 793,306,374 | 432,649,238 |
| <u>Segment result</u> | | |
| Gold and other loans | 262,051,354 | 137,288,250 |
| Asset financing | 72,071,385 | 27,429,525 |
| Fee based activities | 8,096,034 | 5,761,013 |
| Unallocable Income | 3,289,736 | 3,850,221 |
| Net unallocable expenditure | (25,894,366) | (10,814,672) |
| Profit before taxation | 319,614,143 | 163,514,337 |
| Taxes | 109,718,191 | 57,387,653 |
| Profit after taxation | 209,895,952 | 106,126,684 |
| <u>Segment assets</u> | | |
| Gold and other loans | 2,137,587,210 | 865,337,708 |
| Asset financing | 743,064,719 | 567,640,223 |
| Fee based activities | 35,474 | 2,992,741 |
| Unallocable Assets | 24,344,889 | 31,141,694 |
| | 2,905,032,292 | 1,467,112,366 |
| <u>Segment liabilities</u> | | |
| Gold and other loans | 157,390,421 | 37,810,261 |
| Asset financing | 33,939,563 | 33,558,295 |
| Fee based activities | - | - |
| Unallocated liabilities | 1,795,592,713 | 1,114,485,711 |
| | 1,986,922,697 | 1,185,854,267 |
| <u>Depreciation</u> | | |
| Gold and other loans | 15,859,018 | 8,947,291 |
| Asset financing | 2,400,033 | 1,711,500 |
| Fee based activities | - | - |
| | 18,259,051 | 10,658,791 |
| <u>Capital expenditure</u> | | |
| Gold and other loans | 65,514,796 | 57,607,920 |
| Asset financing | 9,914,716 | 11,019,643 |
| Fee based activities | - | - |
| | 75,429,512 | 68,627,563 |

18.4 Related party transactions

| Particulars | Subsidiary | | Associates / Enterprises owned or significantly influenced by key management personnel or their relatives | | Key Management Personnel | | Relatives of key management personnel | | Total | |
|--|------------|-----------|---|--------------------|--------------------------|-------------------|---------------------------------------|---------------|--------------------|--------------------|
| | 31-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 |
| Sale of gold loans | - | - | 790,400,000 | 922,673,943 | - | - | - | - | 790,400,000 | 922,673,943 |
| Manappuram Finance | - | - | 790,400,000 | 922,673,943 | - | - | - | - | 790,400,000 | 922,673,943 |
| Tamilnadu Ltd. | - | - | - | - | - | - | - | - | - | - |
| Purchase of gold loans | - | - | 151,626,511 | 800,573,943 | - | - | - | - | 151,626,511 | 800,573,943 |
| Manappuram Finance | - | - | 122,107,400 | 800,573,943 | - | - | - | - | 122,107,400 | 800,573,943 |
| Tamilnadu Ltd. | - | - | 29,519,111 | - | - | - | - | - | 29,519,111 | - |
| Manappuram Finance | - | - | - | - | - | - | - | - | - | - |
| Debentures issued during the year | - | - | - | - | 275,000 | - | - | - | 275,000 | - |
| V P Nandakumar | - | - | - | - | 275,000 | - | - | - | 275,000 | - |
| Interest paid | - | - | 12,003,967 | 8,190,092 | 34,809,413 | 10,485,760 | 81,940 | 98,002 | 46,895,320 | 18,773,854 |
| V P Nandakumar | - | - | - | - | 34,809,413 | 10,485,760 | - | - | 34,809,413 | 10,485,760 |

| | | | | | | | | | | |
|---|---|------------------|-------------------|------------------|---|----------------|--------|----------------|-------------------|-------------------|
| Manappuram Comptech & Consultants (P) Ltd. | - | - | - | 1,489 | - | - | - | - | - | 1,489 |
| Manappuram Finance Tamilnadu Ltd. | - | - | 11,487,867 | 8,188,603 | - | - | - | - | 11,487,867 | 8,188,603 |
| Manappuram Asset Finance Ltd. | - | - | 516,100 | - | - | - | - | - | 516,100 | - |
| Jyothi Prasannan | - | - | - | - | - | 81,940 | 98,002 | - | 81,940 | 98,002 |
| Interest received | - | - | 920,548 | 9,155,792 | - | - | - | - | 920,548 | 9,155,792 |
| Manappuram Finance Tamilnadu Ltd. | - | - | 920,548 | 9,155,792 | - | - | - | - | 920,548 | 9,155,792 |
| Deputation of staff to other Companies | - | 1,025,756 | 14,986,100 | 9,154,969 | - | - | - | - | 14,986,100 | 10,180,725 |
| Manappuram Benefit Fund Ltd. | - | - | 10,000,000 | 3,534,849 | - | - | - | - | 10,000,000 | 3,534,849 |
| Manappuram Finance Tamilnadu Ltd. | - | - | 4,986,100 | 5,361,534 | - | - | - | - | 4,986,100 | 5,361,534 |
| Manappuram Insurance Brokers (P) Ltd. | - | 1,025,756 | - | - | - | - | - | - | - | 1,025,756 |
| Manappuram Comptech & Consultants (P) Ltd. | - | - | - | 213,683 | - | - | - | - | - | 213,683 |
| Manappuram Chits (India) Ltd. | - | - | - | 44,903 | - | - | - | - | - | 44,903 |
| Deputation of staff from other Companies | - | 417,788 | - | - | - | - | - | - | - | 417,788 |
| Manappuram Benefit Fund Ltd. | - | 253,531 | - | - | - | - | - | - | - | 253,531 |
| Manappuram Insurance Brokers (P) Ltd. | - | 164,257 | - | - | - | - | - | - | - | 164,257 |
| Inter Corporate Deposits | - | - | 13,685,646 | - | - | - | - | - | 13,685,646 | - |
| Manappuram Asset Finance Ltd. | - | - | 13,685,646 | - | - | - | - | - | 13,685,646 | - |
| Incentive reimbursement received | - | - | 2,396,878 | - | - | - | - | - | 2,396,878 | - |
| Manappuram Finance Tamilnadu Ltd. | - | - | 2,396,878 | - | - | - | - | - | 2,396,878 | - |
| Subordinate Bond issued during the year | - | - | - | - | - | 951,000 | - | 951,000 | - | - |
| Jyothi Prasannan | - | - | - | - | - | 951,000 | - | 951,000 | - | - |
| Issue of Preference shares | | | | | | | | | | |
| V.P. Nandakumar | | | | | | 20,000,000 | | | | 20,000,000 |
| V.P. Nandakumar | | | | | | 20,000,000 | | | | 20,000,000 |

Balance outstanding as at the period end:

| | | | | | | | | | | |
|--|---|---|-------------------|--------------------|-------------------|---|----------------|----------------|-------------------|--------------------|
| Amounts payable (net) to related parties | - | - | 13,766,253 | - | 45,432,464 | - | 955,075 | 133,000 | 60,153,792 | 133,000 |
| Mr V.P.Nandakumar | - | - | - | - | 45,432,464 | - | - | - | 45,432,464 | - |
| Manappuram Asset Finance Ltd. | - | - | 13,766,253 | - | - | - | - | - | 13,766,253 | - |
| Jyothi Prasannan | - | - | - | - | - | - | 955,075 | 133,000 | 955,075 | 133,000 |
| Amounts receivable (net) from related parties | - | - | 2,396,878 | 122,100,000 | - | - | - | - | 2,396,878 | 122,100,000 |
| Manappuram Finance Tamilnadu Ltd. | - | - | 2,396,878 | 122,100,000 | - | - | - | - | 2,396,878 | 122,100,000 |

1. Names of related parties

Subsidiary Associates / Joint Ventures / Enterprises owned or significantly influenced by key management personnel or their relatives

Manappuram Insurance Brokers Private Limited
 Manappuram Finance Tamilnadu Limited [formerly Manappuram Finance (Tamilnadu) Private Limited]
 Manappuram Benefit Fund Limited
 Manappuram Chits (India) Limited
 Manappuram Comptech & Consultants (P) Limited
 Manappuram Asset Finance Ltd.
 Manappuram Finance (Sole proprietorship)

| | |
|---------------------------------------|---|
| Key Management Personnel | V P Nandakumar I Unnikrishnan |
| Relatives of key management personnel | Sushama Nandakumar Sooraj Nandan Shelly Ekalavyan Athira Prasannan Jyothi Prasannan |

2. Remuneration paid to directors is disclosed elsewhere in the financial statements

18.5 Employment benefits disclosures:

The amounts of Provident Fund contribution charged to the Profit and Loss Account during the year aggregates to Rs. 3,345,599 (Previous Year - Rs. 2,147,999)

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Personnel expenses)

| | 2008 |
|---|-------------|
| Current service cost | 536,630 |
| Interest cost on benefit obligation | 55,148 |
| Expected return on plan assets | (133,199) |
| Net actuarial gain recognised in the year | (259,670) |
| Net (benefit) / expense | 198,909 |
| Actual return on plan assets | - |

Balance sheet

Reconciliation of present value of the obligation and the fair value of plan assets:

| | 2008 |
|---|-------------|
| Defined benefit obligation | (926,872) |
| Fair value of plan assets | 1,804,486 |
| Asset/(liability) recognised in the balance sheet | 877,614 |

Changes in the present value of the defined benefit obligation are as follows:

| | 2008 |
|------------------------------------|-------------|
| Opening defined benefit obligation | 735,308 |
| Interest cost | 55,148 |
| Current service cost | 536,630 |
| Benefits paid | (140,544) |
| Actuarial gains on obligation | (259,670) |
| Closing defined benefit obligation | 926,872 |

Changes in the fair value of plan assets are as follows:

| | 2008 |
|-----------------------------------|-------------|
| Opening fair value of plan assets | 1,275,233 |
| Expected return | 133,199 |
| Contributions by employer | 536,598 |
| Benefits paid | (140,544) |
| Actuarial gains / (losses) | - |
| Closing fair value of plan assets | 1,804,486 |

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

| | 2008 |
|-----------------------------------|-------------|
| | % |
| Discount rate | 7.5% |
| Expected rate of return on assets | 7.5% |

The fund is administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

18.6 Earnings per share

| | 2008 | 2007 |
|---|---------------------------|---------------------------|
| Net profit as per profit and loss account | 209,895,952 | 106,126,684 |
| Less: Dividends on preference shares | <u>(3,586,353)</u> | <u>(1,901,169)</u> |
| Net profit for calculation of basic and diluted EPS | <u>206,309,599</u> | <u>104,225,515</u> |
| Weighted average number of equity shares in calculating basic EPS | 11,000,000 | 11,000,000 |
| Add: Weighted average equity shares to be issued on conversion of preference shares | <u>915,097</u> | <u>-</u> |
| Weighted average number of equity shares in calculating diluted EPS | <u>11,915,097</u> | <u>11,000,000</u> |

18.7 Lease disclosure

Operating Leases:

Office premises are obtained on operating lease which are cancellable in nature.

Finance Leases:

| | 2008 | 2007 |
|--|------------------|----------------|
| Total minimum lease payments at the year end | 2,236,305 | 408,319 |
| Less: Amount representing finance charges | <u>262,926</u> | <u>29,644</u> |
| Present value of minimum lease payments | 1,973,379 | 378,675 |
| Lease payments for the year | 549,810 | 544,116 |
| <i>Minimum Lease Payments:</i> | | |
| Not later than one year [Present value Rs. 745,623 as on March 31, 2008 (Rs. 317,325 as on March 31, 2007)] | 902,388 | 334,327 |
| Later than one year but not later than five years [Present value Rs. 1,227,756 as on March 31, 2008 (Rs. 61,350 as on March 31, 2007)] | 1,333,917 | 73,992 |

18.8 Commitments and contingent liabilities

Commitments

Estimated amount of contracts remaining to be executed on capital account, net of advances is Rs. Nil/-. (Previous year - Rs. Nil).

Contingent liabilities

i) Claims against the Company not acknowledged as debts

| | 2008 | 2007 |
|---|-------------|-------------|
| Penalty under Kerala General Sales Tax Act and Kerala Money Lenders Act | 720,000 | 720,000 |
| Income tax demand | 700,000 | - |

ii) Others

The Company is contingently liable to banks and other financial institutions with respect to assignment of gold / hypothecation loans to the extent of the collateral deposit / guarantees - Rs. 534,074,694 (previous year - Rs. 263,233,013).

18.9 Assignment of receivables

The Company has assigned a portion of its gold loans / hypothecations loans to banks and financial institutions during the year. The aggregate balance amount lying outstanding as at March 31, 2008 is Rs. 3,930,117,097 (Previous year - Rs. 2,978,739,220), the breakup for which is as given below:

| | 2008 | 2007 |
|-------------------------------|-----------------------------|-----------------------------|
| Sundaram Finance | 38,895,669 | 57,939,430 |
| ICICI Bank | 766,969,186 | 400,000,000 |
| Development Credit Bank | 500,000,000 | - |
| ING Vysa Bank | 349,998,315 | - |
| HDFC Bank | 300,000,000 | 90,000,000 |
| Fullerton Credit Company Ltd. | 1,532,164,176 | 2,076,809,928 |
| Unit Trust of India | 342,089,751 | 253,989,862 |
| Kotak Mahindra | 100,000,000 | 100,000,000 |
| | <u>3,930,117,097</u> | <u>2,978,739,220</u> |

18.10 Transactions with parties covered under section 297 of the Companies Act, 1956

The Company has entered into transactions for the purchase and sale of gold loan with certain parties covered under section 297 of the Companies Act, 1956. In addition, the Company has also entered into transactions with such parties for deputation of employees.

Management believes that transactions for the purchase and sale of gold loans with such parties are at prevailing market prices after considering the specialized nature of the items transacted. The Company is in the process of obtaining necessary approvals/condonations from Central Government, if any that may be required in respect of the various classes of the transactions entered into with parties covered under section 297 of the Companies Act, 1956.

18.11 Charges created on assets of the Company for Secured Loans**A. Non Convertible Secured Debentures**

Non convertible secured debentures are secured by floating charge on the specified HP receivables, Gold loan including receivables thereon and other unencumbered assets both present and future.

B. From banks

Overdraft accounts have been availed with the following banks and are secured by pledge of assets under original Hire Purchase agreements / Hypothecation Loan agreements including receivables thereon:

- The Catholic Syrian Bank Ltd., Thrissur
- The Dhanalakshmi Bank Ltd., Thrissur
- Canara Bank, Thrissur
- The Catholic Syrian Bank Ltd., TCR FCNR(B) Loan
- Punjab National Bank

Working Capital Demand Loan facilities are secured by gold loan receivables

18.12 Cash Collaterals held with banks

| | 2008 | 2007 |
|------------------------------|---------------------------|--------------------------|
| ICICI Bank | 168,512,489 | - |
| Development Corporation Bank | 25,000,000 | 20,052,020 |
| Axis bank | 30,000,000 | 21,000,000 |
| HDFC Bank | 36,000,000 | 12,000,000 |
| Kotak Mahindra Bank | 2,500,000 | 2,500,000 |
| ING Vysya | 8,752,000 | - |
| | <u>270,764,489</u> | <u>55,552,020</u> |

18.13 Supplementary profit and loss data**a. Legal and professional fees (Schedule 16) includes remuneration to auditors as follows:**

| | 2008 | 2007 |
|------------------------|-------------------------|-----------------------|
| Statutory audit | 750,000 | 196,630 |
| Tax services | - | 33,708 |
| Certification | 150,000 | 144,578 |
| Out of pocket expenses | 100,000 | - |
| | <u>1,000,000</u> | <u>374,916</u> |

Note: Excludes applicable service taxes

b. Managerial remuneration

| | 2008 | 2007 |
|---|-------------------------|-------------------------|
| Salary | 5,312,774 | 2,765,892 |
| Contribution to provident fund/superannuation | 138,720 | 74,040 |
| | <u>5,451,494</u> | <u>2,839,932</u> |

Note: Provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations done on an overall Company basis are excluded above.

18.14 During the year, there have been three instances of fraud on the Company by employees where gold loan related misappropriations have occurred for amounts aggregating Rs. 24 lakhs. The Company has initiated steps to recover the amounts and have approached the insurance company for the same. The Company has terminated the employment of those involved in the aforesaid incidents.

18.15 Comparatives

The figures of the previous year were audited by a firm of Chartered Accountants other than S. R. Batliboi & Associates. The previous year's figures have been regrouped wherever necessary to conform to current year's classification.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
per **S Balasubrahmanyam** (Partner)
Membership No.: 053315

Sd/-
V.P.Nandakumar
Chairman & Managing Director

Sd/-
I. Unnikrishnan
Managing Director

Sd/-
P. Manomohanam
Director

Sd/-
B.N.Raveendra Babu
Director

Sd/-
A.L.Bindu
Chief Financial Officer

Sd/-
C.Radhakrishnan
Company Secretary

Place : Valapad
Date : May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
Cash Flow Statement for the year ended 31st March 2008

| | Year ended 31-3-2008 (Rs.) | Year ended 31-3-2007 (Rs.) |
|---|-------------------------------|-------------------------------|
| A. Cash flow from operating activities | 319,614,143 | 163,514,337 |
| Net profit before taxation, and extraordinary items | | |
| Adjustments for: | | |
| Depreciation / amortization | 18,259,051 | 10,658,791 |
| Loss on sale of fixed assets | 843,995 | 976 |
| Write back of diminution in value of investments | (1,270,565) | - |
| Provision for diminution in value of investments | - | 1,269,762 |
| Profit on sale of investments | - | - |
| Foreign exchange loss (net) | - | - |
| Interest income | (12,336,907) | (12,425,192) |
| Dividend income | - | (1,000) |
| Interest expense | 141,922,113 | 88,281,935 |
| Bad debts written off and provision for doubtful loans and advances | 33,719,519 | 21,320,320 |
| Operating profit before working capital changes | 500,751,349 | 272,619,929 |
| Movements in working capital : | | |
| Decrease / (Increase) in other current assets | (34,763,573) | (117,964,085) |
| Decrease / (Increase) loans and advances | (923,949,308) | (382,894,534) |
| Increase / (Decrease) in current liabilities and provisions | (11,335,017) | 14,434,873 |
| Cash generated from operations | (469,296,549) | (213,803,817) |
| Direct taxes paid (net of refunds) | (101,453,999) | (48,942,021) |
| Net cash from operating activities | (570,750,548) | (262,745,838) |
| B. Cash flows from investing activities | | |
| Purchase of fixed assets | (75,429,512) | (68,627,563) |
| Proceeds from sale of fixed assets | - | 2,025,722 |
| Deposits with other companies | - | - |
| Sale / maturity of investments | 1,000,000 | 2,400,000 |
| Purchase of investments | - | (12,344,610) |
| Interest received | 12,336,907 | 12,425,192 |
| Dividends received | - | 1,000 |
| Net cash from investing activities | (62,092,605) | (64,120,259) |
| C. Cash flows from financing activities | | |
| Proceeds from issuance of share capital | 468,000,000 | 20,000,000 |
| Share issue expenses not written off or adjusted | (11,719,203) | - |
| Proceeds from long-term borrowings (net) | 812,132,581 | 276,485,767 |
| Interest paid | (148,123,134) | (84,254,512) |
| Dividends paid | (24,425,000) | (9,750,000) |
| Tax on dividend paid | (6,445,355) | (1,367,440) |
| Net cash used in financing activities | 1,089,419,889 | 201,113,815 |
| Net increase in cash and cash equivalents (A + B + C) | 456,576,736 | (125,752,282) |
| Cash and cash equivalents at the beginning of the year | 215,653,438 | 341,405,720 |
| Cash and cash equivalents at the end of the year | 672,230,174 | 215,653,438 |
| Components of cash and cash equivalents as at March 31, 2008 | | |
| Cash and cheques on hand | 166,707,353 | 66,072,243 |
| With banks | | |
| - on current account | 230,820,298 | 57,449,593 |
| - on deposit account | 274,702,523 | 92,131,602 |
| | 672,230,174 | 215,653,438 |

As per our report of even date

For and on behalf of the Board of Directors

For S.R. BATLIBOI & ASSOCIATES
Chartered AccountantsSd/-
V.P.Nandakumar
Chairman & Managing DirectorSd/-
I. Unnikrishnan
Managing DirectorSd/-
P. Manomohanam
DirectorSd/-
per **S Balasubrahmanyam** (Partner)
Membership No.: 053315Sd/-
B.N.Raveendra Babu
DirectorSd/-
A.L.Bindu
Chief Financial OfficerSd/-
C.Radhakrishnan
Company SecretaryPlace : Valapad
Date : May 8, 2008

Statement Pursuant to Section 212 of the Companies Act 1956 relating to Subsidiary Companies

| Sl. No. | Name of the Subsidiary | Manappuram Insurance Brokers (P) Ltd |
|---------|--|--|
| 1 | Financial Year of the subsidiary | 31/03/2008 |
| 2 | a) No of shares held by the holding company as on the above date b) Extent of interest of the holding company at the end of the financial year of the subsidiary | 500000 equity shares of Rs.10 each 100% |
| 3 | Date from which it became a subsidiary | 24/04/2004 |
| 4 | The net aggregate amount of profits/losses of the subsidiary so far as they concern the members of the holding company a) Not dealt with in the holding company's Accounts (i) for the financial year of the subsidiary (ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary b) Dealt with in the holding company's accounts (i) for the financial year of the subsidiary (ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary | NIL NIL NIL NIL |
| 5 | Changes in the interest of the holding company between the end of the subsidiary's financial year and 31 st March 2008 | NA |
| 6 | Material changes between the end of the subsidiary's financial year and 31 st March 2008 in (i) Fixed Assets (ii) Investments (iii) Moneys lent by the subsidiary (iv) Moneys borrowed by the subsidiary other than for meeting current liabilities | NA NA NA NA |

For and on behalf of the Board of Directors

Sd/-
V.P.Nandakumar
Chairman & Managing Director

Sd/-
I. Unnikrishnan
Managing Director

Sd/-
P. Manomohan
Director

Sd/-
B.N.Raveendra Babu
Director

Sd/-
A.L.Bindu
Chief Financial Officer

Sd/-
C.Radhakrishnan
Company Secretary

Place : Valapad
Date : May 8, 2008

Schedule to the Balance Sheet of a Non-Banking Financial Company
(as required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

| Sl. No. | Particulars | (Rs. in lakhs) | |
|--------------------------|---|--------------------|----------------|
| Liabilities side: | | | |
| (1) | Loans and advances availed by the non-banking financial company inclusive of Interest accrued thereon but not paid: | Amount outstanding | Amount overdue |
| | (a) Debentures : Secured | 6,493.24 | 0.00 |
| | : Unsecured (other than falling within the meaning of public deposits*) | 205.74 | 0.00 |
| | (b) Deferred Credits | 0.00 | 0.00 |
| | (c) Term Loans | 19.73 | 0.00 |
| | (d) Inter-corporate loans and borrowing | 189.88 | 0.00 |
| | (e) Commercial paper | 0.00 | 0.00 |
| | (f) Public deposits* | 844.47 | |
| | (g) Other Loans | | |
| | Subordinated Bond | 2,747.84 | 0.00 |
| | Bank | 7,124.87 | |
| | *Please see Note 1 below | | |
| (2) | Break-up of (1)(f) above (outstanding public deposits inclusive of interest accrued thereon but not paid): | | |
| | (a) in the form of Unsecured debentures | 0.00 | 0.00 |
| | (b) in the form of partly secured debentures ie, debentures where there is a shortfall in the value of security | 0.00 | 0.00 |
| | (c) Other Public deposits | 844.47 | 0.00 |
| | *Please see Note 1 below | | |

Schedule to the Balance Sheet of a Non-Banking Financial Company
(as required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

| Assets side: | | Amount outstanding | |
|---------------------|---|---------------------------|------|
| (3) | Break-up of Loans and Advances including bills receivables [other than those included in (4) below]: | | |
| | (a) Secured | 12,049.01 | 0.00 |
| | (b) Unsecured | 1,314.69 | 0.00 |
| (4) | Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities | | |
| | (i) Lease assets including lease rentals under sundry debtors: | | |
| | (a) Financial lease | 0.00 | 0.00 |
| | (b) Operating lease | 0.00 | 0.00 |
| | (ii) Stock on Hire including hire charges under sundry debtors: | | |
| | (a) Asset on Hire | 719.39 | 0.00 |
| | (b) Repossessed assets | 0.00 | 0.00 |
| | (iii) Other loans counting towards AFC activities | | |
| | (a) Loans where assets have been repossessed | | |
| | (b) Loans other than (a) above | 6,257.35 | 0.00 |
| (5) | <u>Break-up of Investments:</u> | | |
| | <u>Current Investments :</u> | | |
| | 1. <u>Quoted</u> | | |
| | (i) Shares: (a) Equity | 0.00 | 0.00 |
| | (b) Preference | 0.00 | 0.00 |
| | (ii) Debentures and Bonds | 0.00 | 0.00 |
| | (iii) Units of mutual funds | 0.33 | 0.00 |
| | (iv) Government securities | 0.00 | 0.00 |
| | (v) Others | 0.00 | 0.00 |
| | 2. <u>Unquoted:</u> | | |
| | (i) Shares: (a) Equity | 0.00 | 0.00 |
| | (b) Preference | 0.00 | 0.00 |
| | (ii) Debentures and Bonds | 0.00 | 0.00 |
| | (iii) Units of mutual funds | 0.00 | 0.00 |
| | (iv) Government securities | 0.00 | 0.00 |
| | (v) Others | 0.00 | 0.00 |
| | <u>Long term Investments:</u> | | |
| | 1. <u>Quoted</u> | | |
| | (i) Shares: (a) Equity | 0.14 | 0.00 |
| | (b) Preference | 0.00 | 0.00 |
| | (ii) Debentures and Bonds | 0.00 | 0.00 |
| | (iii) Units of mutual funds | 0.00 | 0.00 |
| | (iv) Government securities | 241.99 | 0.00 |
| | (v) Others | 0.00 | 0.00 |
| | 2. <u>Unquoted:</u> | | |
| | (i) Shares: (a) Equity | 50.32 | 0.00 |
| | (b) Preference | 0.00 | 0.00 |
| | (ii) Debentures and Bonds | 0.00 | 0.00 |
| | (iii) Units of Mutual funds | 0.00 | 0.00 |
| | (iv) Government securities | 0.00 | 0.00 |
| | (v) Others | 0.00 | 0.00 |

Schedule to the Balance Sheet of a Non-Banking Financial Company
(as required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

| | | | | |
|-----|--|---|-----------------------------------|--------------|
| (6) | Borrower Group-wise classification of assets financed as in (3) and (4) above: Please see Note 2 below | | | Rs. in lakhs |
| | Category | Amount net of provisions | | |
| | | Secured | Unsecured | Total |
| | 1. Related Parties** | | | |
| | (a) Subsidiaries | 0.00 | 0.00 | 0.00 |
| | (b) Companies in the same group | 0.00 | 0.00 | 0.00 |
| | (c) Other related Parties | 0.00 | 0.00 | 0.00 |
| | 2. Other than related parties | 19,025.75 | 1,314.69 | 20,340.44 |
| | Total | 19,025.75 | 1,314.69 | 20,340.44 |
| | **As per Accounting Standard of ICAI (Please see Note 3) | | | |
| (7) | Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below | | | Rs. in lakhs |
| | Category | Market value/Break-up or fair value or NAV | Book value (net of Provisions) | |
| | 1. Related Parties** | | | |
| | (a) Subsidiaries | 50.00 | 50.00 | |
| | (b) Companies in the same group | Nil | Nil | |
| | (c) Other related Parties | Nil | Nil | |
| | 2. Other than related parties | 232.96 | 242.78 | |
| | Total | 282.96 | 292.78 | |
| (8) | Other information | | Amount outstanding | |
| | (i) <u>Gross Non-Performing Assets</u> | | | |
| | (a) Related Parties | | 0.00 | |
| | (b) Other than related parties | | 1,427.29 | |
| | (ii) <u>Net Non-Performing Assets</u> | | | |
| | (a) Related Parties | | 0.00 | |
| | (b) Other than related parties | | 1,084.72 | |
| | Asset acquired in satisfaction of debt | | 7.00 | |

Notes:

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (5) above.

MANAPPURAM INSURANCE BROKERS PRIVATE LIMITED

Board of Directors

Shri. V.P. Nandakumar - Chairman
Shri. B.N. Raveendra Babu
Shri. I. Unnikrishnan
Smt. Jyothy Prasannan

Auditors

Mohandas and Associates
Chartered Accountants
Door No. TC 25/838, A.R. Menon Road
Thrissur - 680 001

Registered Office

Manappuram House
Valapad P.O.
Thrissur - 680 567

DIRECTORS REPORT

To
The Members of
Manappuram Insurance Brokers Private Limited.

Your directors are pleased to present the 6th Annual Report on the working of the company for the year ended 31st March 2008 together with the Audited Balance Sheet and Profit and Loss Account and also the report of the Board of Directors and Auditors thereon.

1. Financial Results

(Amount in Rupees)

| Sl No | Description | As on 31.03.2008 | As on 31.03.2007 |
|-------|---|------------------|------------------|
| 1. | Gross receipts during the year | 92,45,900.00 | 55,68,666.00 |
| 2. | Total Expenditure | 35,29,644.00 | 25,81,625.00 |
| 3. | Profit(+)/Loss(-) before non cash charges | 57,16,236.00 | 29,87,041.00 |
| 4. | Depreciation and Preliminary expenses written off | 58,848.00 | 92,438.00 |
| 5. | Provision for tax, Deferred tax | 19,53,986.00 | 999,384.00 |
| 6. | Net Profit | 37,03,402.00 | 1,895,219.00 |
| 7. | Profit b/f from previous year | 44,70,530.00 | 2,575,310.00 |
| 8. | Balance profit carried to Balance Sheet | 81,73,932.00 | 4,470,529.00 |

2. Dividend

Your directors do not recommend any dividend on the equity shares for the financial year ended 31st March 2008.

3. Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the company, Mrs. Jyothy Prasanna retire by rotation and is eligible for reappointment.

4. The Companies (disclosure of particulars in the report of the Board of Directors) Rules, 1988 Conservation of energy, Technology absorption & Foreign exchange earnings and outgo

At present, the Company has no activities relating to conservation of energy or technology absorption. Also there is no foreign exchange transaction causing foreign exchange earnings or outgo.

5. Particulars of Employees

The company has no employees whose remuneration would exceed the limits prescribed under section 217 (2A) of the Companies Act, 1956.

6. Directors' Responsibility Statement :

As required under Section 227 (2AA) of the Companies Act, 1956, the Board of Directors hereby declare that:

- in the preparation of Annual Accounts for the financial year ended 31/03/2008, applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- 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 2007-2008 and of the profit of the company for that period.
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the Directors have prepared the Annual Accounts for the year 2007-08 on a going concern basis.

7. Auditors :

The statutory Auditors M/s Mohandas & Associates, Chartered Accountants, retire at the coming Annual General Meeting of the company and are eligible for re-appointment.

8. Acknowledgement :

Your Directors place on record their sincere thanks and appreciation for the whole-hearted co-operation received from our esteemed Shareholders, Investors, Customers and Well-wishers. The Directors also thank the employees of the Company at all levels for their dedicated and invaluable service during the period under review.

For and on behalf of the Board of Directors

Sd/-

V.P.Nandakumar
Chairman

Place : Valapad
Date : 31.05.2008

COMPLIANCE CERTIFICATE

Registration No. of the Company : U66010KL2002PTC015699

Nominal Capital : Rs.1,00,00,000/-

To
The Members
Manappuram Insurance Brokers (P) Limited
Manappuram House
Valapad - 680 567
Thrissur District

I have examined the registers, records, books and papers of Manappuram Insurance Brokers (P) Limited as required to be maintained under the Companies Act, 1956, and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008. 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 of the Act and the rules made there under 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, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made there under.
3. The Company being a Private Limited Company, has the minimum paid up capital and its number of members during the said financial year was four excluding its present and past employees and the company during the year under scrutiny
 - i) has not invited to subscribe for its shares or debentures and
 - ii) has not invited or accepted any deposits from persons other than its members, directors or their relatives
4. The Board of Directors duly met six times (See Annexure C) 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 was not required to close its Register of Members or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2007 was held on 07th September, 2007 after giving due notice to the members of the Company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting 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 duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that section.
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.
12. The Company has not issued any duplicate share certificate during the financial year.
13. The Company has
 - i. Not allotted any securities or no transfer or transmission of securities during the year.
 - ii. Not declared any dividend during the year
 - iii. Not applicable as no dividend has been declared.
 - iv. No amount remains in the Unpaid Dividend Account, application money due for refund, matured deposits, matured debentures, and interest accrued thereon required to be transferred to Investor Education and Protection Fund.
 - v. Duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company was duly constituted. During the financial year there is no appointments of Directors, additional directors, alternate directors and directors to fill casual vacancies have been made.
15. The Company has not appointed Managing Director or whole time director 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 govt., Company Law Board, Regional Director,

Registrar 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 there under.
19. The Company has not issued equity shares 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 transaction necessitating the company to keep in abeyance the right to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Borrowings made by the Company during the financial year are within the limit.
25. The Company has not made any loans or advance or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
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 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 and complied with the provisions of the Act.
28. The Company has not altered the provisions of the Memorandum with respect to the 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. There 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 follows the Employees' Provident Fund Act and therefore Section 418 of the Companies Act is not applicable to it.

Sd/-

V K KERALA VARMA, FCA, FCS
Practising Company Secretary
Certificate Practice No. 2262

Thrissur
30.04.2008

ANNEXURE – A
Manappuram Insurance Agents and Brokers (P) Limited

PARAGRAPH – 1

The Company has maintained the following Registers:

| | Section |
|---|---------|
| 1. Register of members | 150/151 |
| 2. Register of Directors and their Shareholding | 303/307 |
| 3. Minutes Book of Board and General Meetings and respective attendance Registers | 193 |
| 4. Proper Books of Accounts | 207 |
| 5. Register contracts in which directors are interested | 301(1) |

The Company has not maintained the following registers, as there are no entries to be made.

| | |
|---------------------------------------|---------|
| 1. Register of Investments | 49 |
| 2. Register of deposits accepted | 58A |
| 3. Register of charges | 136/143 |
| 4. Register of Securities bought back | 77A |

ANNEXURE – B**PARAGRAPH – 2**

Forms and Returns as filed with Registrar of Companies during the year - 2007-2008

| Sl. No. | Form No./ Return | 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) |
|---------|------------------|---------------------|--------------------|---|---|
| 1. | Form 66 | 383 | 29.10.2007 | No | Yes |
| 2. | Form 23AC | 220 | 08.10.2007 | Yes | " |
| 3. | Form 20B | 159 | 12.11.2007 | No | Yes |

ANNEXURE – C

Date of Board Meetings during the year 2007-08

| Sl. No. | Date |
|---------|------------|
| 1. | 16.04.2007 |
| 2. | 10.05.2007 |
| 3. | 16.08.2007 |
| 4. | 07.09.2007 |
| 5. | 04.12.2007 |
| 6. | 14.02.2008 |

Sd/-
V K KERALA VARMA, FCA, FCS
Practising Company Secretary
CP No. 2262

Thrissur
30.04.2008

AUDITORS' REPORT

Mohandas and Associates
Chartered Accountants
Door No. TC 25/838, A.R. Menon Road
Thrissur - 680 001
Phone : 0487-2333124
E-mail : ma.auditors@gmail.com

To
The Members of
Manappuram Insurance Brokers Private Limited,
Valapad, Thrissur

1. We have audited the attached Balance Sheet of Manappuram Insurance Brokers Private Limited as at 31st March, 2008 and 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 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 sub-section 4A of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanation 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 it appears from our examination of those books;
 - iii) The Balance Sheet & 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) On the basis of written representations received from the directors, as on 31.03.2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31.03.2008 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008 and
 - ii) In the case of the Profit and Loss Account, of the **Profit** of the Company for the year ended on that date.

For Mohandas & Associates
Chartered Accountants

Sd/-

Mohandas A. (Partner)
Membership No.36726

Thrissur
Dated 22nd April 2008

ANNEXURE TO AUDITORS' REPORT
Referred to in paragraph 3 of our report of even date

- i) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanation given to us, the company has not disposed off substantial part of fixed assets during the year.
- ii) In our opinion and according to the information and explanation given to us, the company does not hold any inventory. Hence clause No. ii (a), (b) and (c) are not applicable to the company.
- iii) a) The company has granted one loan to Manappuram Finance Tamilnadu (P) Ltd. covered in the register maintained U/s. 301 of the Companies Act, 1956 during the year covered by our audit .The maximum amount involved in this loan is Rs. 47.85 lacs and the year - end balance of loan granted to such company is Rs. 47.85 lacs As per the information and according to the explanation given to us, the company has not taken any loan from firms, companies or other parties covered in the register maintained U/s.301 of the Companies Act, other than above.
- b) As per the information and according to explanation given to us the rate of interest and other terms and conditions of such loans prima facie are not prejudicial to the interest of the company.
- c) The above party is regular in repayment of principal as stipulated and has been regular in the payment of interest.
- d) There is no overdue amount of loans granted to the firm listed in the register maintained U/s.301 of the Companies Act 1956.
- e) The Company has not taken any loan, secured or unsecured from Companies, Firms or other parties covered maintained U/s.301 of the Companies Act 1956. Hence clause No (iii) (f) and (g) are not applicable to the Company.
- 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 with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are prima facie reasonable having regard to the prevailing market price at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public. Therefore the directives issued by the Reserve Bank of India and Department of Company Affairs and the provision of section 58A and 58AA or any other relevant provisions of the Act and the Rules framed there under, are not applicable. According to the information and explanations given to us the company has not received any order from Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal in this regard.
- vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii) 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.
- ix) a) According to the information and explanations given to us and on the basis of records produced before us, for verification, the company is 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, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanation given to us there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- x) In our opinion, there are no accumulated losses for the company. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) The company has not taken any loan from banks or other financial institution.
- xii) The company has not granted loans and advances on the basis of security by way pledge of shares, debentures and other securities.
- xiii) In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the provisions of clause 4(xiii) of the Companies (Auditors Report) Order, 2003 is not applicable to the company.

- xiv) In our opinion, 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.
- xv) In our opinion and as per information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi) The company has not taken any term loan and hence para 4 (xvi) of the order is not applicable
- 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 the no funds raised on short-term basis have been used for long-term investment.
- xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act.
- xix) According to the information and explanations given to us, during the period covered by our audit report, the company has not issued debentures.
- xx) In our opinion and according to the information and explanations given to us, the company has not made any public issue of shares during the year.
- 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 course of our audit.

For Mohandas & Associates
Chartered Accountants

Sd/-

Mohandas A. (Partner)
Membership No.36726

Thrissur
Dated 22nd April 2008

MANAPPURAM INSURANCE BROKERS PRIVATE LIMITED
BALANCE SHEET AS ON 31.03.2008

| | SCHEDULE NO | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|--|-------------|------------------------------|------------------------------|
| I. SOURCE OF FUNDS | | | |
| Share Holder's Fund | | | |
| Share Capital | 1 | 5,000,000.00 | 5,000,000.00 |
| Profit and Loss Account | 2 | 8,173,932.00 | 4,470,530.00 |
| LOAN FUNDS | | | |
| DEFERRED TAX LIABILITY | | NIL | NIL |
| | | 42,560.00 | 50,878.00 |
| TOTAL | | 13,216,492.00 | 9,521,408.00 |
| II. APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 3 | 511,922.00 | 511,922.00 |
| Less: Depreciation | | 227,863.00 | 169,015.00 |
| Net Block | | 284,059.00 | 342,907.00 |
| CURRENT ASSETS | | | |
| Cash and Bank Balances | 4.1 | 6,776,771.00 | 3,296,320.00 |
| Other Current Assets | 4.2 | 1,732,126.00 | 1,848,175.00 |
| Loans and advances | 4.3 | 8,015,279.00 | 7,181,982.00 |
| | | 16,524,176.00 | 12,326,477.00 |
| Less: Current Liabilities And Provisions | 5 | 3,591,743.00 | 3,147,976.00 |
| NET CURRENT ASSETS | | 12,932,433.00 | 9,178,501.00 |
| NOTES ON ACCOUNTS | 9 | | |
| TOTAL | | 13,216,492.00 | 9,521,408.00 |

Schedules 1 to 9 form an integral part of this Financial statement

For and on behalf of the Board

Sd/-
I.Unnikrishnan
 (Director)

Sd/-
B.N.Raveendra Babu
 (Director)

Sd/-
V.P Nandakumar
 (Chairman)

For Mohandas and Associates

Place:Valapad
 Date:22 nd April,2008

Sd/-
Mohandas A. (Partner)
 Chartered Accountant
 Membership No.36726

MANAPPURAM INSURANCE BROKERS PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

| | SCHEDULE NO | As on 31.03.2008 | As on 31.03.2007 |
|---|-------------|---------------------|---------------------|
| INCOME | 6 | 9,245,900.00 | 5,568,666.00 |
| EXPENDITURE | | | |
| Salaries and allowances | 7 | 1,745,227.00 | 2,230,906.00 |
| Administration Expenses | 8 | 1,784,437.00 | 350,719.00 |
| TOTAL | | 3,529,664.00 | 2,581,625.00 |
| PROFIT BEFORE NON CASH CHARGES | | 5,716,236.00 | 2,987,041.00 |
| Less: Non Cash charges | | | |
| Depreciation | 3 | 58,848.00 | 58,848.00 |
| Preliminary expenses written off | | NIL | 33,590.00 |
| PROFIT BEFORE TAX | | 5,657,388.00 | 2,894,603.00 |
| Less: Provision for taxation | | | |
| a) Current year | | 1,941,766.00 | 984,146.00 |
| b) Deferred tax Income | | (8,318.00) | 11,288.00 |
| c) Fringe Benefit tax | | 12,000.00 | 3,950.00 |
| d) Prior period adjustment | | 8,538.00 | NIL |
| PROFIT AFTER TAX | | 3,703,402.00 | 1,895,219.00 |
| Balance of Profit brought forward from previous years | | 4,470,530.00 | 2,575,310.00 |
| | | 8,173,932.00 | 4,470,529.00 |
| Appropriations:- | | | |
| Balance Carried to Balance Sheet | | 8,173,932.00 | 4,470,529.00 |
| TOTAL | | 8,173,932.00 | 4,470,529.00 |
| Earnings per share (f) | | 7.41 | 3.79 |

Schedules 1 to 9 form an integral part of this Financial statement

For and on behalf of the Board

Sd/-
I.Unnikrishnan
(Director)

Sd/-
B.N.Raveendra Babu
(Director)

Sd/-
V.P Nandakumar
(Chairman)

For Mohandas and Associates

Place:Valapad
Date:22 nd April,2008

Sd/-
Mohandas A. (Partner)
Chartered Accountant
Membership No.36726

MANAPPURAM INSURANCE BROKERS PRIVATE LIMITED
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE 1 - SHARE CAPITAL

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|---|------------------------------|------------------------------|
| AUTHORISED (10,00,000 Equity Shares of Rs.10 each) | 10,000,000.00 | 10,000,000.00 |
| ISSUED,SUBSCRIBED AND PAID-UP 5,00,000 Equity shares of Rs. 10 each fully paid up | 5,000,000.00 | 5,000,000.00 |
| TOTAL | 5,000,000.00 | 5,000,000.00 |

SCHEDULE 2 - PROFIT AND LOSS ACCOUNT

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|--|------------------------------|------------------------------|
| Balance brought forward from previous year | 4,470,530.00 | 2,575,311.00 |
| Add: Profit during the year | 3,703,402.00 | 1,895,219.00 |
| TOTAL | 8,173,932.00 | 4,470,530.00 |

SCHEDULE 3 - FIXED ASSETS - Depreciation As Per The Companies Act 1956

| Particulars | Gross Block (Rs.) | | | | Rate | Depreciation (Rs.) | | | | Net Block (Rs.) | |
|----------------------|---------------------|----------------|----------------|---------------------|--------|---------------------|--------------|-----------------|---------------------|---------------------|---------------------|
| | As on 01.04.2007 | Addi- tions | Dele- tions | As on 31.03.2008 | | Up to 31.03.2007 | Sale Adj. | For the Year | Up to 31.03.2008 | As on 31.03.2008 | As on 31.03.2007 |
| Furniture & Fixtures | 244,279.00 | - | - | 244,279.00 | 6.33% | 42,950.00 | - | 15,463.00 | 58,413.00 | 185,866.00 | 201,329.00 |
| Computer | 267,643.00 | - | - | 267,643.00 | 16.21% | 126,065.00 | - | 43,385.00 | 169,450.00 | 98,193.00 | 141,578.00 |
| Total | 511,922.00 | - | - | 511,922.00 | | 169,015.00 | - | 58,848.00 | 227,863.00 | 284,059.00 | 342,907.00 |
| Previous Year | 511,922.00 | - | - | 511,922.00 | - | 101,167.00 | - | 58,848.00 | 169,015.00 | 342,907.00 | 401,755.00 |

SCHEDULE 4 - CURRENT ASSETS, LOANS AND ADVANCES**CURRENT ASSETS****4.1 CASH AND BANK BALANCES**

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|--|------------------------------|------------------------------|
| Cash in Hand | 8,050.00 | 46,046.00 |
| Balance with scheduled Banks in Current Accounts | | |
| Canara Bank-285 | 83,719.00 | 84,216.00 |
| HDFC | 508,045.00 | 117,735.00 |
| Federal Bank in deposit account | 14,008.00 | 48,323.00 |
| Indusind Bank Limited | 1,520,720.00 | 1,400,000.00 |
| Federal Bank Limited | 4,642,229.00 | 1,600,000.00 |
| TOTAL | 6,776,771.00 | 3,296,320.00 |

4.2 OTHER CURRENT ASSETS

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|---------------------------------|------------------------------|------------------------------|
| Sundry Debtors:- | | |
| Commission Receivable (Life) | 1,394,221.00 | 1,489,089.00 |
| Commission Receivable (General) | 116,760.00 | 141,207.00 |
| Interest Receivable on deposits | 210,758.00 | 111,101.00 |
| Postal Stamps | 387.00 | 42.00 |
| Other receivables | - | 96,736.00 |
| Telephone deposit | 10,000.00 | 10,000.00 |
| TOTAL | 1,732,126.00 | 1,848,175.00 |

4.3 LOANS AND ADVANCES

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|---|------------------------------|------------------------------|
| Inter Corporate Deposit | 4,785,000.00 | 4,362,000.00 |
| Advances recoverable in cash or in kind or for value to be received | | |
| Tax deducted at source | 3,230,279.00 | 2,819,370.00 |
| Advance Fringe Benefit Tax | NIL | 612.00 |
| TOTAL | 8,015,279.00 | 7,181,982.00 |

SCHEDULE 5 - CURRENT LIABILITIES AND PROVISIONS

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|-------------------------|------------------------------|------------------------------|
| Current Liabilities (A) | 824,217.00 | 1,650,039.00 |
| Provisions (B) | 2,767,526.00 | 1,497,937.00 |
| TOTAL | 3,591,743.00 | 3,147,976.00 |

A. CURRENT LIABILITIES

| | | |
|-------------------------------|-------------------|---------------------|
| Incentive payable | 596,501.00 | 582,847.00 |
| Sundry Creditors * | 80,389.00 | 952,603.00 |
| Suspense Receipts | NIL | 74,162.00 |
| T.D.S Payable | 15,804.00 | 789.00 |
| Service Tax Payable | 106,326.00 | 17,728.00 |
| Auditors remuneration payable | 25,197.00 | 21,910.00 |
| TOTAL | 824,217.00 | 1,650,039.00 |

B. PROVISIONS

| | | |
|----------------------------------|---------------------|---------------------|
| Provision for taxation | 2,755,526.00 | 1,495,887.00 |
| Provision for Fringe Benefit tax | 12,000.00 | 2,050.00 |
| TOTAL | 2,767,526.00 | 1,497,937.00 |

Note:-

Sundry Creditors

Due to SSI undertakings

NIL

NIL

Due to Others

80,389.00

952,603.00

* There are no amounts to be credited to Investor Education and Protection Fund.

SCHEDULE 6 - INCOME

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|---------------------|------------------------------|------------------------------|
| Commission Received | 8,335,186.00 | 5,085,732.00 |
| Interest Received | 836,552.00 | 480,281.00 |
| Other Income | 74,162.00 | 2,653.00 |
| TOTAL | 9,245,900.00 | 5,568,666.00 |

SCHEDULE 7 - SALARIES AND ALLOWANCES

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|----------------|------------------------------|------------------------------|
| Salary | 795,437.00 | 1,384,786.00 |
| Incentive paid | 949,790.00 | 846,120.00 |
| TOTAL | 1,745,227.00 | 2,230,906.00 |

SCHEDULE 8 - ADMINISTRATION EXPENSES

| | As on 31.03.2008 (Rs.) | As on 31.03.2007 (Rs.) |
|-----------------------------|------------------------------|------------------------------|
| Advertisement | 99,871.00 | 95,025.00 |
| Printing and Stationary | 16,853.00 | 28,302.00 |
| Bank Charges | 22,370.00 | 12,207.00 |
| Training Expenses | 174,000.00 | 58,000.00 |
| Licensing fees | 20,000.00 | 3,500.00 |
| Miscellaneous Expenses | 1,500.00 | 7,777.00 |
| Postage and Telephone | 104,013.00 | 18,375.00 |
| Business Promotion Expenses | - | 4,370.00 |
| Auditors Remuneration | 28,090.00 | 25,760.00 |
| Insurance charges | - | 20,147.00 |
| Travelling expenses | 389,242.00 | 47,349.00 |
| Tax & fees | 27,841.00 | 6,980.00 |
| Service tax | 656,106.00 | 22,927.00 |
| Rent | 180,000.00 | - |
| Legal Charges | 64,551.00 | - |
| TOTAL | 1,784,437.00 | 350,719.00 |

SCHEDULE 9 - NOTES FORMING PART OF ACCOUNTS**A) Accounting Convention**

The financial statements are prepared under historical cost convention in accordance with generally accepted accounting principles in India. Revenues are recognised and expenses are accounted with necessary provisions for all known liabilities and losses.

B) Revenue Recognition

Commission from Insurance Companies is being recognised on acceptance of Insurance policies by the Insurance Companies.

C) Fixed Assets

Fixed Assets are stated at Historical cost less Accumulated Depreciation.

D) Depreciation

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

E) Earnings Per Share

The Company has followed Accounting Standard 20 issued by the ICAI regarding computation of earnings per share (Basic and diluted) has been computed as under:

| | 31.03.2008 | 31.03.2007 |
|---|-------------------|-------------------|
| a) Net profit after tax | 3,703,402.00 | 1,895,219.00 |
| b) Weighted average number of equity shares for EPS Computation (fully paid up) | 500,000.00 | 500,000.00 |
| c) Earnings per share (face value of Rs.10) | 7.41 | 3.79 |

F) Deferred Tax

The company has followed Accounting Standard 22 issued by the ICAI on taxes on income in the accounts and accordingly has created deferred tax liability arising on account of timing deference.

The major components of deferred tax liability are:-

| | 31.03.2008 | 31.03.2007 |
|--------------|-------------------|-------------------|
| Depreciation | 42,560.00 | 50,878.00 |

G) Segment Reporting

There are no separate reportable segment as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

H) Related Party

Details of Related party Disclosure

| Sl. No. | Name of Related Party | Relationship |
|---------|--|-------------------|
| 1 | Manappuram Finance Tamilnadu (P) Limited | Associate Concern |
| 2 | Manappuram Benefit Fund Limited | Associate Concern |
| 3 | Manappuram General Finance and Leasing Limited | Holding Company |
| 4 | Manappuram Comptech and Consultant (P) Ltd. | Associate Concern |

I. Naure of transactions

| | Paid | Outstanding | Total |
|--|--------------|-------------|--------------|
| Interest from Manappuram Finance Tamilnadu (P) Limited | 435,820.00 | 44,759.00 | 480,579.00 |
| Inter Corporate Deposit with Manappuram Finance Tamilnadu (P) Ltd. | 4,785,000.00 | - | 4,785,000.00 |
| Salary of Deputed staff receipts | | | |
| Manappuram Benefit Fund Limited | 123,495.00 | - | 123,495.00 |
| Manappuram General Ffinance and Leasing Limited | 61,441.00 | - | 61,441.00 |
| Manappuram Comptech and Consultant (P) Limited | 5,994.00 | - | 5,994.00 |
| Manappuram Finance Tamilnadu (P) Limited | 48,737.00 | - | 48,737.00 |
| Salary paid to Deputed staff of | | | |
| Manappuram Benefit Fund Limited | 441,322.00 | - | 441,322.00 |
| Manappuram General Finance and Leasing Limited | 1,105,809.00 | - | 1,105,809.00 |
| Rent paid to | | | |
| Manappuram General Finance and Leasing Limited | 180,000.00 | - | 180,000.00 |
| Incentive Travelling Allowance, Telephone Expense met by | | | |
| Manappuram General Finance and Leasing Limited | 2,179,555.00 | - | 2,179,555.00 |
| Reimbursement of Incentive | | | |
| Manappuram Comptech and Consultant (P) Limited | 1,521,252.00 | - | 1,521,252.00 |

II. Particulars of Loans and Advances

| | 31.03.2008 | 31.03.2007 |
|---|-------------------|-------------------|
| a) Loans and advances considered good in respect of which the company is fully secured | NIL | NIL |
| b) Loans and advances considered good and unsecured | 3,230,279.00 | 2,819,370.00 |
| c) Loans and advances considered bad and doubtful | NIL | NIL |
| d) Loans and advances due by directors or officers or any of them either severally or jointly with others | NIL | NIL |
| e) Loans and advances due by companies under the same management | 4,785,000.00 | NIL |

| | | |
|--|---------------------|---------------------|
| f) Loans and Advances due by firms or private companies in which any director is a partner or a director or a member | NIL | NIL |
| g) Maximum amount due by directors or officers at any time during the year | NIL | NIL |
| III. Particulars of Sundry Debtors | | |
| Debts outstanding for a period exceeding 6 months | NIL | NIL |
| Others | 1,394,221.00 | 1,489,251.00 |
| Total | 1,394,221.00 | 1,489,251.00 |
| a) Sundry Debtors considered good in respect of which the company is fully secured | NIL | NIL |
| b) Sundry Debtors considered good and unsecured | 1,394,221.00 | 1,489,251.00 |
| c) Sundry Debtors considered bad and doubtful | NIL | NIL |
| d) Sundry Debtors due by directors or officers or any of them either severally or jointly with others | NIL | NIL |
| e) Sundry Debtors due by companies under the same management | NIL | NIL |
| f) Sundry Debtors due by firms or private companies in which any director is a partner or a director or a member | NIL | NIL |
| g) Maximum amount due by directors or officers at any time during the year | NIL | NIL |
| IV. Estimated amount of contracts remaining to be executed on capital account and not provided for | NIL | NIL |
| V. Contingent liabilities not provided for | NIL | NIL |
| VI. Claims against the Company not acknowledged as debt | NIL | NIL |
| VII. Earnings in foreign Currency | NIL | NIL |
| VIII. Expenditure in foreign currency | NIL | NIL |
| IX. Auditors Remuneration | | |
| For Statutory Audit | 16,854.00 | 13,483.00 |
| For Audit U/s 44 AB of the Income Tax Act | 11,236.00 | 8,427.00 |
| X. Tax Deducted at source on Interest and Commission Received | 1,783,543.00 | 818,989.00 |
| XI. Directors Remuneration | NIL | NIL |
| XII. Previous years figures are regrouped or rearranged wherever necessary | | |

For and on behalf of the Board

Sd/-
I.Unnikrishnan
(Director)

Sd/-
B.N.Raveendra Babu
(Director)

Sd/-
V.P Nandakumar
(Chairman)

For Mohandas and Associates

Place:Valapad
Date:22 nd April,2008

Sd/-
Mohandas A. (Partner)
Chartered Accountant
Membership No.36726

MANAPPURAM INSURANCE BROKERS PVT LTD: VALAPAD

**Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile**

Registration Details:

Registration No. U66010KL2002PTCO15699
State Code 9.00
Balance Sheet Date 31.03.2008

Capital Raised During the year(Rs. In Thousands)

Public issue Nil
Right Issue Nil
Bonus Issue Nil
Private Placement Nil

Position Mobilization and Deployment of Funds:(Rs. In 000's)

Total Liabilities 16808.00
Total Assets 16808.00

Source of Funds:

Paid up capital 5000.00
Reserves and surplus 8173.00
Secured loans Nil
Unsecured loans Nil
Deferred Tax Liability 43.00

Application of Funds:

Net Fixed Assets 284.00
Investments Nil
Net Current Assets 12932.00
Miscellaneous Expenditure Nil
Accumulated Loss Nil

Performance of the Company(Rs. In 000's)

Turn Over 9246.00
Total Expenditure 3588.00
Profit/Loss before Tax 5657.00
Profit/Loss after Tax 3703.00
Earnings per share 7.41
Dividend Rate (%) Nil

Generic Names of three principal Products/services of Company
(As per Monetary Terms)

ITEMS CODE No.(ITC CODES) Nil
PRODUCT DESCRIPTION Insurance Brokers

As per our separate report of even date attached

For and on behalf of the Board

Sd/-
V.P. Nandakumar
(Chairman)

Sd/-
I. Unnikrishnan
(Director)

Sd/-
B.N. Raveendra Babu
(Director)

As per our Report of even date attached

For Mohandas & Associates
Chartered Accountants
Sd/-

Mohandas A. (Partner)
Membership No. 36726

Place : Valapad
Date : 22-04-2008

Auditor's Report on the Consolidated Financial Statements

The Board of Directors
Manappuram General Finance & Leasing Limited

1. We have audited the attached consolidated balance sheet of Manappuram General Finance & Leasing Limited ('the Company') and its subsidiary, Manappuram Insurance Brokers Private Limited, as at March 31, 2008, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 13,216,492 as at March 31, 2008, the total revenue of Rs. 9,245,900 and cash flows amounting to Rs. 3,480,451 for the year then ended. Such financial statements and other financial information have been audited by another auditor whose report has been furnished to us, and our opinion is based solely on the report of such other auditor.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 – 'Consolidated financial statements' issued by the Institute of Chartered Accountants of India.
5. Without qualifying our opinion, we draw attention to Note 10 of Schedule 18 to the financial statements regarding the requirement of previous approval of the Central Government in respect of certain transactions for the purchase and sale of services from/to parties covered under Section 297 of the Companies Act, 1956.
6. Based on our audit and on consideration of the report of the other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated balance sheet, of the state of affairs as at March 31, 2008;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
per S Balasubrahmanyam
Partner
Membership No.: 053315

Place: Chennai
Date: May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
CONSOLIDATED BALANCE SHEET AS ON 31st MARCH, 2008

| | SCHEDULE No. | As at 31.03.2008 Rs. | As at 31.03.2007 Rs. |
|---|-----------------|----------------------------|----------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Share capital | 1 | 618,000,000 | 150,000,000 |
| Reserves and surplus | 2 | 320,002,729 | 135,728,629 |
| Loan funds | | | |
| Secured loans | 3 | 1,351,081,230 | 511,935,739 |
| Unsecured loans | 4 | 393,925,578 | 420,938,488 |
| Deferred tax liability (net) | 5 | 434,174 | 1,007,071 |
| | | 2,683,443,711 | 1,219,609,927 |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross block | 6 | 208,631,610 | 134,225,232 |
| Less : Accumulated depreciation | | 45,138,885 | 27,000,125 |
| Net block | | 163,492,725 | 107,225,107 |
| Investments | 7 | 24,278,285 | 24,007,720 |
| Current Assets, Loans and Advances | | | |
| Cash and bank balances | 8 | 679,007,332 | 218,949,800 |
| Other current assets | 9 | 202,914,990 | 156,332,557 |
| Loans and advances | 10 | 1,856,110,872 | 966,522,864 |
| | | 2,738,033,194 | 1,341,805,221 |
| Less : Current liabilities and provisions | | | |
| Current liabilities | 11 | 217,638,846 | 219,419,055 |
| Provisions | 12 | 24,721,647 | 34,009,066 |
| | | 242,360,493 | 253,428,121 |
| Net current assets | | 2,495,672,701 | 1,088,377,100 |
| | | 2,683,443,711 | 1,219,609,927 |
| Notes to accounts | 18 | | |

The schedules referred to above and the notes to accounts form an integral part of the Consolidated Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
V.P.Nandakumar
Chairman & Managing Director

Sd/-
I. Unnikrishnan
Managing Director

Sd/-
P. Manomohanam
Director

Sd/-
per **S Balasubrahmanyam** (Partner)
Membership No.: 053315

Sd/-
B.N.Raveendra Babu
Director

Sd/-
A.L.Bindu
Chief Financial Officer

Sd/-
C.Radhakrishnan
Company Secretary

Place : Valapad
Date : May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2008

| | SCHEDULE No. | As on 31.03.2008 Rs. | As on 31.03.2007 Rs. |
|--|-----------------|----------------------------|----------------------------|
| INCOME | | | |
| Income from services | 13 | 787,930,339 | 425,410,813 |
| Other income | 14 | 17,911,671 | 16,657,312 |
| Total | | 805,842,010 | 442,068,125 |
| EXPENDITURE | | | |
| Personnel expenses | 15 | 118,120,184 | 62,896,207 |
| Operating and other expenses | 16 | 200,611,819 | 112,162,259 |
| Depreciation / amortization | 6 | 18,317,899 | 10,717,639 |
| Financial expenses | 17 | 143,529,115 | 89,849,490 |
| Total | | 480,579,017 | 275,625,595 |
| Profit before tax | | 325,262,993 | 166,442,530 |
| Less: Provision for tax | | | |
| - Current tax | | 111,143,193 | 58,484,146 |
| - Fringe benefit tax | | 1,093,344 | 270,403 |
| - Deferred tax | | (572,897) | (367,512) |
| Profit after tax | | 213,599,353 | 108,055,493 |
| Balance brought forward from previous year | | 10,213,912 | 4,939,599 |
| Profit available for appropriation | | 223,813,265 | 112,995,092 |
| Appropriations: | | | |
| - Transfer to Statutory Reserve | | 42,000,000 | 22,000,000 |
| - Transfer to General Reserve | | 100,000,000 | 50,000,000 |
| - Transfer to Capital Redemption Reserve | | 5,715,000 | 5,715,000 |
| - Dividend on Convertible Preference Shares | | 65,390 | 1,625,000 |
| - Interim Dividend on Equity Shares | | 16,500,000 | - |
| - Interim Dividend on Redeemable Preference Shares | | 3,000,000 | - |
| - Proposed Dividend on Equity Shares | | 5,500,000 | 19,800,000 |
| - Tax on distributed profit | | 4,259,863 | 3,641,180 |
| Net profit carried forward to balance sheet | | 46,773,012 | 10,213,912 |
| Earnings per share information - | | | |
| - Weighted average number of equity shares | | | |
| - Basic | | 11,000,000 | 11,000,000 |
| - Diluted | | 11,915,097 | 11,000,000 |
| - Basic earnings per share (in Rs.) | | 19.09 | 9.65 |
| - Diluted earnings per share (in Rs.) | | 17.63 | 9.65 |
| - Nominal value per equity share | | Rs 10/- | Rs 10/- |

Notes to Accounts

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The schedules referred to above and the notes to accounts form an integral part of the Consolidated Profit and Loss Account

As per our report of even date

For and on behalf of the Board of Directors

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
V.P.Nandakumar
Chairman & Managing Director

Sd/-
I. Unnikrishnan
Managing Director

Sd/-
P. Manomohanam
Director

Sd/-
per **S Balasubrahmanyam** (Partner)
Membership No.: 053315

Sd/-
B.N.Raveendra Babu
Director

Sd/-
A.L.Bindu
Chief Financial Officer

Sd/-
C.Radhakrishnan
Company Secretary

Place : Valapad
Date : May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
CONSOLIDATED SCHEDULES FORMING PART OF THE FINANCIAL STATEMENT
FOR THE YEAR ENDED ON 31st MARCH, 2008

SCHEDULE 1 : Share capital

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|-------------------------|-------------------------|
| Authorized | | |
| 28,000,000 (Previous year - 16,000,000) equity shares of Rs. 10 each | 280,000,000 | 160,000,000 |
| 400,000 (Previous year - 400,000) redeemable preference shares of Rs. 100 each | 40,000,000 | 40,000,000 |
| 4,800,000 (Previous year - Nil) compulsorily convertible preference shares of Rs. 100 each | 480,000,000 | - |
| Issued, subscribed and paid-up | | |
| 11,000,000 (Previous year -11,000,000) equity shares of Rs. 10 each fully paid up* | 110,000,000 | 110,000,000 |
| 400,000 (Previous year - 400,000) 7.5% redeemable preference shares of Rs. 100 each fully paid up** | 40,000,000 | 40,000,000 |
| 4,680,000 (Previous year -Nil) 0.05% compulsorily convertible preference shares of (CCPS) Rs. 100 each fully paid up*** | 468,000,000 | - |
| Total | 618,000,000 | 150,000,000 |

* Out of the above, 5,500,000 (Previous year - 5,500,000) equity shares of Rs.10 each are allotted as fully paid up bonus shares by capitalisation of General Reserve - Rs. 40,000,000 (Previous year - Rs. 40,000,000) and Securities Premium - Rs. 15,000,000 (Previous year - Rs. 15,000,000)

** Out of the above 400,000 (Previous year - 400,000) 7.5% redeemable preference shares of Rs. 100 each fully paid up:
— 200,000 preference shares issued on September 11, 2004 are redeemable at par by September 10, 2011
— 200,000 preference shares issued on September 30, 2004 are redeemable at par by September 29, 2011

*** The CCPS are convertible into equity shares by September 30, 2008 at a premium to be determined based on terms of the share subscription agreement dated December 19, 2007 between the Company, Sequoia Capital India Growth Investments I and Hudson Equity Holdings Limited.

SCHEDULE 2 : Reserves and Surplus

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|-------------------------|-------------------------|
| Capital reserve | 397,721 | 397,721 |
| Capital redemption reserve | | |
| Opening balance | 11,422,500 | 5,707,500 |
| Add: Transferred from Profit and loss account | 5,715,000 | 5,715,000 |
| | 17,137,500 | 11,422,500 |
| Securities premium account | | |
| Opening balance | - | 15,000,000 |
| Less: Transferred to share capital | - | 15,000,000 |
| | - | - |
| Statutory reserve | | |
| Opening balance | 50,300,000 | 28,300,000 |
| Add: Transferred from Profit and loss account | 42,000,000 | 22,000,000 |
| | 92,300,000 | 50,300,000 |
| General reserve | | |
| Opening balance | 63,394,496 | 53,394,496 |
| Less: Transferred to share capital | - | 40,000,000 |
| Add: Transferred from Profit and loss account | 100,000,000 | 50,000,000 |
| | 163,394,496 | 63,394,496 |
| Profit & Loss Account | 46,773,012 | 10,213,912 |
| Total | 320,002,729 | 135,728,629 |

SCHEDULE 3 : Secured loans

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|-------------------------|-------------------------|
| 653,949 (Previous year - 370,797) 9 - 11.5% Secured Non-convertible Debentures of Rs. 1,000 each redeemable at par at the end of the term of each series of debentures ranging between 1-5 years* | 633,375,000 | 370,797,000 |
| Add: Interest accrued and due thereon | 3,246,115 | 11,825,182 |
| | 636,621,115 | 382,622,182 |
| From bank* | | |
| - Cash credit | 217,547,010 | 128,934,882 |
| - Working Capital Demand Loans | 494,939,726 | - |
| Vehicle loans (Secured by hypothecation of vehicles) | 1,973,379 | 378,675 |
| Total | 1,351,081,230 | 511,935,739 |

* Refer Note 11 to Schedule 18 for details of charge created on assets of the Company

SCHEDULE 4 : Unsecured loans

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|-----------------------------|-------------------------|-------------------------|
| Deposits | 80,996,128 | 240,938,459 |
| Debenture application money | 20,574,000 | 15,956,000 |
| Inter-Corporate Deposits | 18,285,652 | 4,665,000 |
| Subordinate bond | 271,113,000 | 152,060,100 |
| Interest Accrued and Due | 2,956,798 | 7,318,929 |
| Total | 393,925,578 | 420,938,488 |

SCHEDULE 5 : Deferred tax liability (net)

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|--|-------------------------|-------------------------|
| Deferred Tax Liability Differences in depreciation and other differences in block of fixed assets as per tax books and financial books | 12,035,450 | 6,671,874 |
| Deferred tax asset Provision for doubtful debts/advances | (11,601,276) | (5,664,803) |
| Deferred tax liability (net) | 434,174 | 1,007,071 |

SCHEDULE 6 : Fixed Assets

| Description | GROSS BLOCK | | | DEPRECIATION/AMORTIZATION | | | NET BLOCK | |
|-------------------------------------|---------------------|-------------------|------------------|---------------------------|-------------------|----------------|---------------------|---------------------|
| | As at 01.04.2007 | Additions | Deductions | As at 31.03.2008 | For the year | Deletions | As at 31.03.2008 | As at 31.03.2007 |
| Land * | 955,275 | 700,100 | - | 1,655,375 | - | - | 1,655,375 | 955,275 |
| Building | 2,722,123 | 645,748 | - | 3,367,871 | 47,607 | - | 3,207,383 | 2,609,242 |
| Office equipment | 8,313,954 | 8,881,156 | 35,872 | 17,159,238 | 2,351,689 | 2,314 | 12,254,089 | 5,758,180 |
| Computer equipment & software | 47,678,431 | 30,086,493 | 638,872 | 77,126,052 | 9,652,004 | 63,116 | 54,322,567 | 34,463,834 |
| Furniture & Fittings | 71,273,612 | 32,574,029 | - | 103,847,641 | 5,889,261 | - | 87,646,178 | 60,961,410 |
| Vehicle ** | 3,281,837 | 2,541,986 | 348,390 | 5,475,433 | 377,338 | 113,709 | 4,407,133 | 2,477,166 |
| TOTAL | 134,225,232 | 75,429,512 | 1,023,134 | 208,631,610 | 18,317,899 | 179,139 | 163,492,725 | 107,225,107 |
| Previous year | 67,685,705 | 68,627,563 | 2,088,036 | 134,225,232 | 10,717,639 | 61,338 | 107,225,107 | 107,225,107 |

* The Company is in the process of registering the title of the land acquired during the year in its name as at March 31, 2008

** Include vehicles taken on finance lease - Gross block Rs. 3,534,756 (Previous year - Rs. 992,770); Net block Rs. 3,229,054 (Previous year - Rs. 851,171)

SCHEDULE 7 - Investments

| | As at 31-03-2008 | As at 31-03-2007 |
|---|-------------------|-------------------|
| | Rs. | Rs. |
| Long Term Investments (Quoted at cost) | | |
| A. Other than trade | | |
| Nil (Previous year - 10,000) units of Rs. 100 each in 13.30% APPFCL Bonds | - | 1,000,000 |
| 17,000 (Previous year - 17,000) units of Rs. 100 each in 6.13% Govt. of India Loan | 1,638,800 | 1,638,800 |
| 15,000 (Previous year - 15,000) units of Rs. 100 each in 6.17% Govt of India Loan | 1,398,000 | 1,398,000 |
| 53,700 (Previous year - 53,700) units of Rs. 100 each in 6.85% Govt. of India Loan | 5,341,860 | 5,341,860 |
| 23,500 (Previous year - 23,500) units of Rs. 100 each in 8% TN Loan | 2,460,450 | 2,460,450 |
| 30 (Previous year - 30) units of Rs. 1,00,000 each in 8% Gujarat Electricity Board | 3,000,000 | 3,000,000 |
| 5,000 (Previous year - 5,000) units of Rs. 100 each in 7.00% Govt of India Loan | 514,000 | 514,000 |
| 2,960 (Previous year - 2,960) units of Rs. 100 each in 7.50% Govt of India Loan | 307,692 | 307,692 |
| 20,000 (Previous year - 20,000) units of Rs. 100 each in 7.33% HAR Loan | 1,882,000 | 1,882,000 |
| 62,000 (Previous year - 62,000) units of Rs. 100 each in 7.38% Govt. of India Loan | 6,153,500 | 6,153,500 |
| 15,000 (Previous year - 15,000) units of Rs. 100 each in 7.59% Govt. of India Loan | 1,502,250 | 1,502,250 |
| 800 (Previous year - 800) equity shares of Rs. 10 each fully paid in Chowgule Steamship | 52,755 | 52,755 |
| 500 (Previous year - 500) equity shares of Rs. 10 each fully paid in Sterling Holiday Resorts India Limited | 51,455 | 51,455 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in Raipur Alloys and Steels Limited | 2,000 | 2,000 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in Western Paques India Limited | 10,000 | 10,000 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in Rohit Pulp and Paper Mills Limited. | 11,000 | 11,000 |
| 100 (Previous year - 100) equity shares of Rs. 10 each fully paid in The Dhanalakshmi Bank Limited. | 5,000 | 5,000 |
| 400 (Previous year - 400) equity shares of Rs. 10 each fully paid in Global Finance Limited. | 48,000 | 48,000 |
| 300 (Previous year - 300) equity shares of Rs. 10 each fully paid in Vijaya Bank Limited | 7,200 | 7,200 |
| <i>(Unquoted at cost)</i> | | |
| Other than trade | | |
| 1,000 (Previous year - 1,000) equity share of Rs. 10 each fully paid in The Catholic Syrian Bank Ltd. | 32,000 | 32,000 |
| Current Investments - Trade (Quoted, at lower of cost and market value) | | |
| 1,629 units (previous year - 1,629) of Rs. 20.46 each in Sundaram Mutual Fund | 33,323 | 33,323 |
| | 24,451,285 | 25,451,285 |
| Less: Provision for permanent diminution in the value of investment | 173,000 | 1,443,565 |
| Total | 24,278,285 | 24,007,720 |
| Aggregate book value of unquoted investments | 32,000 | 32,000 |
| Aggregate book value of quoted investments | 24,419,285 | 25,419,285 |
| Aggregate market value of quoted investments | 23,264,250 | 24,036,239 |

SCHEDULE 8 : Cash & Bank Balances

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|-------------------------------|-------------------------|-------------------------|
| Cash on hand | 166,715,790 | 66,118,331 |
| Balances with scheduled banks | | |
| - on current accounts | 214,468,888 | 57,192,000 |
| - on deposit accounts * | 280,865,472 | 95,131,602 |
| - on unpaid dividend accounts | 16,957,182 | 507,867 |
| Total | 679,007,332 | 218,949,800 |

* deposit accounts includes

- Collateral deposit towards gold loans assigned (Refer Note 12 to Schedule 18)

- Deposit held as per Section 45(IB) of the Reserve Bank of India Act

SCHEDULE 9 : Other current assets

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|------------------------------|-------------------------|-------------------------|
| Interest accrued but not due | 191,160,313 | 153,383,019 |
| Stock of foreign currency | 35,474 | 2,949,538 |
| Others | 11,719,203 | - |
| Total | 202,914,990 | 156,332,557 |

SCHEDULE 10 : Loans and advances

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|--|-------------------------|-------------------------|
| Secured, considered good | | |
| Loans: | | |
| - Gold | 977,168,728 | 197,622,016 |
| - Hypothecation | 620,173,304 | 441,046,903 |
| - Stock on Hire | 71,383,290 | 101,286,300 |
| - Others | 57,981,824 | 64,053,194 |
| Unsecured, considered good | | |
| Advances recoverable in cash or kind or for value to be received | 33,040,829 | 4,668,806 |
| Deposits | 95,888,144 | 156,425,426 |
| Others | - | 96,736 |
| Advance tax and tax deducted at source, net of provision for tax | 474,753 | 1,323,483 |
| Unsecured, considered doubtful | | |
| Loans: | | |
| - Gold | 6,967,280 | 6,076,659 |
| - Hypothecation | 15,475,163 | 6,359,690 |
| - Stock on Hire | 2,489,364 | 1,171,187 |
| - Others | 4,049,795 | 1,614,989 |
| Advances recoverable in cash or kind or for value to be received | 5,275,052 | - |
| | 1,890,367,526 | 981,745,389 |
| Less: Provision for doubtful loans and advances | 34,256,654 | 15,222,525 |
| Total | 1,856,110,872 | 966,522,864 |

SCHEDULE 11 : Current liabilities

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---------------------------------------|-------------------------|-------------------------|
| Sundry creditors for expenses | 26,291,580 | 17,183,683 |
| Interest accrued but not due on loans | 17,570,073 | 23,771,094 |
| Unmatured finance charges | 121,030,885 | 13,289,842 |
| Sundry deposits | 22,918,950 | 13,834,282 |
| Unclaimed dividend | 457,182 | 507,867 |
| Dividend payable | 16,500,000 | - |
| Other liabilities | 12,870,176 | 150,832,287 |
| Total | 217,638,846 | 219,419,055 |

SCHEDULE 12 : Provisions

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|-------------------------|-------------------------|
| Provisions for taxation (net of advance tax and tax deducted at source) | 17,688,569 | 8,859,797 |
| Provision for fringe benefit tax (net of advance tax) | 12,000 | 83,089 |
| Provision for dividend on preference shares | 65,390 | 1,625,000 |
| Proposed final dividend | 5,500,000 | 19,800,000 |
| Tax on proposed dividend | 1,455,688 | 3,641,180 |
| Total | 24,721,647 | 34,009,066 |

SCHEDULE 13 : Income from services

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|----------------------------------|-------------------------|-------------------------|
| Interest and other income from | | |
| - Gold loans | 587,634,968 | 320,119,137 |
| - Hypothecation loans | 182,359,118 | 93,844,578 |
| Income from fee based activities | 17,936,253 | 11,447,098 |
| Total | 787,930,339 | 425,410,813 |

SCHEDULE 14 : Other income

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|-----------------------------|-------------------------|-------------------------|
| Interest (gross) | 13,173,459 | 12,905,473 |
| Foreign exchange gain (net) | - | 219,504 |
| Bad debts recovered | 2,101,523 | 1,638,660 |
| Others | 2,636,689 | 1,893,675 |
| Total | 17,911,671 | 16,657,312 |

SCHEDULE 15 : Personnel expenses

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|-------------------------|-------------------------|
| Salaries, wages and bonus | 111,630,641 | 58,859,619 |
| Contribution to provident and other funds | 6,120,404 | 3,929,664 |
| Staff welfare expenses | 369,139 | 106,924 |
| Total | 118,120,184 | 62,896,207 |

SCHEDULE 16 : Operating and other expenses

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|---|-------------------------|-------------------------|
| Rent | 27,708,503 | 15,676,893 |
| Electricity | 5,622,438 | 2,993,018 |
| Travel and conveyance | 8,826,383 | 7,198,931 |
| Communication expenses | 16,445,717 | 6,696,379 |
| Advertisement | 61,537,422 | 23,310,339 |
| Directors sitting fees | 749,000 | 392,000 |
| Repairs and maintenance | | |
| - Vehicles | 561,756 | 379,786 |
| - Others | 3,855,512 | 2,074,830 |
| Legal and professional fees | 7,101,448 | 2,339,412 |
| Security charges | 15,233,701 | 6,794,219 |
| Rates and taxes | 6,363,645 | 4,504,344 |
| Printing and stationery | 9,698,175 | 4,045,884 |
| Bad debts | 14,685,390 | 21,320,320 |
| Provision for doubtful loans and advances | 19,034,129 | 9,516,516 |
| Miscellaneous expenses | 3,188,600 | 4,919,388 |
| Total | 200,611,819 | 112,162,259 |

SCHEDULE 17 : Financial expenses

| | As at 31-03-2008 Rs. | As at 31-03-2007 Rs. |
|------------------------|-------------------------|-------------------------|
| Interest | | |
| - on Debentures | 46,468,643 | 33,955,946 |
| - on Deposits | 40,928,011 | 27,235,310 |
| - on Banks | 26,734,608 | 13,401,357 |
| - Others | 27,790,851 | 13,689,322 |
| Bank and other charges | 1,607,002 | 1,567,555 |
| Total | 143,529,115 | 89,849,490 |

SCHEDULE 18 - Notes to accounts**18.1 Background**

Manappuram General Finance and Leasing Limited ('MAGFIL' or 'the Company') was incorporated on July 15, 1992 in Thrissur, Kerala. The Company is a non-banking financial company ('NBFC') which provides a wide range of fund based and fee based services including gold loans, hypothecation loans, hire purchase loans, money exchange facilities, etc. The Company currently operates through more than 300 branches spread across the country.

During the current year, the Company has issued and allotted 4,68,000, 0.05% compulsorily convertible preference shares of Rs. 100 each to Hudson Equity Holdings Limited and Sequoia Capital India Investment Holdings I pursuant to an agreement with the aforesaid parties.

The Company had acquired 100% equity interest in its wholly owned subsidiary Manappuram Insurance Brokers Private Limited ('MAIBRO' or 'the Subsidiary') on April 24, 2004, which is located in the Thrissur, Kerala. The Subsidiary is engaged primarily in the business of providing insurance brokerage services on behalf of both life and general insurance companies.

MAGFIL, along with MAIBRO, shall hereinafter, be collectively referred to as 'the Group'.

18.2 Statement of significant accounting policies:**a) Principles of consolidation**

- i. The excess of MAGFIL's portion of equity of MAIBRO, at the date of investment over the cost of such investment has been accounted as Capital Reserve in the Consolidated Financial Statements ('CFS').
- ii. The CFS of the Group have been prepared based on a line-by-line consolidation of the balance sheet as at March 31, 2008 and statement of profit and loss and cash flows of the Group for the year ended March 31, 2008.
- iii. The financial statements of the Subsidiary considered for the purpose of consolidation are drawn for the same reporting period as that of the Company i.e. year ended March 31, 2008.
- iv. The CFS have been prepared using uniform accounting policies, except as stated otherwise, for similar transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- v. All material inter-company transactions and balances between the entities included in the CFS have been eliminated on consolidation.

b) Basis of preparation

The consolidated financial statements have been prepared to comply in all material respects with the mandatory Accounting standard issued by the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Reserve Bank of India as applicable to a NBFC to reflect the financial position and the results of operations of the Group. The consolidated financial statements have been prepared under the historical cost convention and on an accrual basis. Further, the financial statements are presented in the general format specified in Schedule VI to the Act. However, as these financial statements are not statutory financial statements, full compliance with the above Act are not required and so they may not reflect all the disclosure requirements of the Act.

The significant accounting policies adopted by the Group in respect of the consolidated financial statements are given below.

c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

d) Change in accounting policy

Adoption of Accounting Standard 15 (Revised) - 'Employee Benefits'

Until March 31, 2007, the Company was providing for gratuity based on actuarial valuation as per certificate from Life Insurance Corporation of India. In the current year, the Company has adopted the Accounting Standard 15 (Revised) [AS 15(R)], which is mandatory from accounting periods commencing on or after from December 7, 2006. Accordingly, the Company has provided for gratuity based on actuarial valuation done as per projected unit credit method. This change does not have a material impact on the profits for the current year and earlier periods.

There are no other employee benefits that have a significant impact on account of adoption of AS 15R.

e) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use.

f) Depreciation

Depreciation except for computer software (depreciated at the rate of 16.21%), is provided using the straight line method at the rates prescribed under schedule XIV of the Companies Act, 1956, which is management's estimate of the useful lives of the assets.

g) Impairment

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

h) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease item, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

j) Revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income on loans given is recognized under the internal rate of return method. Such interests, where installments are overdue in respect of non performing assets are recognized on realization basis. Any such income recognized and remaining unrealized after the installments become overdue with respect to non performing assets is reversed.

Revenues from fee-based activities are recognized as and when services are rendered.

Interest on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

k) Retirement benefits

i. Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective fund is due. There are no other obligations other than the contribution payable to the respective trusts.

ii. Gratuity liability under the Payment of Gratuity Act is accrued and provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

iii. Short term compensated absences are provided for based on estimates.

l) Foreign currency transactions**i. Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

m) Income Tax

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

n) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split, if any.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

o) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate of amounts required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

p) Segment reporting

Identification of segments: The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. As the Company operates only in India it has a single geographical segment.

Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items: Unallocable costs include general corporate income and expense items which are not allocated to any business segment.

q) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

18.3 Segment reporting

Primary Segment: Business Segment

The three identified reportable segments are:

1. Gold and other loans - Financing of loans against pledging of gold and gold ornaments
2. Asset financing - Financing of loans against hypothecation of vehicles
3. Fee based activities - Money transfer, foreign currency exchange, insurance brokerage

Secondary segment information

The Group has no reportable geographical segment as it renders its services entirely in India.

Primary segment information

| Particulars | March 31, 2008 | March 31, 2007 |
|-------------------------------|-----------------------|-----------------------|
| <u>Segment revenues</u> | | |
| Gold and other loans | 599,240,786 | 320,338,641 |
| Asset financing | 184,464,522 | 95,483,238 |
| Fee based activities | 18,846,966 | 11,930,032 |
| | 802,552,274 | 427,751,911 |
| <u>Segment result</u> | | |
| Gold and other loans | 262,051,354 | 158,908,109 |
| Asset financing | 72,071,385 | 41,895,599 |
| Fee based activities | 13,744,884 | 8,996,335 |
| Unallocable Income | 3,289,736 | 14,316,214 |
| Net unallocable expenditure | (25,894,366) | (57,673,727) |
| Profit before taxation | 325,262,993 | 166,442,530 |
| Taxes | 111,663,640 | 58,387,037 |
| Profit after taxation | 213,599,353 | 108,055,493 |
| <u>Segment assets</u> | | |
| Gold and other loans | 2,137,587,210 | 865,337,708 |
| Asset financing | 743,064,719 | 567,640,223 |
| Fee based activities | 16,843,709 | 15,662,125 |
| Unallocable Assets | 19,344,889 | 26,141,694 |
| | 2,916,840,527 | 1,474,781,750 |
| <u>Segment liabilities</u> | | |
| Gold and other loans | 157,390,421 | 37,810,261 |
| Asset financing | 33,939,563 | 33,558,295 |
| Fee based activities | 3,634,304 | 3,198,854 |
| Unallocated liabilities | 1,795,592,713 | 1,114,485,711 |
| | 1,990,557,001 | 1,189,053,121 |
| <u>Depreciation</u> | | |
| Gold and other loans | 15,859,018 | 8,947,291 |
| Asset financing | 2,400,033 | 1,711,500 |
| Fee based activities | 58,848 | 58,848 |
| | 18,317,899 | 10,717,639 |
| <u>Capital expenditure</u> | | |
| Gold and other loans | 65,514,796 | 57,607,920 |
| Asset financing | 9,914,716 | 11,019,643 |
| Fee based activities | - | - |
| | 75,429,512 | 68,627,563 |

18.4 Related party transactions

| Particulars | Associates / Enterprises owned or significantly influenced by key management personnel or their relatives | | Key Management Personnel | | Relatives of key management personnel | | Total | |
|--|---|--------------------|--------------------------|-------------------|---------------------------------------|-------------------|--------------------|--------------------|
| | 31-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 |
| Sale of gold loans | 790,400,000 | 922,673,943 | - | - | - | - | 790,400,000 | 922,673,943 |
| Manappuram Finance Tamilnadu Ltd. | 790,400,000 | 922,673,943 | - | - | - | - | 790,400,000 | 922,673,943 |
| Purchase of gold loans | 151,626,511 | 800,573,943 | - | - | - | - | 151,626,511 | 800,573,943 |
| Manappuram Finance Tamilnadu Ltd. | 122,107,400 | 800,573,943 | - | - | - | - | 122,107,400 | 800,573,943 |
| Manappuram Finance | 29,519,111 | - | - | - | - | - | 29,519,111 | - |
| Debentures issued during the year | - | - | 275,000 | - | - | - | 275,000 | - |
| V P Nandakumar | - | - | 275,000 | - | - | - | 275,000 | - |
| Interest paid | 12,003,967 | 8,190,092 | 34,809,413 | 10,485,760 | 81,940 | 98,002 | 46,895,320 | 18,773,854 |
| V P Nandakumar | - | - | 34,809,413 | 10,485,760 | - | - | 34,809,413 | 10,485,760 |
| Manappuram Comptech & Consultants (P) Ltd. | - | 1,489 | - | - | - | - | - | 1,489 |
| Manappuram Finance Tamilnadu Ltd. | 11,487,867 | 8,188,603 | - | - | - | - | 11,487,867 | 8,188,603 |
| Manappuram Asset Finance Ltd. | 516,100 | - | - | - | - | - | 516,100 | - |
| Jyothi Prasannan | - | - | - | - | 81,940 | 98,002 | 81,940 | 98,002 |
| Interest received | 1,401,127 | 9,600,656 | - | - | - | - | 1,401,127 | 9,600,656 |
| Manappuram Finance Tamilnadu Ltd. | 1,401,127 | 9,600,656 | - | - | - | - | 1,401,127 | 9,600,656 |
| Deputation of staff to other Companies | 15,164,326 | 9,327,513 | - | - | - | - | 15,164,326 | 9,327,513 |
| Manappuram Benefit Fund Ltd. | 10,123,495 | 3,610,657 | - | - | - | - | 10,123,495 | 3,610,657 |
| Manappuram Finance Tamilnadu Ltd. | 5,034,837 | 5,395,195 | - | - | - | - | 5,034,837 | 5,395,195 |
| Manappuram Comptech & Consultants (P) Ltd. | 5,994 | 276,758 | - | - | - | - | 5,994 | 276,758 |
| Manappuram Chits (India) Ltd. | - | 44,903 | - | - | - | - | - | 44,903 |
| Deputation of staff from other Companies | 441,322 | 763,113 | - | - | - | - | 441,322 | 763,113 |
| Manappuram Benefit Fund Ltd. | 441,322 | 549,430 | - | - | - | - | 441,322 | 549,430 |
| Manappuram Comptech & Consultants (P) Ltd. | - | 213,683 | - | - | - | - | - | 213,683 |
| Inter Corporate Deposits given | 13,685,646 | - | - | - | - | - | 13,685,646 | - |
| Manappuram Asset Finance Ltd. | 13,685,646 | - | - | - | - | - | 13,685,646 | - |
| Inter Corporate Deposits taken | 4,785,000 | 4,362,000 | - | - | - | - | 4,785,000 | 4,362,000 |
| Manappuram Finance Tamilnadu Ltd. | 4,785,000 | 4,362,000 | - | - | - | - | 4,785,000 | 4,362,000 |
| Incentive reimbursement received | 2,396,878 | - | - | - | - | - | 2,396,878 | - |
| Manappuram Finance Tamilnadu Ltd. | 2,396,878 | - | - | - | - | - | 2,396,878 | - |
| Incentive reimbursement paid | 1,521,252 | 1,236,091 | - | - | - | - | 1,521,252 | 1,236,091 |
| Manappuram Comptech & Consultants (P) Ltd. | 1,521,252 | 1,236,091 | - | - | - | - | 1,521,252 | 1,236,091 |
| Subordinate Bond issued during the year | - | - | - | - | 951,000 | - | 951,000 | - |
| Jyothi Prasannan | - | - | - | - | 951,000 | - | 951,000 | - |
| Issue of preference shares | - | - | - | - | - | 20,000,000 | - | 20,000,000 |
| V.P. Nandakumar | - | - | - | - | - | 20,000,000 | - | 20,000,000 |
| Balance outstanding as at the period end: | | | | | | | | |
| Amounts payable (net) to related parties | 13,766,253 | 220,091 | 45,432,464 | - | 955,075 | 133,000 | 60,153,792 | 353,091 |
| Mr V.P.Nandakumar | - | - | 45,432,464 | - | - | - | 45,432,464 | - |
| Manappuram Asset Finance Ltd. | 13,766,253 | - | - | - | - | - | 13,766,253 | - |
| Jyothi Prasannan | - | - | - | - | 955,075 | 133,000 | 955,075 | 133,000 |
| Manappuram Benefit Fund Ltd. | - | 220,091 | - | - | - | - | - | 220,091 |
| Amounts receivable (net) from related parties | 2,441,637 | 120,960,645 | - | - | - | - | 2,441,637 | 120,960,645 |
| Manappuram Finance Tamilnadu Ltd. | 2,441,637 | 120,897,570 | - | - | - | - | 2,441,637 | 120,897,570 |
| Manappuram Comptech & Consultants (P) Ltd. | - | 63,075 | - | - | - | - | - | 63,075 |

1. Names of related parties

Associates / Joint Ventures / Enterprises owned or significantly influenced by key management personnel or their relatives

Manappuram Finance Tamilnadu Limited [formerly Manappuram Finance (Tamilnadu) Private Limited]
Manappuram Benefit Fund Limited
Manappuram Chits (India) Limited
Manappuram Comptech & Consultants (P) Limited

| | |
|---------------------------------------|---|
| Key Management Personnel | Manappuram Asset Finance Limited Manappuram Finance (Sole proprietorship) V P Nandakumar I Unnikrishnan |
| Relatives of key management personnel | Sushama Nandakumar Sooraj Nandan Rajalakshmi P.K. Shelly Ekalavyan Athira Prasannan Jyothi Prasannan |

2. Remuneration paid to directors is disclosed elsewhere in the financial statements

18.5 Gratuity:

The amounts of Provident Fund contribution charged to the Profit and Loss Account during the year aggregates to Rs. 3,345,599 (Previous Year - Rs. 2,147,999)

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Personnel expenses)

| | 2008 |
|---|-------------|
| Current service cost | 536,630 |
| Interest cost on benefit obligation | 55,148 |
| Expected return on plan assets | (133,199) |
| Net actuarial gain recognised in the year | (259,670) |
| Net (benefit) / expense | 198,909 |

Balance sheet

Reconciliation of present value of the obligation and the fair value of plan assets:

| | 2008 |
|---|-------------|
| Defined benefit obligation | (926,872) |
| Fair value of plan assets | 1,804,486 |
| Asset/(liability) recognised in the balance sheet | 877,614 |

Changes in the present value of the defined benefit obligation are as follows:

| | 2008 |
|------------------------------------|-------------|
| Opening defined benefit obligation | 735,308 |
| Interest cost | 55,148 |
| Current service cost | 536,630 |
| Benefits paid | (140,544) |
| Actuarial gains on obligation | (259,670) |
| Closing defined benefit obligation | 926,872 |

Changes in the fair value of plan assets are as follows:

| | 2008 |
|-----------------------------------|-------------|
| Opening fair value of plan assets | 1,275,233 |
| Expected return | 133,199 |
| Contributions by employer | 536,598 |
| Benefits paid | (140,544) |
| Actuarial gains / (losses) | - |
| Closing fair value of plan assets | 1,804,486 |

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

| | 2008 |
|-----------------------------------|-------------|
| | % |
| Discount rate | 7.5% |
| Expected rate of return on assets | 7.5% |

The fund is administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

18.6 Earnings per share

| | 2008 | 2007 |
|---|--------------------|--------------------|
| Net profit as per profit and loss account | 213,599,353 | 108,055,493 |
| Less: Dividends on preference shares | (3,586,353) | (1,901,169) |
| Net profit for calculation of basic and diluted EPS | 210,013,000 | 106,154,324 |
| Weighted average number of equity shares in calculating basic EPS | 11,000,000 | 11,000,000 |
| Add: Weighted average equity shares to be issued on conversion of preference shares | 915,097 | - |
| Weighted average number of equity shares in calculating diluted EPS | 11,915,097 | 11,000,000 |

18.7 Lease disclosure

Operating Leases:

Office premises are obtained on operating lease which are cancellable in nature.

Finance Leases:

| | 2008 | 2007 |
|--|------------------|----------------|
| Total minimum lease payments at the year end | 2,236,305 | 408,319 |
| Less: Amount representing finance charges | 262,926 | 29,644 |
| Present value of minimum lease payments | 1,973,379 | 378,675 |
| Lease payments for the year | 549,810 | 544,116 |

Minimum Lease Payments:

| | | |
|--|-----------|---------|
| Not later than one year [Present value Rs. 745,623 as on March 31, 2008 (Rs. 317,325 as on March 31, 2007)] | 902,388 | 334,327 |
| Later than one year but not later than five years [Present value Rs. 1,227,756 as on March 31, 2008 (Rs. 61,350 as on March 31, 2007)] | 1,333,917 | 73,992 |

18.8 Commitments and contingent liabilities

Commitments

Estimated amount of contracts remaining to be executed on capital account, net of advances is Rs. Nil/-. (Previous year - Rs. Nil).

Contingent liabilities

i) Claims against the Company not acknowledged as debts

| | 2008 | 2007 |
|---|-------------|-------------|
| Penalty under Kerala General Sales Tax Act and Kerala Money Lenders Act | 720,000 | 720,000 |
| Income tax demand | 700,000 | - |

ii) Others

The Company is contingently liable to banks and other financial institutions with respect to assignment of gold / hypothecation loans to the extent of the collateral deposit / guarantees - Rs. 534,074,694 (previous year - Rs. 263,233,013).

18.9 Assignment of receivables

The Company has assigned a portion of its gold loans / hypothecations loans to banks and financial institutions during the year. The aggregate balance amount lying outstanding as at March 31, 2008 is Rs. 3,930,117,097 (Previous year - Rs. 2,978,739,220), the breakup for which is as given below:

| | 2008 | 2007 |
|-------------------------------|----------------------|----------------------|
| Sundaram Finance | 38,895,669 | 57,939,430 |
| ICICI Bank | 766,969,186 | 400,000,000 |
| Development Credit Bank | 500,000,000 | - |
| ING Vysa Bank | 349,998,315 | - |
| HDFC Bank | 300,000,000 | 90,000,000 |
| Fullerton Credit Company Ltd. | 1,532,164,176 | 2,076,809,928 |
| Unit Trust of India | 342,089,751 | 253,989,862 |
| Kotak Mahindra | 100,000,000 | 100,000,000 |
| | 3,930,117,097 | 2,978,739,220 |

18.10 Transactions with parties covered under section 297 of the Companies Act, 1956

The Company has entered into transactions for the purchase and sale of gold loan with certain parties covered under section 297 of the Companies Act, 1956. In addition, the Company has also entered into transactions with such parties for deputation of employees.

Management believes that transactions for the purchase and sale of gold loans with such parties are at prevailing market prices after considering the specialized nature of the items transacted. The Company is in the process of obtaining necessary approvals/condonations from Central Government, if any that may be required in respect of the various classes of the transactions entered into with parties covered under section 297 of the Companies Act, 1956.

18.11 Charges created on assets of the Company for Secured Loans

A. Non Convertible Secured Debentures

Non convertible secured debentures are secured by floating charge on the specified HP receivables, Gold loan including receivables thereon and other unencumbered assets both present and future.

B. From banks

Overdraft accounts have been availed with the following banks and are secured by pledge of assets under original Hire Purchase agreements / Hypothecation Loan agreements including receivables thereon:

- The Catholic Syrian Bank Ltd., Thrissur
- The Dhanalakshmi Bank Ltd., Thrissur
- Canara Bank, Thrissur
- The Catholic Syrian Bank Ltd., TCR FCNR(B) Loan
- Punjab National Bank

Working Capital Demand Loan facilities are secured by gold loan receivables

18.12 Cash Collaterals held with banks

| | 2008 | 2007 |
|------------------------------|---------------------------|--------------------------|
| ICICI Bank | 168,512,489 | - |
| Development Corporation Bank | 25,000,000 | 20,052,020 |
| Axis bank | 30,000,000 | 21,000,000 |
| HDFC Bank | 36,000,000 | 12,000,000 |
| Kotak Mahindra Bank | 2,500,000 | 2,500,000 |
| ING Vysya | 8,752,000 | - |
| | <u>270,764,489</u> | <u>55,552,020</u> |

18.13 During the year, there have been three instances of fraud on the Company by employees where gold loan related misappropriations have occurred for amounts aggregating Rs. 24 lakhs. The Company has initiated steps to recover the amounts and have approached the insurance company for the same.

18.14 Comparatives

The figures of the previous year were audited by a firm of Chartered Accountants other than S. R. Batliboi & Associates. The previous year's figures have been regrouped wherever necessary to conform to current year's classification.

As per our report of even date

For and on behalf of the Board of Directors

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
V.P.Nandakumar
Chairman & Managing Director

Sd/-
I. Unnikrishnan
Managing Director

Sd/-
P. Manomohan
Director

Sd/-
per **S Balasubrahmanyam** (Partner)
Membership No.: 053315

Sd/-
B.N.Raveendra Babu
Director

Sd/-
A.L.Bindu
Chief Financial Officer

Sd/-
C.Radhakrishnan
Company Secretary

Place : Valapad
Date : May 8, 2008

MANAPPURAM GENERAL FINANCE AND LEASING LIMITED, VALAPAD
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2008

| | Year ended 31-03-2008 (Rs) | Year ended 31-03-2007 (Rs) |
|---|-------------------------------|-------------------------------|
| A. Cash flow from operating activities | 325,262,993 | 166,442,530 |
| Net profit before taxation, and extraordinary items | | |
| Adjustments for: | | |
| Depreciation / amortization | 18,317,899 | 10,717,639 |
| Loss on sale of fixed assets | 843,995 | 976 |
| Write back of diminution in value of investments | (1,270,565) | - |
| Provision for diminution in value of investments | - | 1,269,762 |
| Interest income | (13,173,459) | (12,905,473) |
| Dividend income | - | (1,000) |
| Interest expense | 141,922,113 | 88,281,935 |
| Bad debts written off and provision for doubtful loans and advances | 33,719,519 | 21,320,320 |
| Operating profit before working capital changes | 505,622,495 | 275,126,689 |
| Movements in working capital : | | |
| Decrease / (Increase) in other current assets | (37,624,517) | (118,075,186) |
| Decrease / (Increase) loans and advances | (923,307,527) | (382,532,474) |
| Increase / (Decrease) in current liabilities and provisions | (12,150,277) | 13,064,458 |
| Cash generated from operations | (467,459,826) | (212,416,513) |
| Direct taxes paid (net of refunds) | (103,407,765) | (48,441,277) |
| Net cash from operating activities | (570,867,591) | (260,857,790) |
| B. Cash flows from investing activities | | |
| Purchase of fixed assets | (75,429,512) | (68,627,563) |
| Proceeds from sale of fixed assets | - | 2,025,722 |
| Sale / maturity of investments | 1,000,000 | 2,400,000 |
| Purchase of investments | - | (12,344,610) |
| Interest received | 15,934,746 | 12,905,473 |
| Dividends received | - | 1,000 |
| Net cash from investing activities | (58,494,766) | (63,639,978) |
| C. Cash flows from financing activities | | |
| Proceeds from issuance of share capital | 468,000,000 | 20,000,000 |
| Share issue expenses not written off or adjusted | (11,719,203) | - |
| Proceeds from long-term borrowings (net) | 812,132,581 | 276,485,767 |
| Interest paid | (148,123,134) | (84,254,512) |
| Dividends paid | (24,425,000) | (9,750,000) |
| Tax on dividend paid | (6,445,355) | (1,367,440) |
| Net cash used in financing activities | 1,089,419,889 | 201,113,815 |
| Net increase in cash and cash equivalents (A + B + C) | 460,057,532 | (123,383,953) |
| Cash and cash equivalents at the beginning of the year | 218,949,800 | 342,333,753 |
| Cash and cash equivalents at the end of the year | 679,007,332 | 218,949,800 |
| Components of cash and cash equivalents: | | |
| Cash and cheques on hand | 166,715,790 | 66,118,331 |
| With banks | | |
| - on current account | 231,426,070 | 57,699,867 |
| - on deposit account | 280,865,472 | 95,131,602 |
| | 679,007,332 | 218,949,800 |

As per our report of even date

For and on behalf of the Board of Directors

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Sd/-
V.P.Nandakumar
Chairman & Managing Director

Sd/-
I. Unnikrishnan
Managing Director

Sd/-
P. Manomohanan
Director

Sd/-
per **S Balasubrahmanyam** (Partner)
Membership No.: 053315

Sd/-
B.N.Raveendra Babu
Director

Sd/-
A.L.Bindu
Chief Financial Officer

Sd/-
C.Radhakrishnan
Company Secretary

Place : Valapad
Date : May 8, 2008

Balance Sheet Abstract and Company's General Business Profile As per part IV to schedule VI to the companies Act, 1956

I Registration details

Registration No.

| | | | | | | | |
|--|--|--|---|---|---|---|---|
| | | | 0 | 6 | 6 | 2 | 3 |
|--|--|--|---|---|---|---|---|

State Code

| | |
|---|---|
| 0 | 9 |
|---|---|

Balance Sheet Date

| | | | | | | | |
|------|-------|------|---|---|---|---|---|
| 3 | 1 | 0 | 3 | 2 | 0 | 0 | 8 |
| Date | Month | Year | | | | | |

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

Public Issue

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | i | l |
|--|--|--|--|--|---|---|---|

Right Issue

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | i | l |
|--|--|--|--|--|---|---|---|

Bonus Issue

| | | | | |
|--|--|---|---|---|
| | | N | i | l |
|--|--|---|---|---|

Private Placement*

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

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

Total Liabilities

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 2 | 9 | 1 | 6 | 7 | 5 | 1 |
|--|---|---|---|---|---|---|---|

Total Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 2 | 9 | 1 | 6 | 7 | 5 | 1 |
|--|---|---|---|---|---|---|---|

Source of Funds

Paid-up Capital

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 6 | 1 | 8 | 0 | 0 | 0 |
|--|--|---|---|---|---|---|---|

Reserves & Surplus

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 3 | 1 | 1 | 8 | 2 | 9 |
|--|--|---|---|---|---|---|---|

Secured Loans

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 1 | 3 | 5 | 1 | 0 | 8 | 1 |
|--|---|---|---|---|---|---|---|

Unsecured Loans

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 3 | 9 | 3 | 9 | 2 | 5 |
|--|--|---|---|---|---|---|---|

Deferred tax liability (net)

| | | | | |
|--|--|---|---|---|
| | | 3 | 9 | 1 |
|--|--|---|---|---|

Application of Funds

Net Fixed Assets

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 1 | 6 | 3 | 2 | 0 | 9 |
|--|--|---|---|---|---|---|---|

Investments

| | | | | | | |
|--|--|---|---|---|---|---|
| | | 2 | 9 | 2 | 7 | 8 |
|--|--|---|---|---|---|---|

Net Current Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 2 | 4 | 8 | 2 | 7 | 4 | 0 |
|--|---|---|---|---|---|---|---|

Misc. Expenditure

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | | | |
|--|--|--|--|--|--|--|--|

Accumulated Losses

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | i | l |
|--|--|--|--|--|---|---|---|

IV Performance of Company (Amount in Rs. Thousands)

Turnover

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 7 | 9 | 6 | 5 | 9 | 6 |
|--|--|---|---|---|---|---|---|

Total Expenditure

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 4 | 7 | 6 | 9 | 8 | 2 |
|--|--|---|---|---|---|---|---|

✓

| | |
|---|---|
| + | - |
|---|---|

 Profit/Loss Before Tax

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 3 | 1 | 9 | 6 | 1 | 4 |
|--|--|---|---|---|---|---|---|

✓

| | |
|---|---|
| + | - |
|---|---|

 Profit/Loss After Tax

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 2 | 0 | 9 | 8 | 9 | 6 |
|--|--|---|---|---|---|---|---|

Earnings per Share in Rs.

| | | | | | |
|--|--|---|---|---|---|
| | | 1 | 8 | 7 | 6 |
|--|--|---|---|---|---|

Dividend Rate%

| | | | |
|--|--|---|---|
| | | 2 | 0 |
|--|--|---|---|

V Generic Names of Three Principal Products/Services

of Company (As per Monetary Terms)

Hire Purchase, Leasing, Bill Discounting Gold Loan

| | | | | | | |
|--|--|--|--|--|---|---|
| | | | | | N | A |
|--|--|--|--|--|---|---|

*Company has made an issue of 4680000,0.5% Compulsorily convertible preference shares of Rs 100/- each.

MANAPPURAM General Finance and Leasing Limited

Regd. Office : V/104, Manappuram House
Valapad P.O., Thrissur - 680 567

ATTENDANCE SLIP

Members Folio No
Client ID No
DP ID No
Name of the Member
Name of Proxy Holder
No.of shares held

I hereby record my presence at the 16th Annual General Meeting of the company held on Thursday, the 25th September 2008 at 10.30 AM at Anugraha Auditorium, Valapad, Thrissur - 680 567.

.....
Signature of Member/Proxy

Notes:

- 1. Members/proxy holders are requested to produce the attendance slip duly signed for admission to the meeting hall.
- 2. Members are requested to bring the copy of the notice of the meeting.

MANAPPURAM General Finance and Leasing Limited

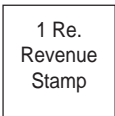
Regd. Office : V/104, Manappuram House
Valapad P.O., Thrissur - 680 567

PROXY FORM

Members Folio No/ Client ID

I/We..... of
in the district of being a member/members of **Manappuram General Finance and Leasing Limited** hereby appointof in the district ofor failing him/her ofof in the district of as my/ our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on Thursday, the 25th day of September 2008 at 10.30 AM and any adjournment thereof.

Signed this day of 2008



Note:

If it is intended to appoint a proxy the form of proxy should be completed and deposited at the Registered office of the company at least 48 hours before the commencement of meeting.

MANAPPURAM General Finance and Leasing Limited
Regd. Office : V/104, Manappuram House, Valapad P.O., Thrissur - 680 567
Ph: (0487) 2391306, 2391892 Fax No. (0487) 2399301/2396973
E-mail : mail@manappuram.com, Website - manappuram.com

25-8-2008

Dear Shareholder,

Sub : "MAGFIL" Award

I am very happy to inform you that Manappuram General Finance and Leasing Ltd. will annually award five MAGFIL Awards as given below for the children of its shareholders, based on the marks obtained in the S.S.L.C./equivalent examination:

| | | |
|--------------|---|----------------------|
| First Prize | : | Rs. 3,000/- |
| Second Prize | : | Rs. 2,000/- |
| Third Prize | : | Rs. 1,000/- (3 Nos.) |

He/She should pursue higher education. The child also should have a consistently high academic record. For a child to be eligible for this award, his/her parent should have been a shareholder of Manappuram General Finance and Leasing Ltd., as on 31st March 2008.

The prizes for the Academic Year 2007-2008 will be awarded at our Annual General Meeting which will be held at **ANUGRAHA AUDITORIUM**, Valapad P.O., Thrissur 680 567 on Thursday, 25th September 2008 at 10.30 A.M. Interested shareholders are requested to forward a written application along with copy of the supporting mark list duly attested by a gazetted officer to Shri. C. Radhakrishnan, Company Secretary at the above address. The completed application with phone number should reach the Registered Office of the Company Latest by 22nd September 2008.

The decision of the Board will be final in this regard.

Yours sincerely,

Sd/-

V.P. Nandakumar
Chairman & Managing Director



MANAPPURAM GENERAL FINANCE AND LEASING LIMITED

Regd. Office : V/104, Manappuram House

Valappad P.O., Thrissur - 680 567

Phone : 0487 - 2391306, 2391892 Fax : 0487 - 2399301, 2396973

E-mail : mail@manappuram.com Website : www.manappuram.com



NOTICE

Notice is hereby given that the **SIXTEENTH** Annual General Meeting of the Shareholders of Manappuram General Finance and Leasing Limited will be held on **Thursday 25th September 2008 at 10.30 AM** Anugraha Auditorium, Valapad, Thrissur-680 567 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited profit and loss account for the financial year ended 31st March 2008 and the Balance Sheet as at that date, the report of the Board of Directors and the Report of Auditors.
2. To declare dividend for the year ended 31st March, 2008
3. To consider the retirement of Smt. Jyothy Prasannan, Director, who retires by rotation, and being eligible, offers herself for re-appointment.
4. To consider the retirement of Dr.K.K.Mohandas, Director, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider the retirement of Mr.Juguna G. Panikkaparambil, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

“RESOLVED THAT M/s S.R. Batliboi & Associates, Chartered Accountants, TPL House, Second Floor, 3, Cenotaph Road, Teynampet, Chennai- 600 018 retiring auditors be and are hereby reappointed as the auditors of the company to hold office up to the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors plus reimbursement of out of pocket expenses and levies such as service tax etc”

Special Business

7. Appointment of Mr.Ashvin Chadha as a Director of the Company

To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary resolution:

“RESOLVED THAT Shri.Ashvin Chadha be and is hereby appointed as Director of the company whose term of office shall be liable to termination by retirement of Directors by rotation.”

8. Appointment of Mr.Sooraj Nandan as Vice President

To consider and if thought fit to pass with or without modification, the following resolution as a Special resolution:

“RESOLVED pursuant to section 314 of the Companies Act 1956, that Mr.Sooraj Nandan, Son of Mr.V.P.Nandakumar, Chairman and Managing Director, be and is hereby appointed to hold an office of profit under the company as **VICE PRESIDENT** with effect from 15.04.2008 as per the terms and conditions detailed below:-

| | | |
|--------------------------------------|---|---------------------------------|
| Basic Salary | : | Rs 35,000/- |
| Contribution to PF | : | 12% of salary |
| Bonus, Gratuity and leave encashment | : | As per the rules of the company |

Item No. 9. Commission to Non Executive Directors of the Company

To consider and if thought fit to pass with or without modification, the following resolution as a Special resolution:

“RESOLVED THAT pursuant to the provisions of Section 198, 309, 349, 350 and other applicable provisions, if any, of the Companies Act 1956, approval of the company be and is hereby accorded to the payment of commission to such of the non executive directors of the company, over and above the sitting fee for attending the meetings of the Board and other committees, at a rate not exceeding 1% of the net profits of the company as the board may decide from time to time on the recommendation of the remuneration committee of the company”.

10. To increase the borrowing powers of the Company

To consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution.

“RESOLVED THAT pursuant to the provisions of Sec. 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the Board of Directors to borrow from time to time all such sums of monies as may deem requisite or proper for the purpose of the business of the Company, apart from the temporary loans obtained from the Company’s bankers in the ordinary course of business, exceeding the paid up share capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which monies may be borrowed by the Board of Directors shall not exceed the sum of Rs. 3000 crore (Rupees Three Thousand crore only) at any time”.

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the board be and is hereby authorized to do all such things and acts as may be necessary and expedient and to settle any question or matter that may arise in connection therewith.”

11. Accepting investment by FII more than 24%

To consider and if thought fit to pass with or without modification, the following resolution as a special resolution

“RESOLVED THAT pursuant to applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable Rules, Regulations, Guidelines and laws (including any statutory modification or re-enactment thereof for the time being in force) and subject to all requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company and / or a duly authorized committee thereof for the time being exercising the powers conferred by the Board of Directors (herein after referred to as “The Board”), the consent of the Company be and is hereby accorded for raising the ceiling of 24% of the total paid up Equity capital of the company on investments in securities by Foreign institutional Investors (FIIs) to 49 % of the paid up Equity share capital of the company, subject to the other conditions as may be prescribed from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith and incidental thereto.”

12. Amending the Capital Clause of Memorandum of Association of the company

To consider and, if , thought fit, to pass with or without modification, the following resolution as a special resolution:

“RESOLVED THAT pursuant to the provisions of Section 94(1)(a) and any other applicable provisions of the Companies Act, 1956, the Authorized Capital of the company be and is hereby reclassified from the present Rs.80,00,00,000/- (Rupees eighty crores) divided into 2,80,00,000 (Two crore eighty lakh) equity shares of Rs.10/- (Rupees ten) each and 48,00,000 (forty eight lakh) Compulsorily Convertible Preference Shares of Rs.100/- (Rupees one hundred) each and 4,00,000 (Four lakh) redeemable preference shares of Rs. 100/- (Rupees one hundred) each to Rs.80,00,00,000 (Rupees eighty crore) divided into 2,60,00,000 (two crore sixty lakh) equity shares of Rs.10 each and 50,00,000 (fifty lakh) Compulsorily Convertible Preference Shares of Rs.100/- (Rupees one hundred) each and 4,00,000 (Four lakh) Redeemable preference shares of Rs. 100/- (Rupees one hundred) each.

“RESOLVED FURTHER THAT subject to the provisions of Section 16 of the Companies Act, 1956, clause V of the Memorandum of Association of the company be and is hereby amended by substituting the existing clause with the following clause:

The authorized share capital of the company is Rs.80,00,00,000/- (Rupees eighty crores) divided into 2,60,00,000 (Two crore sixty lakh) equity shares of Rs.10/- (Rupees ten) each and 50,00,000 (Fifty lakh) Compulsorily Convertible Preference Shares of Rs.100/- (Rupees one hundred only) each and 4,00,000 (Four lakh) redeemable preference shares of Rs. 100/- (Rupees one hundred) each.

13. Alteration of Articles of Association of the company.

To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution.

“RESOLVED THAT Article 3 of the Articles of Association of the company be amended by substituting the existing Article 3 with the following Article:

Article 3. Share Capital

3. The authorized share capital of the company is Rs.80,00,00,000/- (Rupees eighty crores) divided into 2,60,00,000 (Two crore sixty lakh) equity shares of Rs.10/- (Rupees ten) each and 50,00,000 (Fifty lakh) Compulsorily Convertible Preference Shares of Rs.100/- (Rupees one hundred) each and 4,00,000 (Four lakh) redeemable preference shares of Rs. 100/- (Rupees one hundred) each. The company has power from time to time to increase or reduce its capital and to divide the shares in the original or increased capital for the time being into several classes and to attach thereto respectively such preferential, special, deferred or qualified rights, privileges or conditions as regards to dividends, distribution of assets, repayment or reduction of capital voting or otherwise or sub divide them and generally on such terms as the company from time to time determine and to vary the articles of association of the company as far as necessary to give effect to the same subject to the provisions of law”.

14. Preferential Issue of Convertible Preference Shares

To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution.

“RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchange where the shares of the Company are listed, Disclosure and Investor Protection Guidelines issued by the Securities and Exchange Board of India (SEBI) and other applicable Regulations / Guidelines and subject to the approval of Reserve Bank of India (RBI), wherever applicable, such other approvals, permissions, sanctions, consents as may be necessary or expedient under the applicable laws, rules and regulations and subject to such terms, conditions, alterations and modifications as may be considered appropriate by the Board of Directors, (hereinafter the “Board” which shall include any Committee of Directors) consent of the Company be and is hereby accorded to the Board to offer, issue and allot up to a maximum of 49,52,500 (Forty Nine Lakhs Fifty two Thousand Five Hundred only) Compulsorily Convertible Preference Shares of Rs.100/- each in one or more tranches for cash on preferential basis to the following allottees as per list enclosed and/or their respective nominees and/or affiliates, which would be convertible into a maximum of 29,72,246 equity shares at a minimum price of Rs.166.62 per equity share (including premium of Rs.156.62/- per share), which price is in excess of the price specified as per SEBI (Disclosure and Investor Protection) Guidelines on Preferential Issue, where such conversion will take place on or before 30.09.2009, and that the Board be and is hereby authorized to finalize all matters incidental thereto as it may in its absolute discretion think fit, in accordance with all applicable laws, rules and regulations for the time being in force in that behalf.

| Name of the Allottee | Maximum Amount to be Invested | Maximum No. of Compulsorily Convertible Preference Shares to be allotted | Maximum no: of Equity Shares to be allotted upon conversion of the Compulsorily Convertible Preference Shares |
|--|-------------------------------|---|---|
| Hudson Equity Holdings Limited C/o. India Management Services Ltd. 7 th Floor, Happy World, 37, Sir William Newton Street Port Louis, Mauritius | Rs. 11,46,25,000 | Up to 11,46,250 Compulsorily Convertible Preference Shares of Rs.100/- each | Up to 6,87,923 Equity Shares of Rs. 10/- each |
| Sequoia Capital India Growth Investments I 608 St.James Court, St.Denis Street Port Louis, Mauritius | Rs.11,46,25,000 | Upto 11,46,250 Compulsorily Convertible Preference Shares of Rs. 100/- each | Up to 6,87,923 Equity Shares of Rs. 10/- each |
| AA Development Capital India Fund I LLC 10,Frere Felix De Valois Street Port Louis, Mauritius | Rs.22,40,00,000 | Up to 22,40,000 Compulsorily Convertible Preference Shares of Rs. 100/- each | Up to 13,44,337 Equity Shares of Rs. 10/- each |
| GHIOF Mauritius C/o DTOS Ltd 4 th Floor, IBL House, Caudan Port Louis, Mauritius | Rs.4,20,00,000 | Up to 4,20,000 Compulsorily Convertible Preference Shares of Rs. 100/- each | Up to 2,52,063 Equity Shares of Rs. 10/- each |

RESOLVED FURTHER THAT the “Relevant Date” under the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 in relation to issue of shares on preferential basis for the purpose of determining the issue price shall be 26th August 2008 being the date, 30 days prior to the date of passing this resolution in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue.

RESOLVED FURTHER THAT the Compulsorily Convertible Preference shares so issued and allotted shall be locked in for period of one year from date of such allotment of shares;

RESOLVED FURTHER THAT the equity shares to be issued and allotted consequent to conversion shall rank pari passu with the existing equity shares of the Company in all respects including payment of dividend.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to agree, make and accept all such term(s), condition(s), modification(s) and alteration(s) as it may deem fit, including without being limited to the granting of various investor protection rights in favour of the allottees pursuant to the allotment of such Compulsorily Convertible Preference Shares to the allottees, and including, condition(s), modifications(s) and alteration(s) stipulated or required by any relevant authorities or by their bye-laws, rules, regulations or guidelines, and the Board is also hereby authorized to resolve and settle all questions, difficulties or doubts that may arise in regard to such offer, issue and allotment, to finalize and execute all agreements, documents and writings and to do all acts, deeds and things in this connection and incidental as the Board in its absolute discretion deem fit without being required to seek any further consent or approval of the Company or otherwise to the end and intent that they shall be deemed to have given approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the offer, issue and allotment of the Compulsorily Convertible Preference Shares shall be made within 15 days from the date of passing of this resolution subject however to the applicable statutory regulatory provisions approvals if any and the Guidelines issued by the SEBI.

RESOLVED FURTHER THAT the Board shall also seek listing of the equity shares issued upon the conversion of the preference shares at the Bombay Stock Exchange (BSE).

FURTHER RESOLVED THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors or any Director or Officer or Officers of the Company to give effect to the aforesaid resolution”.

15. Issue of Warrants

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

RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, SEBI (Disclosure and Investor Protection) Guidelines, 2000 (as amended from time to time) issued by the Securities and Exchange Board of India (“**SEBI**”), and amendments thereto, and other applicable regulations/ guidelines, if any, and subject to the approval of Reserve Bank of India (“**RBI**”), wherever applicable, and of Government of India (“**GOI**”) or any other relevant authority, and clarification thereon issued from time to time, if any, and subject to all such other statutory, regulatory and government approvals, permissions, sanctions, consents as may be necessary or expedient or prescribed or imposed by any of them while granting such approvals, permissions or sanctions, under the applicable laws, rules and regulations and subject to such terms, conditions, alterations and modifications as may be considered appropriate or agreed to by the Board of Directors, (hereinafter called the “**Board**” which shall include any Committee of Directors), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot up to a maximum of 15,64,892 Nos warrants consideration aggregating to Rs.26,07,50,000 convertible into a maximum 15,64,892 equity shares of face value of Rs.10/- each at a minimum price of Rs.166.62 per equity shares of the Company (including premium of Rs.156.62 per share), to Mr. Vazhappully Padmanabhan Nandakumar jointly with Smt. Sushama Nandakumar on preferential allotment basis, at such time or times in one or more tranches and in such manner as may be decided by the Board in this behalf.

RESOLVED FURTHER THAT the warrant holders shall, subsequent to the terms of allotment of warrants, and the Articles of Association of the Company have the discretion to exercise conversion of the warrants in one or more tranches within the currency of the warrants which is 18 months from the date of allotment of the warrants, as may be deemed fit by the warrant holders.

RESOLVED FURTHER THAT,

- a) The “Relevant Date” for the purpose of pricing of the issue of the equity shares arising out of the Warrants, in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000, and amendments thereof, be fixed as 26th August 2008 being the date, 30 days prior to the date of the Annual General meeting of the shareholders of the Company convened to pass this Resolution in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue of the Warrants and the equity shares arising from the exercise of the Warrants and the “stock exchange” for the same purpose be fixed as the Bombay Stock Exchange.
- b) In consideration of the Warrants being offered to the Promoters, the Promoter shall deposit with the Company a sum of Rs. 19.16 per Warrant offered to them, which amount shall be adjusted against the issue price at the time of allotment of the equity shares. The deposit shall not bear any interest and the Board shall forfeit such deposit in the event the Warrant holders do not exercise their option.

- c) The Warrants shall not be transferred or otherwise disposed of to any third party save and except that within the promoter group the option may be exercised in such manner and in such proportion as they may at their discretion decide.
- d) The Promoters are entitled to exercise their option in full or in part or may decline to exercise the option in which case the offer shall be deemed to have lapsed.
- e) The equity shares issued on conversion of the warrants shall rank pari passu in all respects, including as to dividend, with the existing issued and paid up equity shares of the Company.
- f) The Board be and is hereby authorized to issue and allot the Warrants and the equity shares on conversion thereof as it may deem expedient without being required to seek any further consent or approval of the Company in a General Meeting.
- g) For the purpose of giving effect to the above, the Board be and is hereby authorized to take such steps and to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental to this resolution and to agree, make and accept all such term(s), condition(s), modification(s) and alteration(s) as it may deem fit, including, condition(s), modification(s), and alteration(s) stipulated or required by any relevant authorities or by their bye-laws, rules, regulations or guidelines and the Board is also hereby authorized to resolve and settle all questions, difficulties or doubts that may arise from time to time in regard to such offer, issue and allotment of the Warrants or equity shares arising thereof and the utilization of proceeds of the issue of Warrants or the equity shares arising thereof, to prescribe the forms of applications, finalize and execute all agreements or other instruments, documents and writings and to do all acts, deeds and things in this connection and incidental as the Board in its absolute discretion deem fit or desirable and to obtain any approval, permissions, sanctions which may be necessary or desirable as they may deem fit without being required to seek any further consent or approval of the Company or otherwise to the end and intent that they shall be deemed to have given approval thereto expressly by the authority of this resolution.
- h) The offer, issue and allotment of the aforesaid Warrants shall be made within 15 days of the date of this resolution. Provided that where the allotment is pending on account of pendency of any regulatory or Central Government approval(s), the allotment shall be completed within 15 days of such approval(s).
- i) The Board be and is hereby authorized to accept any amendments, modifications, variations, alterations as the GOI / RBI / SEBI or any other regulatory authority may stipulate in that behalf

Notes:

1. **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. Proxy Form duly completed must be sent so as to reach the Registered Office of the company not later than 48 hours before the commencement of the meeting. A blank proxy form is attached with the annual report.**
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 7 to 15 are annexed hereto and forms part of this notice.
3. The Register of Members and the Share Transfer Books of the company will remain closed from 18.09.2008 to 25.09.2008 (both days inclusive.)
4. Members are requested to: (a) intimate changes, if any, in the registered addresses on or before 20.09.2008 (b) quote ledger folio number in all their correspondence (c) bring their copies of the Annual Report and the Attendance Slips with them at the Annual General Meeting.
5. Members holding shares in dematerialized form are requested to write their client ID and DP ID numbers in all their correspondences. Those who hold shares in physical form are requested to write their folio number in the attendance slip.
6. The dividend on the equity shares as approved by the General Body for the financial year ended 31st March, 2008 will be payable within 30 days from the date of declaration of dividend to those shareholders whose names will feature on the Register of Members of the company on 25.09.2008. Members may please note that the Dividend warrants are payable at par at the designated Branches of the Bank for an initial period of 6 months only. In order to avoid unnecessary inconvenience, the members are advised to encash Dividend Warrants within the initial validity period.
7. Pursuant to the provisions of Section 205(A) of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 2001 which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrants so far are requested to make their claim to the company.
8. Members who would like to ask questions on Accounts are requested to send their questions to the Registered Office of the company at least 10 days before the Annual General Meeting to enable the company to prepare suitable replies to such questions.

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

Item No.7

Mr. Ashvin Chadha was inducted to the Board of the company as an additional director under Section 260 of the Companies Act 1956 at the meeting held on 31.01.2008 as the nominee of Hudson Equity Holdings Limited. Ashvin Chadha is currently the Vice President of India Equity Partners (IEP) where he joined in 2006 from General Atlantic (GA) a world wide private equity firm. He was based in New York and Greenwich offices of the General Atlantic. He has extensive experience, investing in growth companies with specific expertise in working with consumer financial services and media companies. Previously Mr.Ashvin was an observer on the Board at Dice and Webloyalty and was an Investment Banker with Morgan Stanley in New York where he worked with the firm's financial institutions' clients. He received his B.A. in Economics from Wesleyan University and spent a year at the London School of Economics.

The company has received a notice under section 257 of the Companies Act 1956 from a member together with necessary fee informing his intention to propose the appointment of Mr.Ashvin Chadha as a director of the company. Your directors are sure that the rich and varied experience of Mr.Ashvin can go a long way in the future growth of the company. The Board recommend to pass the resolution as an ordinary resolution. None of the directors except Mr.Ashvin Chadha is interested or concerned in the resolution.

Item No.8

Mr. Sooraj Nandan is the son of Mr.V.P.Nandakumar, Chairman and Managing Director of the company. The appointment of Mr. Sooraj will attract the provisions of Section 314 dealing with holding office or place of profit.

Mr. Sooraj holds **Honours Degree in Business Studies** from East London University & **Diploma in Business Computing** from Robert Gordon University, Aberdeen, UK. He has been taking active participation in the business review meetings of the company and was making good suggestions for improvement of existing system. Besides he has participated in various business discussions held at other companies. It is thought that his talents can make significant contributions in the growth and expansion of the business of the company. He was interviewed by the sub committee of independent directors and an outside expert. The selection committee has recommended his appointment. Necessary declaration from the incumbent has been received suggesting his relationship with the chairman.

Appointment of a relative of a director to an office or place of profit requires the approval of the company by way of special resolution in case the total monthly remuneration is not less than Rs.20,000/-. As such the resolution is placed before the members for acceptance. Your Board recommend passing the same as a special resolution. Mr.V.P.Nandakumar and Smt. Jyothy Prasannan are deemed to be concerned or interested in the resolution.

Item No.9

As the members are aware, the size and volume of business of the company has grown manifold during the past few years. The company could make significant progress in overall terms under the able leadership of the Board of directors of the company. The non executive directors of the company are providing significant contributions in all areas of the business of the company apart from their participation in the meetings of the Board. As such, it is proposed to remunerate the non executive directors of the company as provided in Section 309(4) of the Companies Act 1956 by way of commission not exceeding 1% of the net profits of the company as may be recommended by the remuneration committee of the company and as decided by the Board from time to time.

The payment of above commission will surely motivate the directors of the company to further contribute in the important areas of the business of the company. As such, your directors recommend passing the resolution as a special resolution. All non executive directors are deemed to be concerned or interested in the resolution to the extent of the commission receivable to them.

Item No.10

The shareholders at the Annual General Meeting held on 08.09.2007 authorized the Board to borrow money from the banks, financial institutions etc., to the extent of Rs.1000 crores. Due to the increased volume of business, it has become necessary to fix the limit at a higher pedestal. Therefore, your directors propose to set a limit of Rs.3000 Crores for the company. As per the section 293 (1) (d) of the Companies Act, 1956 the board of directors of a company, except with the consent of the shareholders shall not borrow where the money to be borrowed, together with the money already borrowed by the company (apart from temporary loan obtained from the company's bankers in the ordinary course of business) exceed the paid-up capital and free reserves of the company; that is to say, reserves not set apart for any specific purpose. Hence the resolution is proposed for member's acceptance.

Your directors recommend passing the resolution as an ordinary resolution. None of the directors is concerned or interested in the resolution.

Item No.11

Your directors propose to enhance the ceiling on investments by Foreign Institutional Investors (FIIs) in the company to 49% to enable the FIIs and their sub-accounts to invest in the Company. Hence, the approval of the shareholders is sought by a Special Resolution approving the investment by FIIs and their sub-accounts as above, in accordance with the regulations framed under the Foreign Exchange Management Act, 1999. Therefore, the resolution is proposed for acceptance of the members. Board recommends passing the same as a special resolution. No director is interested or concerned in the resolution.

Item No.12 & 13

As the members are aware, the company is infusing funds from overseas investors by way of private equity. The investment is by way of subscription to compulsorily convertible preference shares which will be converted in to equity shares as per the terms of agreement within a prescribed period. Thus, the authorized capital should be sufficient to accommodate the additional preference shares being issued to the investors.

The availability of convertible preference shares as per the capital clause of the memorandum of association is Rs.48 Crore which is insufficient to meet the present requirement. Whereas, the equity capital available is more than requirement. In the circumstance, your directors thought it desirable to change the structure of convertible preference and equity capital without changing the amount of authorized capital. Therefore, the resolution is proposed for acceptance of the members. Corresponding changes in the articles of association will also be made. Your directors recommend passing the resolution as a special resolution. None of the directors is interested or concerned in the resolution.

Item No.14

Your Company proposes to raise funds required for Meeting the expected credit growth of the company through Preferential issue up to a maximum of 29,72,246 (Twenty nine lakh seventy two thousand two hundred and forty six only) Equity Shares of Rs.10/- each at a price of 166.62 each constituting a maximum of 17.22 % of the enhanced paid up Share Capital of the Company to the following person(s) and/or their respective nominees and/or affiliates (Hereinafter referred to as the "Proposed allottee(s)").

| Name of the Allottee | Maximum Amount Invested | Maximum no. of Compulsorily Convertible Preference Shares allotted | Maximum no. of Equity Shares to be allotted upon conversion of the Compulsorily Convertible Preference Shares |
|--|-------------------------|---|---|
| Hudson Equity Holdings Limited C/o.India Management Services Ltd 7 th Floor, Happy World, 37, Sir William Newton Street Port Louis, Mauritius | Rs. 11,46,25,000 | Up to 11,46,250 Compulsorily Convertible Preference Shares of Rs.100/- each | Up to 6,87,923 Equity Shares of Rs. 10/- each |
| Sequoia Capital India Growth Investments I 608 St.James Court St.Denis Street Port Louis, Mauritius | Rs.11,46,25,000 | Upto 11,46,250 Compulsorily Convertible Preference Shares of Rs. 100/- each | Up to 6,87,923 Equity Shares of Rs. 10/- each |
| AA Development Capital India Fund I LLC 10,Frere Felix De Valois Street Port Louis, Mauritius | Rs.22,40,00,000 | Upto 22,40,000 Compulsorily Convertible Preference Shares of Rs. 100/- each | Upto 13,44,337 Equity Shares of Rs. 10/- each |
| GHIOF Mauritius C/o DTOS Ltd 4 th Floor, IBL House, Caudan Port Louis, Mauritius | Rs.4,20,00,000 | Up to 4,20,000 Compulsorily Convertible Preference Shares of Rs. 100/- each | Up to 2,52,063 Equity Shares of Rs. 10/- each |

The present resolution is proposed to be passed in order to enable the Board of Directors of the Company to make the above-mentioned preferential issue of shares as required under Section 81(1A) of the Companies Act, 1956. The aforesaid issue and allotment of Equity Shares will be governed by the provision of SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI Guidelines").

As per the SEBI Guidelines, an issue of shares on a preferential basis can be made only at a price which is not less than the higher of the following:

- The average of the weekly high and low of the closing prices of the shares quoted on the stock exchange during the six months preceding the "relevant date"; or

- The average of the weekly high and low of the closing prices of the shares quoted on a stock exchange during the two weeks preceding the “relevant date”.

The “relevant date” for the above purpose means the date 30 days prior to the date on which the General Meeting is held to consider the proposed issue under Section 81(1A) of the Companies Act, 1956. As the date of the Annual General Meeting (AGM) of shareholders is September 25, 2008, the “relevant date” is August 26, 2008. The Compulsorily Convertible Preference Shares to be allotted shall be subject to the Memorandum and Articles of Association of the Company and the terms of issue as decided by the Board. The Equity Shares issued on conversion of the Compulsorily Convertible Preference Shares shall rank pari-passu in all respects with, and carry the same rights as the existing Equity Shares.

The Company will enter into definitive agreements with the allottees which will set out the terms and conditions of the issue and allotment of the Compulsorily Convertible Preference Shares and their conversion into Equity Shares including various investor protection rights to be granted in favour of the allottees. The Company will also be required to amend its Articles of Association, subject to applicable laws and obtaining necessary approvals, to reflect the terms and conditions of such definitive agreements.

Information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 for Preferential Allotment:

1. Objects of the Issue

The main objects of the issue of additional shares is to meet the expected credit growth of the company.

2. Intention of the Promoters/Directors/Key Management Persons to subscribe to the Offer

The compulsorily convertible preference shares are not proposed to be issued to either promoters or directors or director's relatives or key management persons.

3. Shareholding Pattern/Voting Rights before and after the proposed offers

The following are the details of the Shareholding pattern before and after the allotment of the proposed shares.

| Sl. No. | Category | Pre-issue | | Post-issue | |
|---------|--|--------------------|------------------|----------------------------|--------------------------|
| | | No. of Shares held | % of shares held | Maximum no. of Shares held | Maximum % of shares held |
| 1 | Promoters & Promoter Group | 4778071 | 33.451 | 4778071 | 27.689 |
| 2 | Public share holding | | | | |
| | • FIIs/Banks | 457033 | 3.199 | 457033 | 2.648 |
| | • Bodies corporate | 38115 | 0.266 | 38115 | 0.220 |
| | • Individuals-upto 1 lakh | 2651293 | 18.561 | 2651293 | 15.364 |
| | • Individuals-above 1 lakh | 1663936 | 11.649 | 1663936 | 9.642 |
| | • Mutual Funds | 266133 | 1.863 | 266133 | 1.542 |
| | • Others | 1145419 | 8.019 | 1145419 | 6.637 |
| | • Hudson Equity Holdings Ltd | 1641791 | 11.494 | 2329714 | 13.501 |
| | • Sequoia Capital India Growth Investments I | 1641791 | 11.494 | 2329714 | 13.501 |
| | • AA Development Capital India Fund I LLC | NIL | NIL | 13,44,337 | 7.790 |
| | • GHIOF Mauritius | NIL | NIL | 2,52,063 | 1.460 |
| | Total | 14283582 | 100 | 17255828 | 100 |

Notes:

1. The above shareholding pattern has been prepared on the basis of Shareholding as on 30th June 2008.
2. The post issue shareholding pattern in the above table has been prepared on the basis that the proposed allottees would have subscribed to and been allotted the shares of the company and the shares are fully converted into equity shares. In the event for any reason, the proposed allottees do not or unable to subscribe to and or is not allotted, or the shares are not converted fully, the shareholding pattern in the above table would undergo corresponding changes.

4. Proposed time within which the allotment shall be completed

The Company will complete the allotment within 15 days of the date of the passing of the resolution by the Shareholders, or the date on which the Company obtains all the applicable Government approvals for consummating transaction contemplated herein, whichever is later.

5. Identity of the proposed allottees and the price at which allotment is proposed

| Name of the Allottee | Amount Invested | Maximum no. of Compulsorily Convertible Preference Shares allotted | Maximum no. of Equity Shares to be allotted upon conversion of the Compulsorily Convertible Preference Shares/Warrants |
|---|------------------|--|--|
| Hudson Equity Holdings Limited C/o.India Management Services Ltd 7 th Floor, Happy World 37, Sir William Newton Street Port Louis, Mauritius | Rs. 11,46,25,000 | Up to 11,46,250 Compulsorily Convertible Preference Shares of Rs.100/- each | Up to 6,87,923 Equity Shares of Rs. 10/- each |
| Sequoia Capital India Growth Investments I 608 St.James Court St.Denis Street Port Louis, Mauritius | Rs. 11,46,25,000 | Up to 11,46,250 Compulsorily Convertible Preference Shares of Rs. 100/- each | Up to 6,87,923 Equity Shares of Rs. 10/- each |
| AA Development Capital India Fund I LLC 10,Frere Felix De Valois Street Port Louis, Mauritius | Rs. 22,40,00,000 | Up to 22,40,000 Compulsorily Convertible Preference Shares of Rs. 100/- each | Upto 13,44,337 Equity Shares of Rs. 10/- each |
| GHIOF Mauritius C/o DTOS Ltd 4 th Floor, IBL House, Caudan Port Louis, Mauritius | Rs.4,20,00,000 | Up to 4,20,000 Compulsorily Convertible Preference Shares of Rs. 100/- each | Up to 2,52,063 Equity Shares of Rs. 10/- each |

6. Price at which the allotment is proposed

- As per the Preferential Issue guidelines of SEBI, (DIP) Guidelines 2000 the minimum issue price works out to Rs. 147.68 per one equity share. However, the Preferential Issue is being made at a minimum price of Rs.166.62 per equity share including a premium of Rs.156.62
- This price for the aforesaid preferential issue is more than the minimum issue price stated hereinabove and the same is in compliance of the preferential issue guidelines of the SEBI.
- The Statutory Auditors of the Company have certified that the proposed issue of Compulsorily Convertible Preference Shares is in accordance with the requirements specified in the Preferential Issue Guidelines of the SEBI.

7. Board of Directors/Control/Management

On allotment of the shares as stated hereinabove, there will be change in the constitution of the Board of Directors and/or control and / or management of the Company. The voting rights will change correspondingly with the shareholding pattern as stated hereinabove on allotment of the fully paid equity shares.

8. Auditor's Certificate

M/s S.R. Batliboi & Associates, Chartered Accountants, Statutory Auditors of the Company, certified that the preferential issue is being made in accordance with the requirements contained in the "SEBI DIP Guidelines" for preferential issue. A copy of the Certificate will be placed before the Shareholders.

The provisions of the Companies Act, 1956 contemplate consent of the members by way of special resolution in General Meeting for further issue of shares to persons other than existing shareholders. The consent of the Members is therefore sought to authorize the Board of Directors of the Company to offer, issue and allot up to 49,52,500 Compulsorily Convertible Preference Shares in the manner set out in the Special Resolution. None of the directors is interested or concerned in the resolution.

Item No.15

Your Company proposes to raise funds required for meeting the cost of the expected credit growth of the company through the issue of share warrants up to a maximum of 15,64,892 (Fifteen lakh sixty four thousand eight hundred and ninety two only) at a price of Rs.166.62 each constituting a maximum of 8.31% of the enhanced paid up Share Capital of the Company to the following person(s) (Hereinafter referred to as the "Proposed allottee(s)").

| Name of the Allottee | Amount Invested | Maximum no. of warrants allotted | Maximum no. of Equity Shares to be allotted upon conversion of the warrants |
|---|------------------|--|---|
| Vazhappully Padmanabhan Nandakumar Jointly with Sushama Nandakumar "Padmasaroj", Vazhappully House Valapad, Thrissur - 680 567 | Rs. 26,07,50,000 | Up to 15,64,892 convertible warrants of Rs.166.62 each | Up to 15,64,892 Equity Shares of Rs. 10/- each |

The present resolution is proposed to be passed in order to enable the Board of Directors of the Company to make the above-mentioned preferential issue of warrants as required under Section 81(1A) of the Companies Act, 1956. The aforesaid issue and allotment of Equity Shares will be governed by the provisions of SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI Guidelines").

As per the SEBI Guidelines, an issue of the warrants on a preferential basis can be made only at a price which is not less than the higher of the following:

- The average of the weekly high and low of the closing prices of the shares quoted on the stock exchange during the six months preceding the "relevant date"; or
- The average of the weekly high and low of the closing prices of the shares quoted on a stock exchange during the two weeks preceding the "relevant date".

The "relevant date" for the above purpose means the date 30 days prior to the date on which the General Meeting is held to consider the proposed issue under Section 81(1A) of the Companies Act, 1956. As the date of the Annual General Meeting (AGM) of shareholders is September 25, 2008, the "relevant date" is August 26, 2008. The warrants to be allotted shall be subject to the Memorandum and Articles of Association of the Company and the terms of issue as decided by the Board. The Equity Shares issued on conversion of the warrants shall rank pari-passu in all respects with, and carry the same rights as the existing Equity Shares.

The Company will enter into definitive agreements with the allottees which will set out the terms and conditions of the issue and allotment of the warrants and their conversion into Equity Shares including various investor protection rights to be granted in favour of the allottees. The Company will also be required to amend its Articles of Association, subject to applicable laws and obtaining necessary approvals, to reflect the terms and conditions of such definitive agreements.

Information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 for Preferential Allotment:

1. Objects of the Issue

The main object of the issue of additional shares is meeting the expected credit growth of the company.

2. Intention of the Promoters/Directors/Key Management Persons to subscribe to the Offer

The convertible warrants are proposed to be issued to promoters and/ or relatives of promoters.

3. Shareholding Pattern/Voting Rights before and after the proposed offers

The following are the details of the Shareholding pattern before and after the allotment of the proposed warrants.

| Sl. No. | Category | Pre-issue | | Post-issue | |
|---------|---|--------------------|------------------|----------------------------|--------------------------|
| | | No. of Shares held | % of shares held | Maximum no. of Shares held | Maximum % of shares held |
| 1 | Promoters & Promoter Group | 4778071 | 33.451 | 6342963 | 33.702 |
| 2 | Public share holding | | | | |
| | • FII's/Banks | 4,57,033 | 3.199 | 457033 | 2.428 |
| | • Bodies corporate | 38115 | 0.267 | 38115 | 0.202 |
| | • Individuals-upto 1 lakh | 2651293 | 18.561 | 2651293 | 14.087 |
| | • Individuals-above 1 lakh | 1663936 | 11.649 | 1663936 | 8.840 |
| | • Mutual Funds | 266133 | 1.863 | 266133 | 1.414 |
| | • Others | 1145419 | 8.019 | 1145419 | 6.085 |
| | • Hudson Equity Holdings Ltd* | 1641791 | 11.494 | *2329714 | 12.378 |
| | • Sequoia Capital India Growth Investments I* | 1641791 | 11.494 | *2329714 | 12.378 |
| | • AA Development Capital India Fund I LLC | NIL | NIL | 13,44,337 | 7.142 |
| | • GHIOF Mauritius | NIL | NIL | 2,52,063 | 1.339 |
| | Total | 14283582 | 100 | 18820720 | 100 |

*including the number of equity shares to be allotted as per resolution 14 of this notice

Notes:

1. The above shareholding pattern has been prepared on the basis of Shareholding as on 30th June 2008.
2. The post issue shareholding pattern in the above table has been prepared on the basis that the proposed allottees would

have subscribed to and been allotted the warrants of the company and the warrants are fully converted into equity shares. In the event for any reason, the proposed allottees do not or are unable to subscribe to and or the warrants are not allotted, or the warrants are not converted fully, the shareholding pattern in the above table would undergo corresponding changes.

- The shareholding pattern in the above table has been prepared on the basis that the preferential allotment of the Compulsorily Convertible Preference Shares to the allottees as per Item No.14 above shall be made simultaneously with the preferential allotment to the allottees as per this Item No.15.

4. Proposed time within which the allotment shall be completed

The Company will complete the allotment within 15 days of the date of the passing of the resolution by the Shareholders, or the date on which the Company obtains all the applicable Government approvals for consummating transaction contemplated herein, whichever is later.

5. Identity of the proposed allottees and the price at which allotment is proposed

| Name of the Allottee | Amount Invested | Maximum no. of warrants allotted | Maximum no. of Equity Shares to be allotted upon conversion of the warrants |
|--|------------------|--|---|
| Vazhappully Padmanabhan Nandakumar Jointly with Sushama Nandakumar "Padmasaroj", Vazhappully House Valapad, Thrissur - 680 567 | Rs. 26,07,50,000 | Up to 15,64,892 warrants of Rs.166.62 each | Upto 15,64,892 Equity Shares of Rs. 10/- each |

6. Price at which the allotment is proposed

- As per the Preferential Issue guidelines of SEBI, the minimum issue price works out to Rs.147.68 per one equity share. However, the Preferential Issue is being made at a minimum price of Rs.166.62 per equity share including a premium of Rs.156.62
- This price for the aforesaid preferential issue is more than the minimum issue price stated hereinabove and the same is in compliance of the preferential issue guidelines of the SEBI.
- The Statutory Auditors of the Company have certified that the proposed issue of Convertible warrants is in accordance with the requirements specified in the Preferential Issue Guidelines of the SEBI.

7. Board of Directors/Control/Management

On allotment of the shares as stated hereinabove, there will be change in the control and / or management of the Company. The voting rights will change correspondingly with the shareholding pattern as stated hereinabove on allotment of the fully paid equity shares.

8. Auditor's Certificate

M/s S.R. Batliboi & Associates, Chartered Accountants, Statutory Auditors of the Company, certified that the preferential issue is being made in accordance with the requirements contained in the "SEBI DIP Guidelines" for preferential issue. A copy of the Certificate will be placed before the Shareholders.

The provisions of the Companies Act, 1956 contemplate consent of the members by way of special resolution in General Meeting for further issue of shares to persons other than existing shareholders. The consent of the Members is therefore sought to authorize the Board of Directors of the Company to offer, issue and allot up to 15,64,892 warrants in the manner set out in the Special Resolution. None of the directors other than Shri.V.P. Nandakumar is interested or concerned in the resolution.

By order of the Board

Sd/-

C. Radhakrishnan
Company Secretary

Place : Valapad
Date : 25.08.2008