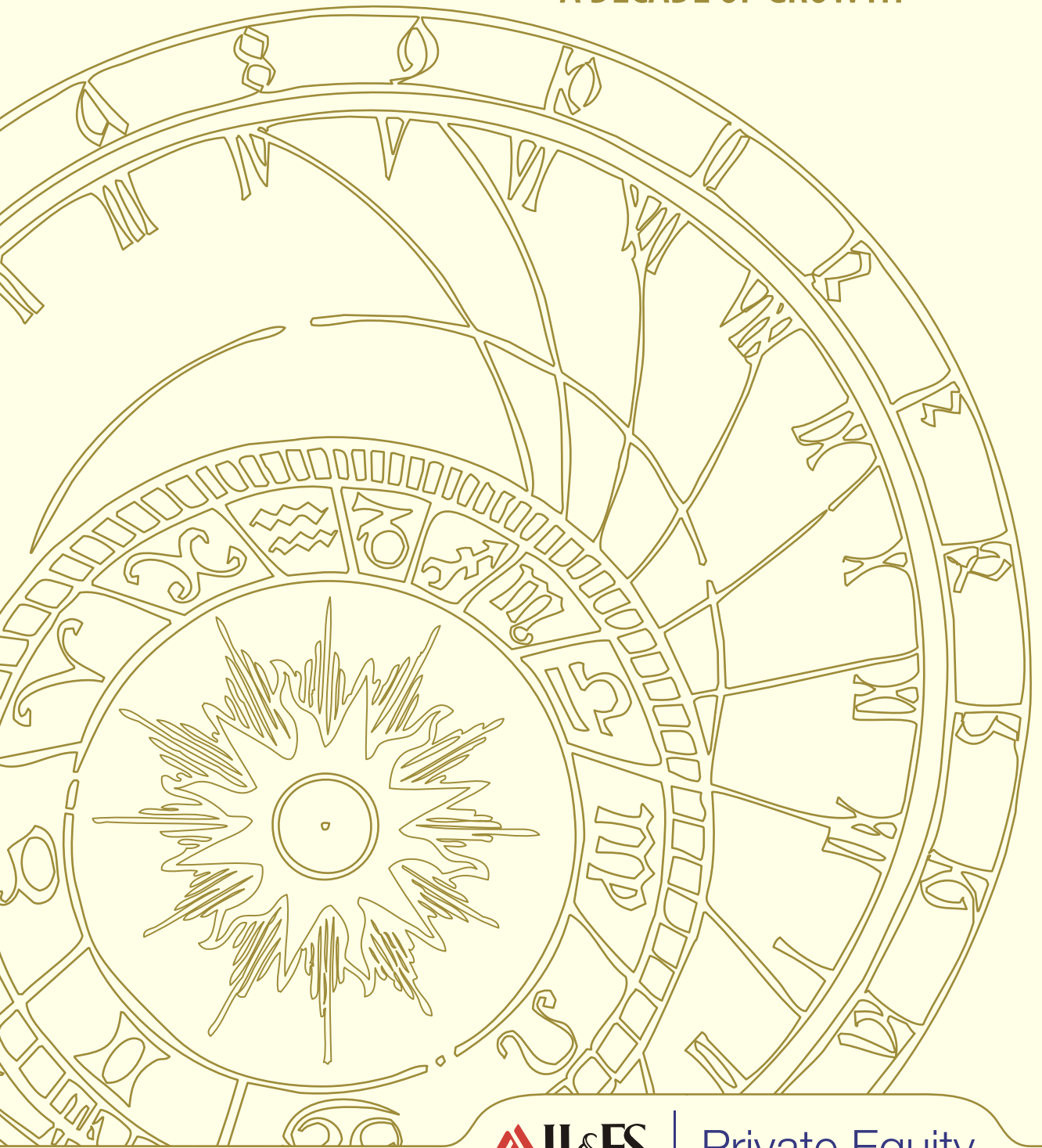


A DECADE OF GROWTH



Private Equity

IL&FS Investment Managers Limited

Annual Report 2010



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr S M Datta
Chairman

Mr Ravi Parthasarathy

Mr Bansi S Mehta

Mr Arun Saha

Mr Vibhav Kapoor

Mr Shahzaad Dalal
Vice Chairman

Dr Archana Hingorani
Chief Executive Officer &
Executive Director

Mr Alok Bhargava
Executive Director

COMPANY SECRETARY

Mr Sanjay Mitra

BANKERS

HDFC Bank Limited

AUDITORS

M/s Deloitte Haskins & Sells
Chartered Accountants

INTERNAL AUDITORS

M/s Patel & Deodhar
Chartered Accountants

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West), Mumbai 400 078, India
Tel : + 91 22 2596 3838 Fax :+ 91 22 2594 6969

REGISTERED OFFICE

The IL&FS Financial Centre, Plot No C-22, G Block
Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India
Tel : + 91 22 2659 3531 Fax : + 91 22 2653 3056

OTHER OFFICES

Al-Latheef Building, 1st Floor, 2, Union Street
Off Infantry Road, Bengaluru 560 001, India
Tel : + 91 80 4034 3333 Fax : + 91 80 4034 3310

CHAIRMAN'S REFLECTIONS



2010 marks the close to one of the most eventful decades in the financial world in recent times. Future generations will look back at the first 10 years of this century as the period that was witness to a dramatic turmoil in the financial markets of the Western World which, in turn, shook the economic foundations of some of the developed States

Aided by the accommodative policies of the Governments and Regulators of the developed countries, the 2000-2010 decade promised to deliver growth. However, in the final years of the decade the financial markets collapsed under the weight of unviable debt. As financial markets froze, the impact was quickly felt on the real economy. Business cycles turned and many countries experienced the worst recession since the Depression of the late 1920s

As major economies of the World grappled with a severe recession, India too experienced a relative slowdown, but otherwise remained a bright spot. After slowing down to 6.7% in FY2009, the Indian economy is expected to grow at a better than expected rate of 7.4% in FY2010. Overall, the decade that was stormy for the global economy was a decade of transformation for India. On one hand, the World reaffirmed its faith in India as a large and lucrative marketplace, a market which is expected to drive growth for transnational companies. On the other hand, the 'Indian MNC' came of age, with Indian companies acquiring iconic brands, technology and globally sized manufacturing facilities. The motor of the world has indeed shifted perceptibly from the West to the East in the last 10 years

Meanwhile, the 2000-2010 decade has been even more remarkable for your Company, marked by milestones including many "firsts", all of which have been stepping stones to our success and performance

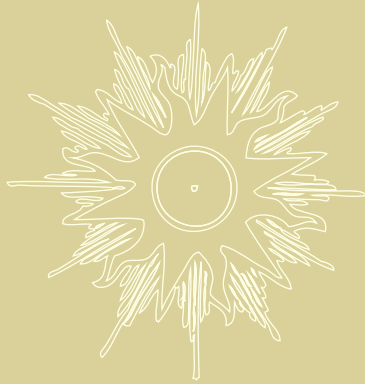
From being a fledgling entity at the beginning of the decade, to being one of the largest Indian fund managers, your Company has come a long way. We were among the first movers to tap global funds for investing in the growing Indian economy. We were also innovators in bringing Private Equity to Infrastructure and Real Estate. Later, as signs of an asset bubble became evident, we moved in a prudent fashion to protect the value of our investments in portfolio companies. However, experience shows that the most compelling opportunities to create value often arise at the downturn of an economic cycle. Therefore, during 2008-2010, we continued to invest in select opportunities unlike many other Private Equity Funds, which closed or suspended operations. As the economy picks pace again, these investment decisions are expected to provide a significant benefit to our Fund investors

As the Private Equity market matures further in India, we expect a significant increase in the scope and size of opportunities. Our strong market leadership position, along with a strong investor trust built over the years, will enable our empowered leadership team to make the most of these opportunities. We will continue to commit capital, knowledge and talent to identify new investments, nurture existing investments, raise new Funds and build value for the long term

I look forward to another successful decade

With best wishes

S M Datta
June 2, 2010



A decade of transforming Business & Communication



The decade saw over 600 million Indians getting connected. India is now home to the second largest mobile subscriber base in the World

Far from a tool for the privileged, the mobile phone has evolved as an enabler for businesses, big and small

FROM THE DESK OF THE VICE CHAIRMAN



As the world around us changes in a rapid and unpredictable manner, it would be important for us to introspect not only on the path we have taken during this transformational decade but more importantly on how we see ourselves facing the challenges of the coming decade

First, let me reflect on our journey during the first decade of this century. This period has indeed been an exhilarating experience for me, building a practice which is now one of the largest in India. For this, I would express a deep sense of appreciation for my team members, who worked with me tirelessly during the past decade. We have together weathered 3 business cycles, raised 8 new Funds, fully divested from 3 Funds, and put over US\$ 1.9 billion of capital to work

The milestones which we have achieved are significant not only to us as a Company but in many instances are also trendsetters for the Indian Private Equity industry. Funds for infrastructure project development in 2000 and Real Estate in 2005 were established at a time when this genre of investment was unheard of in India. These Funds also attracted pedigreed Institutional investors. These investors, many of them being US based pension funds, were first time investors into India. Our investor base, which literally spans the globe, has reposed a tremendous confidence in our ability to manage capital, even during the recent trying period, and for this any expression for our gratitude to them will be inadequate

Our long standing experience, a cohesive team, and 'feet on the street' ensured that we were not just able to weather the global financial storm of 2008, we were in fact able to expand our practice and continue to invest across sectors and geographies. We were also able to successfully handhold our investee companies and take many of them public as soon as environment turned salubrious

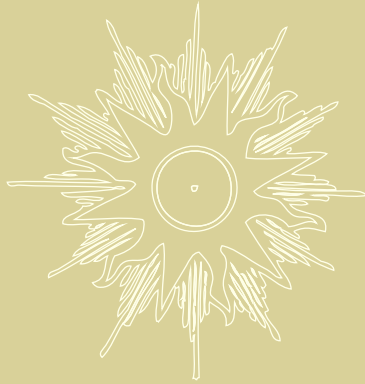
However, while we have emerged stronger, the financial crisis has been a game changer. We see the beginnings of a paradigm change in the global Private Equity industry. Nimbleness, efficiency, ability to add value beyond financial engineering, responsive and participative relationship with Fund investors, transparency, governance, and not just size will be the criteria for success in the New World. We are committed to build upon frameworks required to address these requirements

We are fortunate to be operating in a geography which is one of the few preferred ones today. The last few months has seen an encouraging uptrend in deals and, more importantly, exits. As the Private Equity industry matures and grows in size, I believe that we are well positioned to capture a disproportionately higher share of this growth

Our actions in the past decade have been bellwethers for the Private Equity industry in India. With your support, we are confident of replicating this success, on a much larger canvas, in the coming decade

With best wishes

Shahzaad Dalal
June 5, 2010



A decade of transforming Travel & Connectivity



India now boasts of not only one of the highest growth rates in air travelers but also of some of the best airports in the World

Over 4 million Indians take to the skies every month; flying is no longer a luxury but a sensible choice in a cost sensitive Indian market

NOTES FROM THE CHIEF EXECUTIVE



“It is not the strongest that survive, nor the most intelligent...
...But rather the ones most adaptable to change”

A memorable decade and a resilient year have come to an end. After the near decimation of some of the revered global Institutions and recessionary trends across many parts of the globe, Institutional re-building and economic recovery seems to be gaining ground. The debt crisis, first in Dubai and now in Europe, are however pointers to the pain and sluggishness with which recovery is expected to pan out. However, India has been relatively insulated and is witnessing a faster rebound. This is evident from the manufacturing data, confidence indices, and increased valuations across assets classes

As in the past, periods of uncertainty and fear have also brought forth opportunities for tremendous value creation. In the past year, as opportunities arose in a reviving economy, we successfully deployed our intellectual and financial capital. Through our real estate focused funds, we began selectively buying assets with the potential to appreciate as property markets stabilize. In infrastructure, we have and will continue to put dollars to work across a range of sub-sectors including power, roads and ports; sectors which will be the drivers as also key beneficiaries as India's economic footprint expands

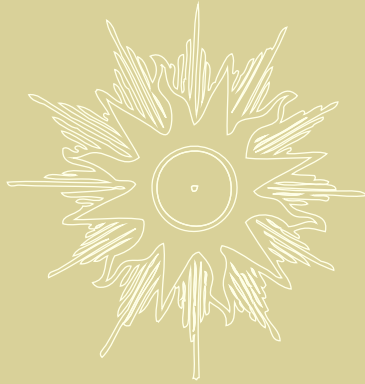
We were also successful in extracting value from a carefully selected portfolio of investments, which we had nurtured through the dark days of 2008-09. Three of our portfolio companies were listed in the public markets during the second half of the last financial year, providing significant listing gains for our Funds. A few other listings are also in the pipeline. Liquidity through public listings has been but one of the multi-pronged exit strategy for our investments. We were able to craft well over half of the exits undertaken during financial year 2010 through trade sales, by leveraging our deep network in the industry and among peers

Our ability to deploy US\$ 260 million during the most challenging last two years is, in no small measure, a validation of our robust asset management model. It is because of this that in a market marked by reduction in capital commitments globally, our investors continue to firmly support us in our initiatives. We will leverage these relationships to rollout unique product offerings, aligned to the investment requirement of the post crisis Institutional investor. For doing this, we will have to adapt and co-opt to grow, seek new geographies, and newer investment themes. For this, we will have to build, and if necessary buy, skillsets. We will also need to partner with domain experts. We have partnered in the past with market leaders, be it AIG in late 90s, to Standard Chartered Bank recently, for bringing unique products for our investors. We will continue and build on this strategy

This year marks the turn of a tumultuous phase in the global financial world. With your faith in our Company, we are committed to action these growth strategies and build an enterprise that is adaptable to the ever changing realities; an enterprise that will deliver growth in the coming decade, as spectacular as that delivered during the decade of growth gone by

With best wishes

Archana Hingorani
May 25, 2010



A decade of transforming Workspaces & Skylines



Driven by new age businesses like IT Enabled Services, real estate development transformed skylines and created new hubs of development

Gurgaon in the National Capital Region and Bandra Kurla Complex in Mumbai, for instance, now boast of World class working environments

PERFORMANCE PARAMETERS

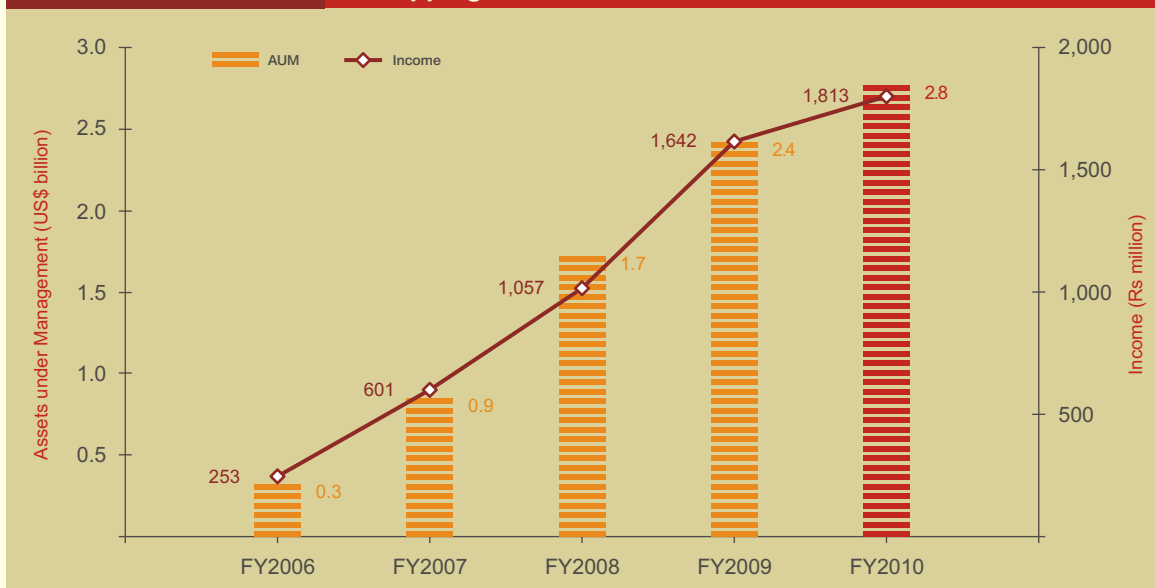
Rs million

Consolidated Financials	FY2006	FY2007	FY2008	FY2009	FY2010
Total Income	253	601	1,057	1,642	1,813
Total Operating cost	121	221	490	578	680
PBT	107	273	466	846	957
PAT	71	182	320	622	738
PAT %	28	30	30	38	41
EPS *	0.4	1.49	2.46	3.13	3.69
Networth	261	418	684	901	1,339
Dividend %	35	40	55	70	75

* Face Value of Rs 2 per share. Adjusted for 1:2 Bonus Issuances in FY2007 and FY2009

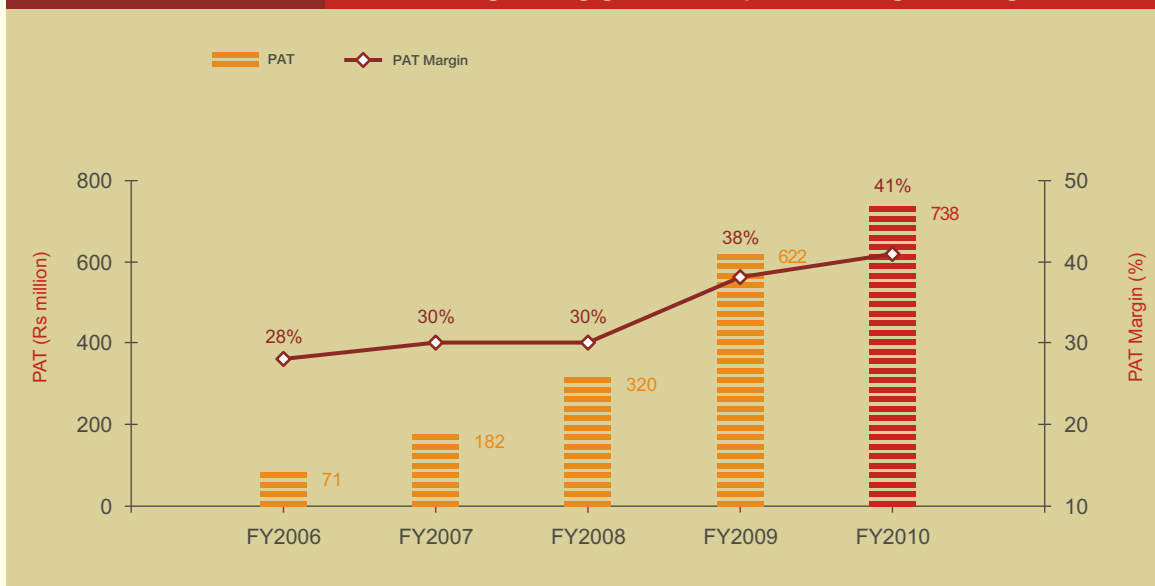
Income Growth

Mapping the Growth in AUM



PAT Growth

Delivering strong growth coupled with higher margins





2000 - 2010

REFLECTIONS OF THE PAST DECADE

2000

2000 - 2004

2001



Raises a modest US\$ 16 million India Project Development Fund. Though small in size, the Fund, which was India's first infrastructure project development fund, builds IIML's skillsets in managing infrastructure investments. Becomes a precursor and leads to the US\$ 45 million Pan Asia Project Development Fund in 2006 and then to the US\$ 658 million SCI Asia Fund in 2009

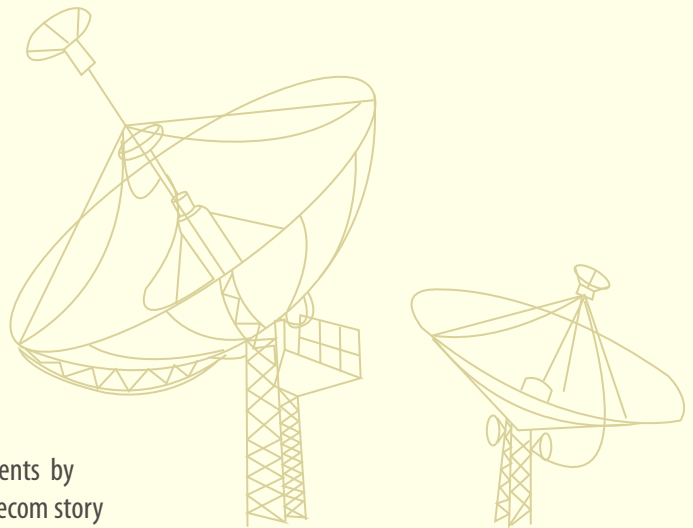
2002

2003

2004



One of the earliest investors in Telecom, IIML invests in RPG Cellular. IIML had earlier also invested in Max Telecom (which then merged into Hutch and now is Vodafone). The two telecom investments by IIML, undertaken much prior to the telecom story being recognized by the markets, results in a notable 3x return over investment



2005

2006

2007

IIML declares its first dividend in 2000. Since then, dividend has increased at a compounded rate of 27% p.a. for the past 10 years



2008



Sensing robust economic growth, post depressed growth since the dot com bubble burst, IIML raises the US\$ 153 million Leverage India Fund. A multi-sectoral fund, investments made by IIML span the entire spectrum of Private Equity space - Investments made across Cable TV, Hotels, Shipyards, Textiles, Logistics, Power, Port, Pharmaceuticals, and IT based services builds a robust portfolio; the Fund is now in the divestment mode

2009

2010

Proprietary transactions and investments into companies at the inflection point of their growth has resulted in strong gross returns - Nine full divestments have provided a return of 40% p.a. (in US\$ terms). The Fund also has partly divested from 4 transactions with a return of 58% p.a. and has liquidity in 3 transactions

Investment Multiples

Tejas Networks : 2.4x

Noida Toll Bridge : 3.0x

Future Software : 3.2x

Bharat Serums : 3.2x

iMetrix Technologies : 3.4x

Shoppers Stop : 3.6x

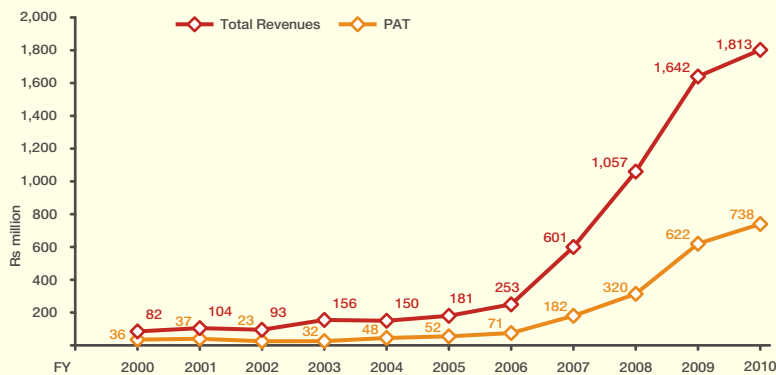
DQ Entertainment : 4.0x

Indraprastha Gas : 7.0x

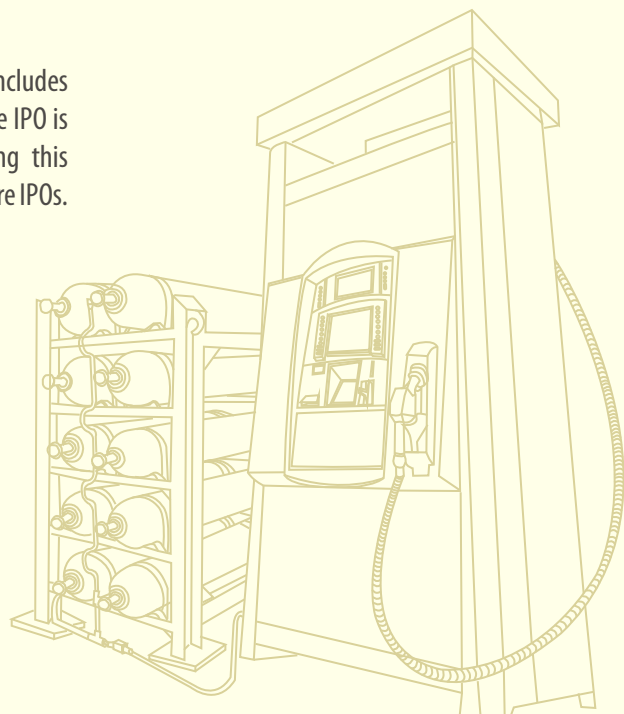
Indiagames : 14.0x

Despite a sluggish economy during 2000-2004, a carefully selected portfolio of investments delivers returns for Fund investors

The beginning of fresh Fund raising, starting with Leverage India Fund, proves to be an inflection point for IIML. In 2004, IIML registered revenue of Rs 150 million and PAT of Rs 48 million. By 2007, revenue and PAT increase 4 times. By 2010, revenues are up 11 times and PAT by 15 times



Actively manages and successfully concludes the IPO of Indraprastha Gas Limited. The IPO is one of the few IPOs conducted during this period and is one of the first infrastructure IPOs. Investment managed by IIML generates a return of 65% p.a., 7 times original investment cost



2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2005 - 2008

Raises India's first Real Estate Fund - IIRFI. The US\$ 525 million fund attracts global marquee investors including US based pension funds. Paved the path for a host of similar funds in India



In a clear vote of confidence, investors to IIRFI I, 're-up' their commitment and IIML raises US\$ 895 million for the second Real Estate Fund, possibly the largest in India. Between the two Real Estate Funds, IIML take a leading role in funding Residential, Commercial and Retail properties across India. Many of these transactions are among the first in India including Slum Rehabilitation, Asset Buyouts, and adaptive re-use of industrial land



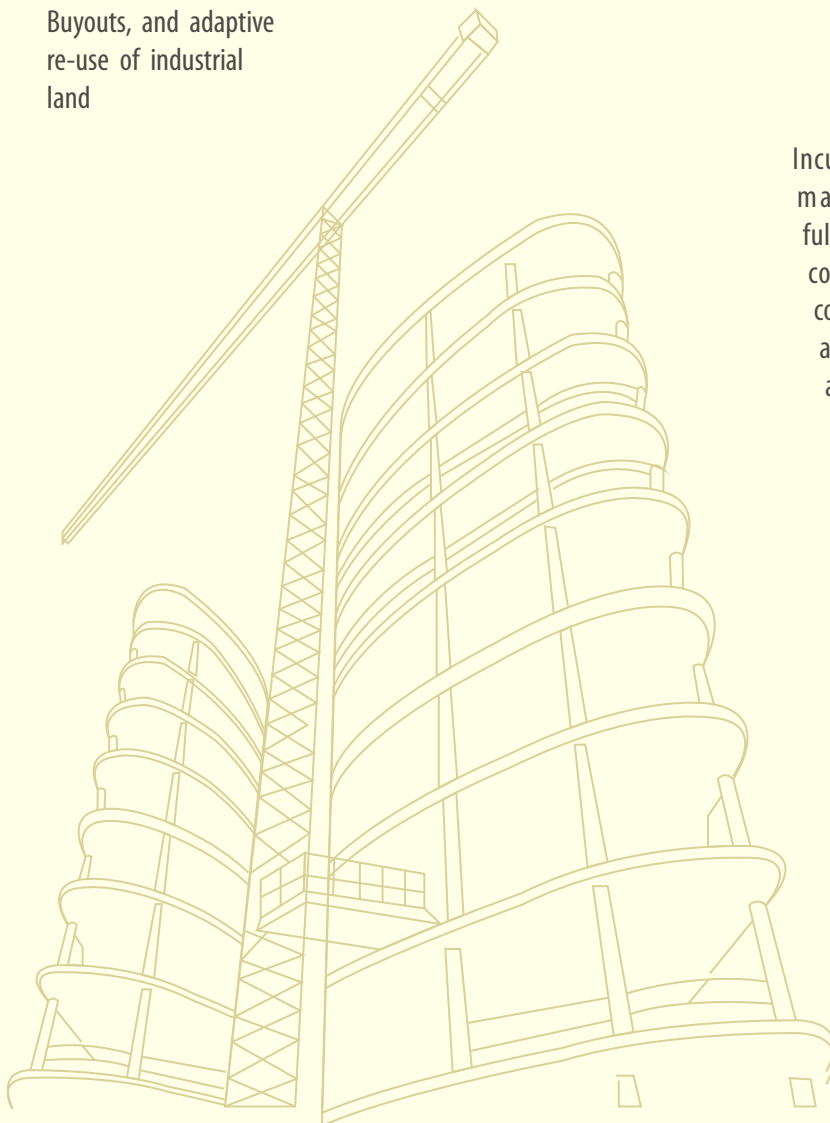
Incubates India's first professionally managed real estate company, fully funded by private equity. The company, QVC Realty, built around core tenets of quality, value to customer and customer service, stands apart in a market dominated by family run businesses



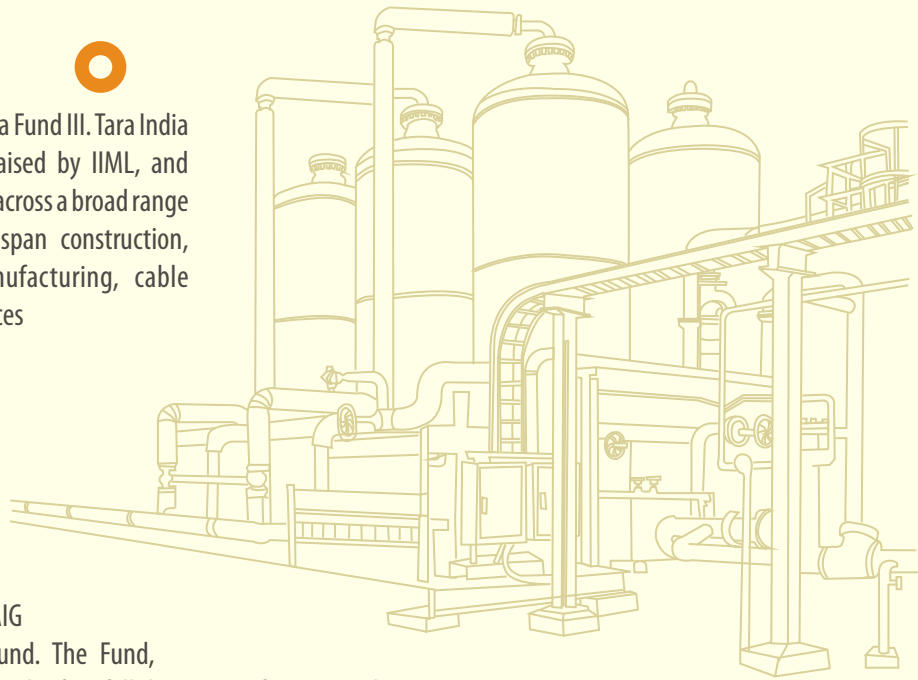
Declares first bonus of 1:2



Wins the NDTV Profit Outlook Money "Best Young Value Creator" Runnerup Award



Raises the US\$ 225 million Tara India Fund III. Tara India is the third fund of this genre raised by IIML, and continues the strategy of investing across a broad range of sectors. Investments by Tara span construction, waste management, steel manufacturing, cable network, auto ancillary and IT services



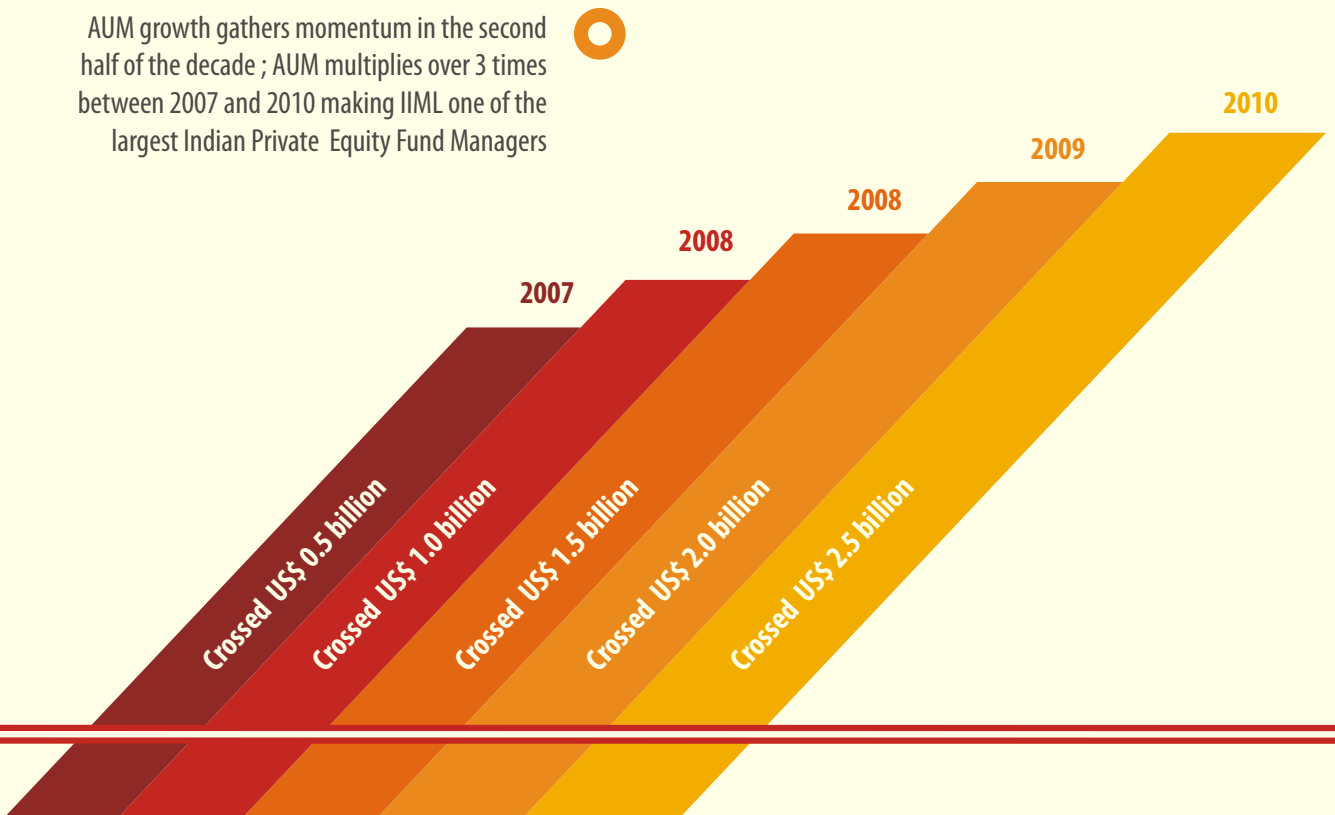
Fully divests from the AIG India Sectoral Equity Fund. The Fund, raised in 1997, represents the first full divestment for IIML and one of the first few in India. Also, one of the first Funds to generate Carried Interest in India. Investments managed by IIML generate a gross return of 27% p.a. (in US\$ terms). Within a few months, India Project Development Fund also fully divested, generating a gross return of 23% p.a. (In US\$ terms)

Sells investment in Godrej Beverages & Foods to the internationally recognized major Hersheys; realizes a gross return of over 50% p.a.

ibn18 Broadcast, one of IIML's investee company, gets listed. The Fund exits from the investment at 2.8x of investment cost, providing a 37% p.a. gross return

Declares second bonus of 1:2

AUM growth gathers momentum in the second half of the decade ; AUM multiplies over 3 times between 2007 and 2010 making IIML one of the largest Indian Private Equity Fund Managers



2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2009 - 2010



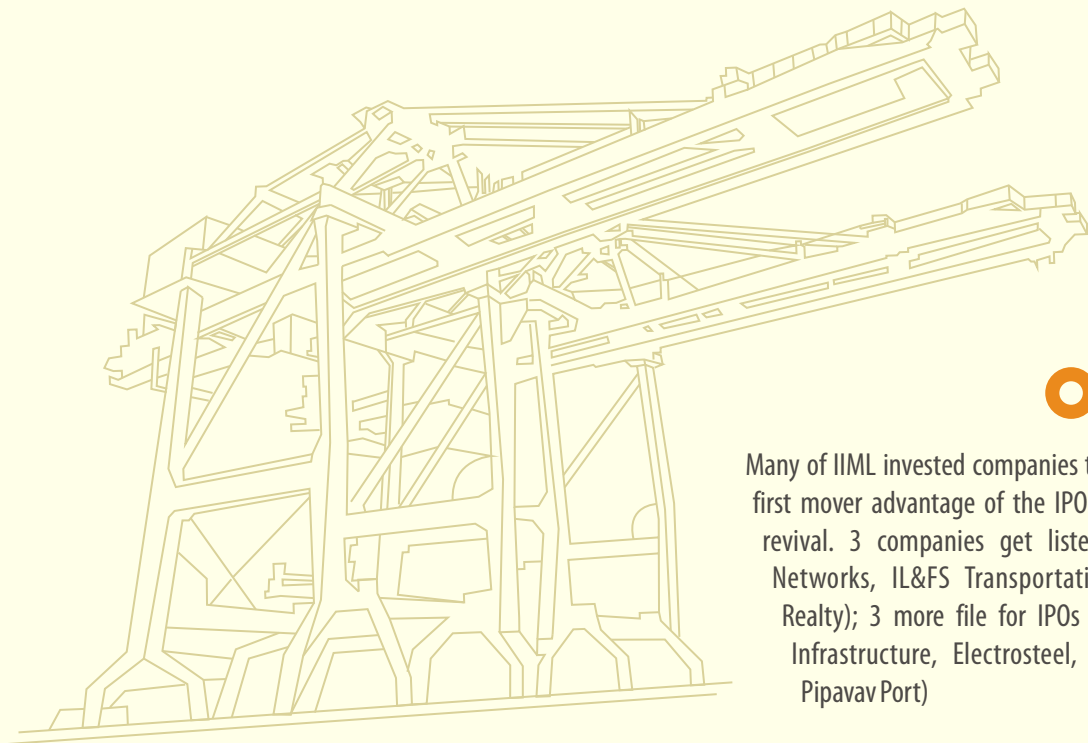
Fully divests from India Auto Ancillary Fund, generating a gross return of 18% p.a. (in US\$ terms). Full divestment of 3 Funds within a span of 18 months is a unique and unmatched experience in the Indian Private Equity space



Partners with Standard Chartered Bank to raise a Pan Asian Infrastructure Fund - SCI Asia Fund. The Fund is raised between September 2008 and December 2009, during the most trying period in the history of global financial markets, a reflection of institutional investor confidence in the ability to manage a complex product, spanning geographies



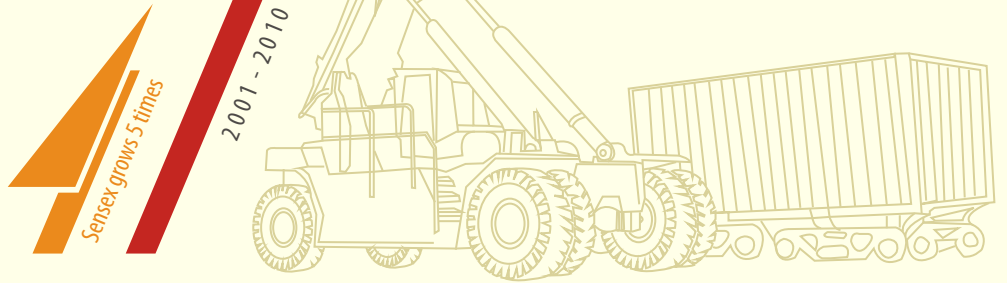
Takes advantage of investment slowdown during the global financial crisis and puts over US\$ 260 million of capital to work during 2009-2010 across a range of high quality investments



Many of IIML invested companies take the first mover advantage of the IPO market revival. 3 companies get listed (DEN Networks, IL&FS Transportation, DB Realty); 3 more file for IPOs (Ramky Infrastructure, Electrosteel, Gujarat Pipavav Port)



Stock split 5:1. The stock has grown at a compounded rate of 57% p.a. since 2001, a clear and consistent outperformer to the Sensex



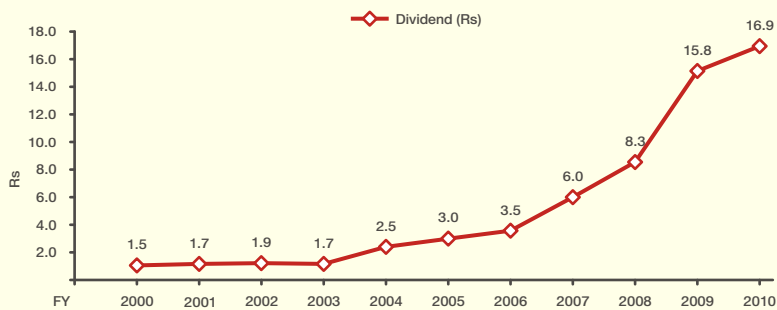
Begins fund raise activities for next generation funds including Tara India Fund IV



Gears up to emulate its successful joint venture format of partnering with market leaders for establishing funds in niche areas. Earlier partnerships include AIG, Milestone and Standard Chartered Bank



2010 marks the 10th consecutive year of dividend payout. Total dividend paid out between 2000-2010 amounts to Rs 62.5 per share (for one share of Rs 10 in 2000)

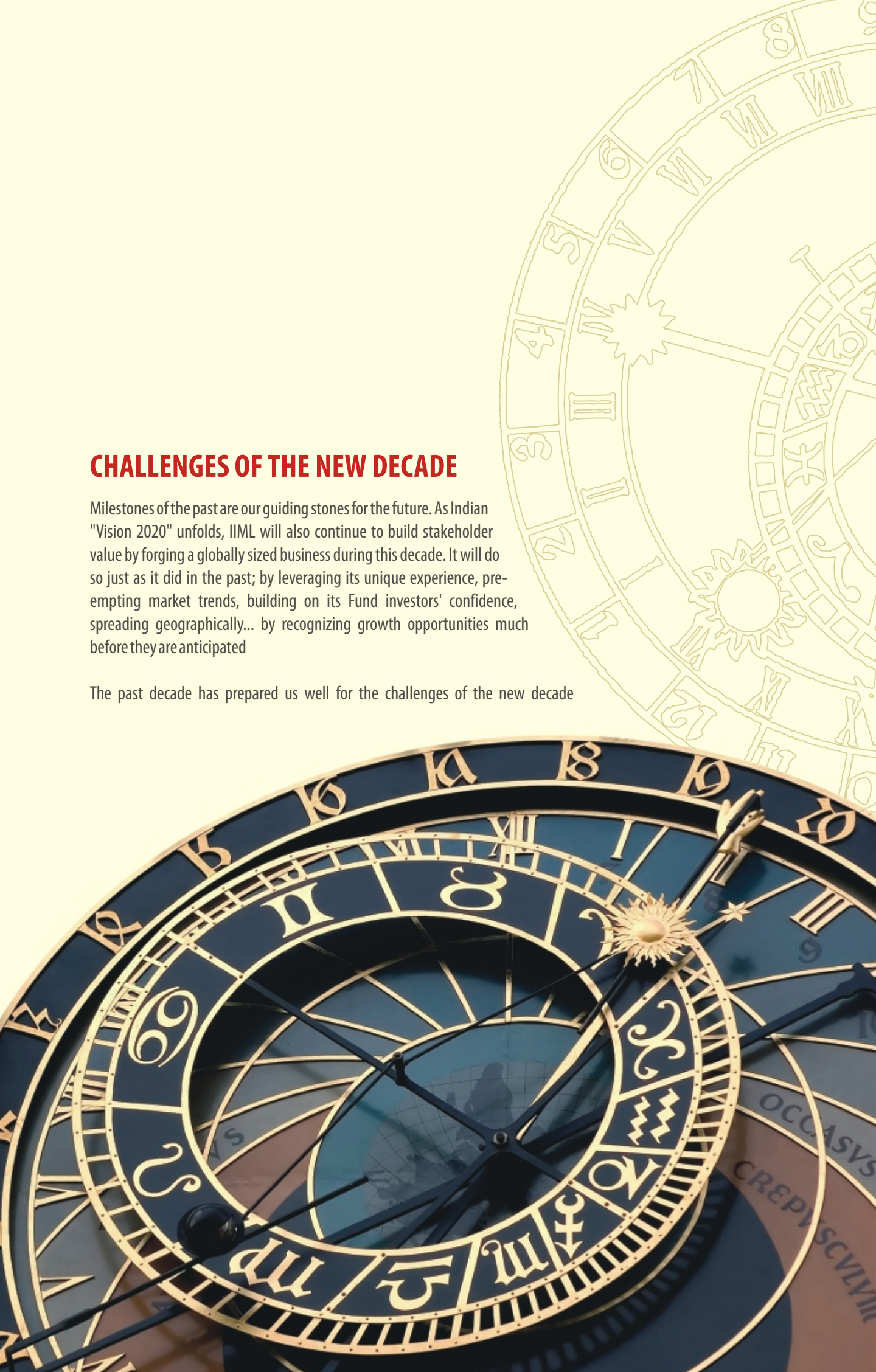


Opens a branch office in Dubai - Seeks to leverage its fund management experience in other geographies as well as to build stronger access of large capital pools in the Middle Eastern region

CHALLENGES OF THE NEW DECADE

Milestones of the past are our guiding stones for the future. As Indian "Vision 2020" unfolds, IIML will also continue to build stakeholder value by forging a globally sized business during this decade. It will do so just as it did in the past; by leveraging its unique experience, pre-empting market trends, building on its Fund investors' confidence, spreading geographically... by recognizing growth opportunities much before they are anticipated

The past decade has prepared us well for the challenges of the new decade



IL&FS INVESTMENT MANAGERS LIMITED

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DIRECTORS' REPORT

To The Members IL&FS Investment Managers Limited

Your Directors have pleasure in presenting for your consideration and approval the Twenty Fourth Annual Report with the Audited Financials of the Company for the year ended March 31, 2010

FINANCIAL ACHIEVEMENTS AND DIVIDEND

	For the year ended March 31, 2010 (Rs Million)	For the year ended March 31, 2009 (Rs Million)	For the year ended March 31, 2010 (Rs Million)	For the year ended March 31, 2009 (Rs Million)
	Standalone	Standalone	Consolidated	Consolidated
Total Income	957.06	1009.39	1813.37	1641.61
Profit before Taxation	588.64	578.09	956.92	846.03
Provision for Taxation	195.78	211.72	215.38	222.65
Net Profit after Taxation	392.86	366.37	738.49*	621.88*
Profit available for appropriation	522.77	492.75	997.53	740.84
Appropriations :				
General Reserve	40	37	40	37
Dividend (inclusive of dividend tax)	355.12	325.84	355.12	325.84

* after Minority Interest

DIVIDEND

During the year, your Company achieved a net profit after tax of Rs 392.86 million. Your Directors recommend a dividend of Rs 1.50 per share of face value Rs 2/- each. The total amount of dividend is Rs 355.12 million (inclusive of dividend tax of Rs 50.58 million)

REVIEW OF OPERATIONS

The year under review witnessed a strong revival of real economy and financial markets across the globe, more particularly in India. The Indian economy saw a marked increase in industrial production and trade, which coupled with higher global liquidity and increased FII inflows lead to a sharp recovery in the public markets

Backed by management fee from the two large real estate Funds managed by your Company and incremental fee arising post Final Close of the new Standard Chartered IL&FS Asia Infrastructure Growth Fund, your Company was able to exhibit strong revenue growth, with Consolidated Income increasing 10% on a year-on-year basis to Rs 1.81 billion during FY2010

On a consolidated basis, the Income from Operations of the Company for the financial year 2009-2010 was Rs 1.7 billion. Inclusive of Income from Investments of Rs 61.11 million and Other Income of Rs 53.86 million, the Total Income on a consolidated basis for the Financial Year 2009-2010 was Rs 1.81 billion. The total Operating Expenses for the year were Rs 680.13 million and the resultant Profit after Tax on consolidated basis for the financial year 2009-2010 was Rs 738.49 million, a 19% increase over the previous year

On a standalone basis, the Income from Operations of the Company for the financial year 2009-2010 was Rs 845.93 million. Inclusive of Income from Investments of Rs 57.35 million and Other Income of Rs 53.78 million, the Total Income of the Company for the Financial Year 2009-2010 was Rs 957.06 million. The total Operating Expenses for the year were Rs 362.81 million and the resultant Profit after Tax for the financial year 2009-2010 was Rs 392.86 million, a 7% increase over the previous year

FUTURE OUTLOOK

Business environment in India has improved significantly over the previous financial year and the Indian economy is expected to register a strong GDP growth in the region of 8% for FY2011. Increased corporate spending and revival of the IPO markets augurs well for your Company in terms of higher deal flow and increased exit events

However, certain concerns in relation to global financial market stability remain, more particularly on account of developments in Dubai and Greece. The Indian economy is also expected to face challenges of higher than desired inflation and current account deficit, which may adversely impact the anticipated growth

Your Company will seek to capitalize on the improved business environment by seeking to deploy existing active funds, by opportunistically exiting from the listed Fund portfolio, and by raising fresh Funds in niche sectors. During the course of FY2011, your Company seeks to attain significant divestment in two of its Funds and would seek to fully commit three other Funds, thereby paving the way for raising larger sized follow-on Funds in each of its verticals viz. general purpose private equity, real estate and infrastructure. These new Funds will add to the revenue growth of your Company in the short to medium term future

DIRECTORS' REPORT

DIRECTORS

Mr Bansi Mehta and Mr Ravi Parthasarathy retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment

STATUTORY AUDITORS

The Statutory Auditors of the Company M/s Deloitte Haskins & Sells, Chartered Accountants, Mumbai, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Auditors, if re-appointed, at the ensuing Annual General Meeting of the Company

The Company has also received a certificate from M/s Deloitte Haskins & Sells under Section 224(1B) of the Companies Act, 1956 confirming their eligibility for re-appointment. M/s Deloitte Haskins & Sells, Mumbai, have also confirmed to the Company that the firm is subjected to the Peer Review Process of the Institute of Chartered Accountants of India

SHARE CAPITAL

During the year the members of the Company had approved the sub-division of the Equity Shares of the Company from a face value of Rs 10/- each to a face value of Rs 2/- each. Accordingly, the Authorised, Issued, Subscribed and Paid-up Share Capital of the Company have been changed to reflect the revised face value of Rs 2/- each

During the year your Company allotted 4,091,490 Equity Shares of Rs 2/- each on the exercise of Options issued under the Employee Stock Option Plans

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance along with the Management Discussion and Analysis and Auditors' Certificate on compliance with the Corporate Governance requirements have been included in this Annual Report as separate sections

SUBSIDIARY COMPANIES

During the year 2009-2010 your Company had the following subsidiaries IL&FS Asian Infrastructure Managers Limited, IL&FS Urban Infrastructure Managers Limited, IL&FS Investment Advisors LLC and IL&FS Singapore Asset Management Company Pte. Ltd.

Pursuant to Section 212 of the Companies Act, 1956 the Company had made an application to the Ministry of Corporate Affairs, Government of India and sought exemption from attaching with the Balance Sheet of the Company, the Accounts and other documents of each of the Subsidiary Companies of the Company. The Ministry of Corporate Affairs, Government of India vide its letter no. 47/33/2010-CL-III dated January 13, 2010, has granted the exemption to the Company. In compliance with the terms of said exemption the Company has attached a summary financial statement of each of the Subsidiary Companies

As per Clause 32 of the Listing Agreement the consolidated financial statements of the Company with its Subsidiaries form part of the Annual Report. The copies of the audited annual accounts of the Company's Subsidiaries and other related documents, can also be sought by any member of the Company or its Subsidiaries on making a written request to the Company Secretary in this regard. The Annual Accounts of the Subsidiary Companies are also available for inspection by any member at the Company's and/or the concerned Subsidiaries' registered office

Review of Operations of Subsidiary Companies

IL&FS Asian Infrastructure Managers Limited :

IL&FS Asian Infrastructure Managers Limited (IAIML) has been set up to manage the Pan Asia Project Development Fund, India (PAPDF/the Fund). The Fund has been set up in order to support initiatives for development of infrastructure projects in the Asian region. The Fund has a corpus of Rs 1,125 million. The Company is playing an active role in managing and monitoring the investments made by the Fund. The performance of these investments has been satisfactory

The Income from Operations of IAIML for the financial year 2009-2010 was Rs 21.92 million. Inclusive of Income from Investments and Other Income of Rs 2.05 million, the Total Income for Financial Year 2009-2010 was Rs 23.97 million. The total Operating Expenses of IAIML for the year were Rs 20.11 million and the resultant Profit after Tax for the year was Rs 3.17 million

IL&FS Urban Infrastructure Managers Limited :

IL&FS Urban Infrastructure Managers Limited (IUIML) functions as the Asset Manager for the Pooled Municipal Debt Obligations (PMDO) Facility. The objective of the PMDO Facility is to provide long tenure term loans to meet the debt requirements of urban infrastructure projects across cities in India. The total corpus of the PMDO Facility is Rs 2,750 crores. IUIML's role as an Asset Manager is to identify and appraise the eligible projects and obtain sanctions of the lenders and thereafter assist the lenders to disburse, monitor and administer the loan assets until repayment

DIRECTORS' REPORT

By March 31, 2010, projects for a term loan of Rs 2,070.75 crores have been sanctioned from the PMDO facility and the assets under management amounted to Rs 588.29 crores. It is envisaged that the existing PMDO facility can achieve the target of Rs 2,750 crores before the end of the commitment period of October 2010

The Income from Operations of IUIML for the financial year 2009-2010 was Rs 67.45 million. Inclusive of Income from Investments and Other Income of Rs 0.93 million, the Total Income for Financial Year 2009-2010 was Rs 68.38 million. The total Operating Expenses of IUIML for the year were Rs 55.34 million and the resultant Profit after Tax for the year was Rs 7.68 million

IL&FS Investment Advisors LLC :

IL&FS Investment Advisors LLC (IIAL) acts as the Investment Manager to IL&FS India Realty Fund LLC, IL&FS India Realty Fund II LLC and Tara India Fund III LLC. The total funds under the management of IIAL are USD 1.5 billion

The Total Income of IIAL for the financial year 2009-2010 was USD 27.18 million. The total Operating Expenses of IIAL for the year were USD 20.10 million and the resultant Profit after Tax for the year was USD 6.87 million

IL&FS Singapore Asset Management Company Pte. Ltd. :

IL&FS Singapore Asset Management Company Pte. Ltd. (ISAMCPL) is in the business of providing Investment Management Services to Pan Asia Project Development Fund (Singapore). The total funds under the management of ISAMCPL are USD 20 million

The Total Income of ISAMCPL for the financial year 2009-2010 was USD 404,000. The total Operating Expenses of ISAMCPL for the year were USD 333,860 and the resultant Profit after Tax for the year was USD 64,684

DEPOSITS

Your Company has not accepted any deposits from the public for the year under consideration

FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars regarding foreign expenditure and earnings appear as Item Nos. 8(iii) and 8(iv) respectively, of Schedule 13B to the Accounts

Since the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable

PERSONNEL

Your Directors wish to place on record their appreciation of the services rendered by the employees of the Company at all levels. The particulars of the employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of the Directors' Report for the year ended March 31, 2010. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company

DETAILS OF EMPLOYEE STOCK OPTION PLANS

The detailed disclosures as per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 of the ESOP Schemes of the Company are annexed to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they had prepared the annual accounts on a going concern basis

DIRECTORS' REPORT

ACKNOWLEDGEMENT

Relationship with Members, Investors of the funds under management, Reserve Bank of India, Securities and Exchange Board of India, other Regulatory authorities, investee companies and our bankers remained excellent during the year under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement

For and on behalf of the Board

Place : Mumbai
Date : April 26, 2010

S M DATTA
Chairman

Annexure to the Directors' Report

Details of Options issued under the Employee Stock Option Plans

The Members of the Company had approved the Employee Stock Option Scheme 2003 ("ESOP 2003") and the Employee Stock Option Scheme 2004 ("ESOP 2004") for granting Options to the Directors and employees of the Company and the Employee Stock Option Scheme 2006 ("ESOP 2006") for granting Options to the Directors and employees of the Company and the Holding and Subsidiary Companies of the Company

During the year 2009-2010 Equity Shares of the Company were sub divided from a face value of Rs 10/- each to a face value of Rs 2/- each. Accordingly, the unexercised Options in the above schemes were adjusted so that the total value of the Options remains the same. The disclosures given below are after taking into consideration the enhanced Options under all the schemes

During the financial year 2009-2010, the Compensation Committee of the Company did not grant any Options under the above schemes

The particulars of the Options under ESOP 2003, ESOP 2004 and ESOP 2006 based on the enhanced Options are as follows :

ESOP 2003		
(1)	Options granted till date	: 9,012,550 Options
(2)	Pricing Formula	: The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines
(3)	Options Vested during the year	: Nil Options
(4)	Options exercised during the year	: Nil Options
(5)	Total number of shares arising as a result of exercise of Options	: Not Applicable
(6)	Options lapsed during the year	: Nil Options
(7)	Variation of terms of Options during the year	: No variations during the year
(8)	Money realised by exercise of Options during the year	: Not Applicable
(9)	Options vested but yet to be exercised	: Nil Options
(10)	Options available for Grant in future	: 25,210 Options
(11)	Options granted during the Financial Year	: Nil Options
(12)	Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2003 during the financial year ended March 31, 2010	: Nil Options

Annexure to the Directors' Report

ESOP 2004		
(1)	Options granted till date	: 16,875,000 Options
(2)	Pricing Formula	: Market price on the date of the Grant as defined in the SEBI Guidelines or such other lower price as per the terms of the scheme
(3)	Options Vested during the year	: Nil Options
(4)	Options exercised during the year	: Nil Options
(5)	Total number of shares arising as a result of exercise of Options	: Not Applicable
(6)	Options lapsed during the year	: Nil Options
(7)	Variation of terms of Options	: No variations during the year
(8)	Money realised by exercise of Options during the year	: Not Applicable
(9)	Options vested but yet to be exercised	: 981,315 Options
(10)	Options available for Grant in future	: 87,285 Options
(11)	Options Granted during the Financial Year	: Nil Options
(12)	Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2004 during the financial year ended March 31, 2010	: Nil Options

ESOP 2006		
(1)	Options granted till date	: 16,687,500 Options
(2)	Pricing Formula	: The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines
(3)	Options Vested during the year	: 1,586,250 Options
(4)	Options exercised during the year	: 4,091,490 Options
(5)	Total number of shares arising as a result of exercise of Options	: 4,091,490 Shares
(6)	Options lapsed during the year	: Nil Options
(7)	Variation of terms of Options	: No variations during the year
(8)	Money realised by exercise of Options during the year	: Rs 63,517,593.60
(9)	Options vested but yet to be exercised	: 4,821,250 Options
(10)	Options available for Grant in future	: 1,290,000 Options
(11)	Options Granted during the Financial Year	: Nil Options
(12)	Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2006 during the financial year ended March 31, 2010	: Nil Options

Annexure to the Directors' Report

The Diluted Earnings Per Share pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard 20 is Rs 1.92

The Company calculates the employee compensation cost using the Intrinsic Value of the Options. In the event the Company had used the Fair Value of Options for calculating the employee compensation cost the difference between the employee compensation cost so computed and the employee compensation cost arising out of the Intrinsic Value method would have been Rs 2,820,973/- which would have reduced the Profit before Tax of the Company by Rs 2,820,973/- and the Basic and Diluted Earnings Per Share would have reduced to Rs 1.95/- and Rs 1.92/- respectively

The Company has not granted any Options under ESOP 2003, ESOP 2004 and ESOP 2006 during the year and hence the Weighted Average Exercise Price and the Weighted Average Fair Value of the Options granted during the year in case of ESOP 2003, ESOP 2004 and ESOP 2006 is Nil

Method and significant assumptions used to estimate the Fair Value of the Options for ESOP 2003, ESOP 2004 and ESOP 2006 :

The Fair Value of Options has been calculated by an independent valuer. The valuation has been done using the Black - Scholes model based on the assumptions, which are as below :

(1) Expected Life of Options :

Expected Life of Options is the period within which the Options are expected to be exercised. The earliest the Options can be exercised is immediately on vesting. All the Options vest at the end of one to three years from the date of Grant. The Options can be exercised at any time upto 4 years from the vesting date

Considering the above, the average Expected Life of Options is 5.5 years

(2) Risk free interest rate :

This rate has been assumed at 7.5%

(3) Share Price :

Share Price is the market price on the National Stock Exchange with reference to the Grant date

(4) Volatility :

Volatility is calculated based on period, which represents a consistent trend in the price movement after adjusting abnormal events, if any

(5) Expected dividend yield has been calculated as follows :

Dividend per share / Market price of the share on the Grant Date

CERTIFICATE

We have reviewed the Employee Stock Option Plan 2003, Employee Stock Option Plan 2004 and the Employee Stock Option Plan 2006 ("the Plans") and the related records of **IL&FS INVESTMENT MANAGERS LIMITED** ("the Company") as at March 31, 2010 in connection with the issuance of the stock options under the plans.

Based on our review and according to the information and explanations provided to us, we certify that the above Plans have been implemented in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolutions of the Company in the general meetings held on July 26, 2003, March 19, 2004 and May 3, 2006.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 26, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The pace of recovery, both in relation to the real economy and financial markets, which unfolded during the FY2010, has been nearly as sharp as was the collapse of the global markets during 2009. While coordinated action by Governments and Central Banks across the globe, targeted at reviving the near comatose financial markets, was unprecedented in scale, the pace of recovery was expected to be slow. However, the resilience of the global economies has surprised most, on the positive, with V-shaped recovery panning out in many regions as compared to the expected U-shaped one

More particularly, the Indian economy, largely driven by a strong domestic consumption story, bounced back strongly. The Index of Industrial Production (Manufacturing) grew 14.3% in the third quarter of FY2010, compared to 0.5% in the same period of FY2009. Merchandise exports, which had registered 13 consecutive months of decline, turned positive in November 2009, with a growth of 18% over the previous month. Imports also grew sharply at 27% in December 2009, snapping the declining trend of nearly a year. In aggregate, the Indian economy is expected to grow at a healthy 7.2% during 2009-10, despite a decline of 0.2% in agricultural output on the back of a sub-normal monsoon

Global liquidity and strong economic performance also led to FII inflow of US\$ 17 billion during calendar year 2009, compared to an outflow of US\$ 12 billion during the previous year. Strong economic performance, political stability and FII inflows led to the stock markets delivering high returns during the year, with the Bombay Stock Exchange index going up from the lows of 8160 points registered on March 9, 2009 to 17528 as of March 31, 2010

Deal flow in Private Equity also locked step with the economic rebound. For the quarter ended March 2010, the total announced private equity deal value stood at US\$ 1.9 billion, compared to US\$ 675 million during the same quarter last year. However, while there has been a marked improvement in deal flow, the present level is still significantly lower compared to the average US\$ 4 billion per quarter deal volume witnessed during 2007

From a private equity exit perspective, the FY2010 proved fruitful, with 32 exits being registered in the quarter ended March 2010, compared to only 9 exits during the same quarter last year. The exit uptrend was driven by IPOs and market sales, which together accounted for more than 56% of the exits registered. Given economic and market conditions, the pace of exits attained is also expected to accelerate

Analysis of Performance for the year ended March 2010

Business Review :

Given the stable nature of the Company's revenue profile, generated on the back of sizable funds under management of US\$ 2.8 billion, the Company did not face income instability during these uncertain times. Management Fee from existing funds provided a base of stable revenue stream, while income from the Standard Chartered IL&FS Asia Infrastructure Growth Fund (SCI Asia) provided the growth impetus

SCI Asia, which had attained its First Close in the most challenging period in financial history (in September 2008), attained its Final Close at US\$ 658 million in December 2009. While the fund size is lower than the targeted US\$ 800 million, it was one of the few pan Asian funds which was able to attract marquee international institutional investors in trying conditions

In terms of Fund deployment, with a pickup in private equity activity, the Company invested across 6 companies in the infrastructure / private equity space and across 5 investments in real estate

With improvement in business sentiment, the Company was able to consummate 7 full exits during the FY2010. Of these exits, 4 were through trade sales and the balance through sale in public markets, reaffirming our ability to execute multiple exit strategies and to leverage relationships not only for making investment but also while undertaking exits. In addition, the investee portfolio witnessed 3 liquidity events (listing in public markets) and 1 partial exit through a trade sale

However, the challenging environment also took its toll on some of our investee companies, which were not able to perform as per expectations. As a result, exit timeframe for these investments is expected to be longer than anticipated earlier. The investment management team has worked proactively to identify early signs of distress and continues to work closely with the portfolio companies in dealing with the testing business environment

Financial Performance :

During the financial year 2009-2010, the Company's Income from Operations on a consolidated basis was Rs 1.7 billion, as compared to Rs 1.54 billion in the previous financial year

Inclusive of Income from Investments of Rs 61.11 million and Other Income of Rs 53.86 million on a consolidated basis, the Consolidated Income for financial year 2009-10 was Rs 1.81 billion, compared to Rs 1.64 billion in the previous year

Operating Expenses for the year on a consolidated basis were Rs 680.13 million, compared to Rs 577.55 million in the previous year

As a result, Profit before Tax for the year on a consolidated basis was Rs 956.92 million, compared to Rs 846.03 million for the previous year, a 13% increase over the previous year

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for Financial Year 2010-2011

The business environment at the present juncture is significantly more conducive compared to the same period last year. The doomsday scenarios, which played heavily on the business plans of most corporates during the first half of FY2009, have gradually receded and business confidence has improved. Capacity utilization has increased in line with increase in industrial production, which in turn is expected to lead to full revival of capex spending. The IPO markets have recovered and our Company is coming across an improved deal flow from companies once again seeking growth and expansion capital

These developments augur well for the Company both in terms of deployment of capital, returning capital to Fund investors and in terms of raising fresh capital. The Company will seek to fully deploy Tara India III Fund during the year as also significantly deploying the SCI Asia Fund across infrastructure investments in the Asian region

Given the higher investment appetite from private and public markets, the Company will seek to attain liquidity for its Fund investments during the course of FY2011- three of the Company's investee companies have already filed for IPO and some others are in the pipeline. By opportunistically selling down its listed portfolio and actively seeking strategic exits and trade sales, the Company expects to maintain the pace of divestments during FY2011, which will result in a significant portion of two of its Funds being divested

Improvement in global confidence also provides impetus to our plans to raise fresh Funds, which will seek to take advantage of the new phase of growth expected to be witnessed by Asian and Middle Eastern economies. The Company's operations at Dubai are expected to play a pivotal role in interfacing with institutional investors and in new Fund ideation

However, while there is increased perception of 'business as usual', key challenges continue to simmer below the radar. The real estate led debt crisis in Dubai followed by the debt crisis in Greece and possibly other parts of Europe indicates that the damage to the financial markets has not been fully repaired. More particularly, in India, the cost of economy jumpstart packages announced by the Government of India last year has been in form of a high current account deficit, at 3% of GDP. In addition, core inflation is expected to persist at higher levels, and may flare up on the back of potential fuel price hikes, possibly prompting rate hikes by the Reserve Bank of India. Government's response to managing these developments will, to a large extent, define business environment during the coming year. The Company therefore, while remaining cautiously optimistic about the business outlook during FY2011, continues to expect and prepare for an uncertain environment

Business Segment and Human Resources

The Company presently operates in one business segment - fund management and other related services

The Company's Investment Team now has experience which spans not only across 3 fully and 2 partly divested funds but also across challenging business cycles witnessed during the beginning and the end of this decade. The Company will continue to leverage the relationships developed by it to enter attractive investment opportunities and craft successful exits

Building and retaining a talented team of professionals will continue to be a key focus area for the Company and internationally benchmarked remuneration and incentivization practices will be adopted to ensure the same

The Company presently has 52 employees

Internal Control Systems

The Company has an adequate system of internal controls to ensure accuracy of accounting records, compliance with all laws and regulations and compliance with all rules, processes and guidelines prescribed by the management

An extensive internal audit is carried out by an independent firm of Chartered Accountants. Post audit reviews are also carried out to ensure follow up on the observations made. The scope of the internal audit is determined by the Audit Committee and the internal audit reports are reviewed by the Audit Committee on a regular basis

CORPORATE GOVERNANCE REPORT

(A) COMPANY PHILOSOPHY

The Company has always been practicing sound Corporate Governance practices and the Management is of the view that a good Corporate Governance policy is one which results in the Company being operated in a regulated manner and makes management transparent, ethical, accountable and fair resulting in enhanced shareholder value. The Management is pleased to provide a detailed disclosure of specific matters required under the Listing Agreement entered into by the Company with the Stock Exchanges

(B) BOARD OF DIRECTORS

(1) Composition :

- The Board comprises of 8 Directors including a Non-Executive Chairman, a Non-Executive Vice Chairman, Two Executive Directors and Four Non-Executive Directors
- None of the Directors hold chairmanship of more than 5 committees or membership in more than 10 committees of public limited companies as stipulated in Clause 49 of the Listing Agreement
- All the Independent Directors of the Company have furnished a declaration that they satisfy the conditions of being independent as stipulated in Clause 49 of the Listing Agreement

(2) Board Meetings :

- The Board of Directors met four times during the financial year ended March 31, 2010 and the gap between two meetings did not exceed four months. The meetings were held during the year on April 22, 2009, July 15, 2009, October 13, 2009 and January 18, 2010
- The category of Directors, attendance record of participating Directors at the Board Meetings during the last financial year and the last Annual General Meeting and also the number of companies in which they are directors and number of other committee memberships they hold are as follows :

Name of the Director	Category of Director @	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM held on July 15, 2009	No. of other directorships *	No of other Committee Memberships **
Mr S M Datta (Chairman)	NED	4	4	Yes	18	5 (Out of the above, 2 are in the capacity of Chairman)
Mr Ravi Parthasarathy	NED	4	4	Yes	13	-
Mr Bansi S Mehta	NED	4	4	Yes	15	9 (Out of the above, 4 are in the capacity of Chairman)
Mr Arun K Saha	NED	4	4	Yes	15	10 (Out of the above, 3 are in the capacity of Chairman)
Mr Vibhav Kapoor	NED	4	4	Yes	8	1
Mr Shahzaad Dalal (Vice Chairman)	NED	4	4	Yes	31	7 (Out of the above, 3 are in the capacity of Chairman)
Dr Archana Hingorani	ED	4	4	Yes	25	5
Mr Alok Bhargava	ED	4	4	Yes	6	3

@ ED Executive Director, NED Non-Executive Director

* The other directorships include alternate directorships and directorships in private companies but exclude directorships in foreign companies

** The other Committee Memberships comprise of only two committees Audit Committee & Shareholders'/Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

CORPORATE GOVERNANCE REPORT

(C) AUDIT COMMITTEE

(1) Composition :

The Audit Committee presently comprises of three Non-Executive Directors namely Mr Banshi Mehta, Chairman, Mr SM Datta* and Mr Vibhav Kapoor

All members of Audit Committee are financially literate and atleast one member possesses relevant accounting and related financial management expertise

* Mr SM Datta has been appointed member of the Audit Committee at the Board Meeting held on April 26, 2010

(2) Terms of Reference :

As per the terms of reference specified by the Board, the Audit Committee in addition to acting in accordance with the provisions of Section 292A of the Companies Act, 1956 also oversees the following functions:

- (a) Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible
- (b) Recommending the appointment and removal of the Statutory Auditors and the Internal Auditors and fixing audit fees
- (c) Reviewing with the Management, Statutory and Internal Auditors, the adequacy of internal control systems
- (d) Reviewing the adequacy of internal audit function
- (e) Discussing with Internal Auditors any significant findings and follow up thereon
- (f) Reviewing with the Management the quarterly unaudited financial statements and annual financial statements before submission to the Board
- (g) Reviewing the management discussion and analysis of the financial condition and results of operations
- (h) Financial and accounting practices and policies
- (i) Compliance with stock exchange and legal requirements concerning financial statements
- (j) Reviewing the related party transactions
- (k) Reviewing the financial statements of unlisted subsidiary companies
- (l) Approval of appointment of Chief Financial Officer after assessing the qualifications experience and background etc. of the candidate

(3) Audit Committee Meetings :

The Audit Committee met four times during the financial year ended March 31, 2010 on April 22, 2009, July 15, 2009, October 12, 2009 and January 18, 2010 and the composition and attendance record of the members at the Audit Committee Meetings are as follows:

Name of the Director	Number of Meetings held	Number of Meetings Attended
Mr Banshi Mehta, Chairman	4	4
Mr Vibhav Kapoor	4	4

(D) COMPENSATION COMMITTEE

(1) Composition :

The Compensation Committee comprises of three Non-Executive Directors. The Committee functions under the Chairmanship of Mr SM Datta

(2) Terms of Reference :

The Committee oversees the following functions :

- (a) The criteria and quantum of compensation for Wholtime Directors
- (b) Recruitment of key management employees and their compensation

CORPORATE GOVERNANCE REPORT

- (c) Determination of the annual increments and performance related pay of the employees
- (d) Administration of the various Employee Stock Option Plans of the Company
- (e) Such other matters as the Board may from time to time request the Compensation Committee to examine, recommend and approve

(3) Remuneration Policy :

The Company's remuneration policy has been to reward employees based on their level of responsibility, performance and potential. It is aimed at attracting and retaining high caliber management talent by valuing their performance on the basis of their contribution

(4) Compensation Committee Meetings :

The Compensation Committee met two times during the financial year ended March 31, 2010 on April 22, 2009 and July 15, 2009 and all the members of the Committee attended the same

(5) Details of Remuneration :

Details of Remuneration paid to the Wholetime Directors during the year 2009-2010:

Name of the Director	Salary (Rs)	Perquisites (Rs)	Total (Rs)
Dr Archana Hingorani	38,658,328	243,558	38,901,886
Mr Alok Bhargava	12,155,514	1,657,103	13,812,617

The salary paid to Dr Archana Hingorani and Mr Alok Bhargava are inclusive of their retirement benefits and in case of Dr Archana Hingorani and Mr Alok Bhargava includes Rs 26,989,869/- and Rs 3,450,000/- paid to them as Performance Related Pay respectively

The Remuneration paid to the Wholetime Directors consists of a fixed salary and a variable bonus depending on the individuals and the Company's performance and the annual increments and variable bonus are decided by the Compensation Committee

During the financial year 2009-2010, the Company did not grant any stock options

(6) Details of payment made to the Non-Executive Directors :

Details of payment made to the Non-Executive Directors during the financial year 2009-2010:

The Company does not pay any remuneration to the Non-Executive Directors of the Company except commission and sitting fees for attending the Board meetings and the Committee meetings. The Non-Executive Directors are also granted Stock Options on the basis of their contribution to the Company and based on their tenure as Directors of the Company

During the financial year 2009-2010, the Non-Executive Directors were paid sitting fees of Rs 20,000/- each for attending the Board Meetings, the Audit Committee Meetings and the Compensation Committee Meetings and Rs 2,000/- each for attending the Shareholders'/Investors' Grievance Committee Meetings

Details of Commission for the financial year 2009-2010 to be paid to the Non-Executive Directors of the Company are as below:

Name of the Non-Executive Director	Commission (Rs)
Mr SM Datta	2,700,000
Mr Ravi Parthasarathy	1,200,000
Mr Bansi Mehta	700,000
Mr Arun Saha	700,000
Mr Vibhav Kapoor	700,000

Such payment of commission has been approved by the members vide Special Resolution passed at the Annual General Meeting of the Company held on August 30, 2007. Besides sitting fees and commission, no other payments have been made to the Non-Executive Directors of the Company during the year

CORPORATE GOVERNANCE REPORT

(7) Details of Options granted :

Details of Options granted to Non-Executive Directors during the year and shares held by them as on March 31, 2010 :

No Options were granted by the Company during the year to Non-Executive Directors

The shareholding of the Non-Executive Directors as on March 31, 2010:

Name of the Director	No. of Shares
Mr SM Datta	30,37,500
Mr Ravi Parthasarathy	900,000
Mr Bansi Mehta	22,62,500
Mr Arun Saha	150,000
Mr Vibhav Kapoor	562,500
Mr Shahzaad Dalal	11,77,195

(E) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

(1) The Shareholders'/Investors' Grievance Committee oversees the following functions :

- (a) Issuance of duplicate certificates and rematerialisation of shares
- (b) Redressing grievances received from the investors
- (c) Allotment of shares upon exercise of options under Employee Stock Option Schemes
- (d) Such other matters as the Board may from time to time request the Committee to examine, recommend and approve

(2) The Committee presently comprises of Mr Vibhav Kapoor (Chairman) and Mr SM Datta (Member). The attendance at the meetings held during the year are given below :

Name of the Director	Number of Meetings held	Number of Meetings Attended
Mr Vibhav Kapoor, Chairman	9	9
Mr SM Datta	9	9

(3) Mr Sanjay Mitra, Company Secretary, has been designated as the Compliance Officer

(4) There were no outstanding complaints as on March 31, 2010. All investor grievances were resolved

(5) The shareholders can also register their complaints by sending an email to sanjay.mitra@iflindia.com

(6) The Board at its meeting held on May 1, 2007 approved the constitution of a Share Transfer Committee consisting of officers of the Company as its members for approving transfers and transmission of shares and also name deletion. The Committee presently comprises of Mr Manoj Borkar (Chairman) and Mr Sanjay Mitra (Member). The attendance at the meetings held during the year are given below :

Name of the Member	Number of Meetings held	Number of Meetings Attended
Mr Manoj Borkar, Chairman	42	42
Mr Sanjay Mitra	42	42

CORPORATE GOVERNANCE REPORT

(F) GENERAL BODY MEETINGS

(1) The details of the last three Annual General Meetings are as follows :

Date	Time	Location / Venue	Special Resolutions passed
July 15, 2009	3.00 p.m.	"The Centrum" World Trade Centre, Mumbai	No Special Resolution was passed
June 26, 2008	11.30 a.m.	Indian Merchants' Chamber, Mumbai	<ol style="list-style-type: none"> 1. Revision in slab of the Consolidated Salary of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company 2. Revision in slab of the Consolidated Salary of Dr Archana Hingorani, Executive Director of the Company 3. Appointment and Remuneration of Mr Alok Bhargava as Executive Director of the Company 4. Issue of Bonus Shares
August 30, 2007	10.00 a.m.	Indian Merchants' Chamber, Mumbai	<ol style="list-style-type: none"> 1. Revision in slab of the Consolidated Salary of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company 2. Remuneration of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company with effect from January 27, 2007 for remainder of his tenure i.e. upto January 26, 2009 3. Appointment and Remuneration of Dr Archana Hingorani as Executive Director of the Company 4. Payment of Commission to Non-Executive Directors of the Company for a period of five years with effect from April 1, 2007 5. Payment to Non-Executive Directors of the Company by Subsidiary Companies of the Company

(2) Special Resolutions passed through Postal Ballot :

None of the resolutions approved at the last Annual General Meeting required postal ballot approval

On September 3, 2009, the Company announced the results of following special resolutions passed by the members through postal ballot :

- (a) Sub-division of each of the existing Equity Share of face value of Rs 10/- (Rupees Ten only) each fully paid-up in the share capital of the Company into 5 (five) Equity Shares of face value of Rs 2/- (Rupees Two only) each fully paid-up
- (b) Alteration of the Memorandum and Articles of Association of the Company as a consequence of the sub-division of shares

Details of the aforesaid special resolutions passed through postal ballot are as under:

(a) Person who conducted the postal ballot exercise:

The Board appointed Mr Jagdish Patel of M/s Jagdish Patel & Co., Practicing Company Secretaries, as Scrutinizer to conduct the postal ballot voting process. Mr Jagdish Patel conducted the process and submitted his report

(b) Procedure followed :

- (i) The Postal Ballot Notice and accompanying documents were dispatched to the shareholders under certificate of posting
- (ii) A calendar of events along with the Board Resolution was submitted to the Registrar of Companies, Mumbai, Maharashtra

CORPORATE GOVERNANCE REPORT

(c) Details of the voting pattern :

After scrutinizing all the ballot forms received, the Scrutinizer reported that the shareholders representing 99.98% of the total voting strength voted in favour of each of the resolutions, based on which the results were declared and the resolutions were carried out with an overwhelming majority

No resolution on matters requiring voting by postal ballot as per Section 192A of the Companies Act, 1956 is placed before the members at the ensuing meeting

(G) DISCLOSURES

- (1) During the year under review, there were no materially significant transactions of the Company with its Directors, Senior Management and their relatives or the management that had a potential conflict with the interests of the Company at large. The transactions between the Company and the related parties are disclosed in the Notes to the Accounts
- (2) None of the Directors of the Company are related to each other except to the extent that the Directors nominated by Infrastructure Leasing & Financial Services Limited (IL&FS) are also employees of IL&FS
- (3) No penalties and/or strictures were imposed on the Company by the Stock Exchange or SEBI or any statutory authority, on any matter related to the capital markets during the last three years
- (4) The Board of Directors of the Company has laid down a Code of Conduct for all its Board Members and senior management of the Company. A declaration of compliance with the Code of Conduct, signed by the Chief Executive Officer forms part of the Annual Report
- (5) The Chief Executive Officer and the Chief Financial Officer of the Company have furnished the requisite certificate to the Board of Directors under Clause 49 (V) of the Listing Agreement
- (6) The composition of the Board of Directors of the Company does not conform to the requirements of the Listing Agreement i.e. the Board composition of the Company does not have one third independent directors. The Company has already initiated the process and hopes to appoint an independent director at the earliest
- (7) During the year the composition of the Audit Committee of the Company did not conform to the requirements of Section 292A of the Companies Act, 1956 and the Listing Agreement i.e. the composition of Audit Committee of the Company did not satisfy the criteria of minimum three directors as members and two third of the members as independent directors. Consequently the quorum at the Audit Committee meetings held during the year did not have a minimum of two independent directors. The Board of Directors of the Company at their meeting held on April 26, 2010 appointed Mr SM Datta as a member of the Audit Committee of the Company. The composition of the Audit Committee of the Company is now in compliance with Section 292A of the Companies Act, 1956 and the Listing Agreement
- (8) Some of the Independent Directors of the Company have been Directors of the Company in excess of nine years
- (9) The Company does not send any half-yearly report to the members of the Company
- (10) The Company does not have a system of peer group evaluation of the Non-Executive Directors and also does not have a system of training the Board members on the business model of the Company
- (11) The Company does not have a Whistle Blower Policy
- (12) The Code of Conduct as laid down by the Board is already posted on the Company's website. All the members of the Board of Directors and senior managerial personnel have confirmed compliance with the Code of Conduct of the Company

(H) MEANS OF COMMUNICATION

The Company publishes its quarterly and annual consolidated results in prominent daily newspapers viz. Economic Times, DNA Mumbai and Maharashtra Times. The standalone and consolidated results are also made available on the website of the Company www.iimlindia.com

The Company's website contains a separate section 'Shareholders' which provides the information on Financials, Shareholding Pattern, Code of Conduct, Presentations made to analysts, etc. Also the Annual Reports of the Company are available on the website in a downloadable form

CORPORATE GOVERNANCE REPORT

(I) GENERAL SHAREHOLDERS' INFORMATION

The Management Discussion & Analysis forms part of the Annual Report

Listing of shares:

The shares of the Company are listed on the following Stock Exchanges:

Bombay Stock Exchange Limited
P J Towers, Dalal Street,
Mumbai 400 001

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai 400 051

Listing Fees for the year 2010-2011 has been paid to the Stock Exchanges within the stipulated time

Stock Code and ISIN Number		
Bombay Stock Exchange Limited	:	511208
The National Stock Exchange of India Limited	:	IVC EQ
ISIN No.	:	INE050B01023

The Company's Identification Number at the Registrar of Companies, Maharashtra is L65999MH1986PLC147981

Shareholding Pattern as on March 31, 2010		
Category	No. of shares	% of holding
Body Corporates	118,019,881	58.13
Foreign Institutional Investors	9,948,000	4.90
Foreign Mutual Fund	4,550,000	2.24
Mutual Fund	487,553	0.24
Government Nominees	375	0.00
Banks	16,845	0.01
Clearing Members	191,623	0.09
Individuals	69,710,528	34.34
Trusts	102,790	0.05
Total	203,027,595	100.00

CORPORATE GOVERNANCE REPORT

Stock Market Price Data for the year 2009-2010 on the Bombay Stock Exchange Limited *		
Month	High	Low
April 2009	24.70	17.03
May 2009	30.00	18.60
June 2009	33.12	27.02
July 2009	32.79	25.01
August 2009	55.00	31.51
September 2009	56.44	46.55
October 2009	54.80	40.10
November 2009	50.20	37.10
December 2009	53.90	41.05
January 2010	49.50	39.80
February 2010	43.70	39.30
March 2010	44.40	38.50

* The shareholders of the Company through Postal Ballot, approved Sub-division of each of the existing Equity Shares of the face value of Rs 10/- each fully paid-up in the share capital of the Company into five Equity Shares of the face value of Rs 2/- each fully paid-up. The stock prices for the prior period have been adjusted assuming the aforesaid stock split

Registrar and Share Transfer Agents:

Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400 078
Tel No: 2596 3838
Fax No: 2594 6969

Address for correspondence:

The Company's registered office is situated at :

The IL&FS Financial Centre, Plot No. C-22, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051
Tel No: 2659 3531
Fax No: 2653 3056

Members' correspondence should be addressed to:

Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400 078
Tel No: 2596 3838
Fax No: 2594 6969

Members holding shares in dematerialised form should address all their correspondence regarding change of address, nomination etc. to their respective Depository Participants

Dematerialisation of shares:

As on March 31, 2010 ninety five percent (95%) of shares were held in dematerialised form

CODE OF CONDUCT CERTIFICATE

I, Archana Hingorani, Chief Executive Officer & Executive Director of the Company, hereby declare that the Board of Directors have laid down a Code of Conduct for the Board Members and Senior Management of the Company and the Board Members and Senior Management have affirmed compliance with the said Code of Conduct

For IL&FS Investment Managers Limited

Archana Hingorani
Chief Executive Officer & Executive Director

Place: Mumbai
Date: April 26, 2010

AUDITORS' CERTIFICATE

**TO THE MEMBERS OF
IL&FS INVESTMENT MANAGERS LIMITED**

1. We have examined the compliance of conditions of corporate governance by **IL&FS INVESTMENT MANAGERS LIMITED** ("the Company") for the year ended March 31, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. Attention is invited to paragraph G(6) and (7) of the Corporate Governance Report in respect of non compliance of Listing Agreement and section 292A of the Companies Act, 1956 relating to minimum independent directors on the Board and Audit committee respectively.
4. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that subject to paragraph 3 above, the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.
5. 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 Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 26, 2010

Auditors' Report

TO THE MEMBERS OF IL&FS INVESTMENT MANAGERS LIMITED

1. We have audited the attached Balance Sheet of **IL&FS INVESTMENT MANAGERS LIMITED** (the "Company") as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to Section 211 (3C) of the Companies Act, 1956.
 - (e) Attention is invited to Note 8(ii) of Schedule 13 regarding remuneration for the year ended March 31, 2009 to Wholetime Director aggregating to Rs. 17,129,730/- which is in excess of the limits specified in Section 198 of the Companies Act, 1956 for which the Company is awaiting necessary approval from the Central Government.
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read alongwith our observation in Paragraph 4(e) above and other notes to 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 26, 2010

Annexure to Auditors' Report

Re: IL&FS INVESTMENT MANAGERS LIMITED

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

- (i) Having regard to the nature of the Company's activities clauses (ii), (viii), (x), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xi),(xix) and (xx) of CARO are not applicable to the Company.
- (ii) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has placed an inter corporate deposits of Rs. 120,000,000 during the year with one such party. At the year-end, the outstanding balance of such deposit was Rs. 320,000,000 and the maximum amount involved during the year was Rs. 320,000,000.
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.
- (c) The receipts of principal amounts and interest have been regular.
- (d) There are no overdue amounts over Rs.100,000 remaining outstanding as at March 31, 2010.
- The Company has not taken any loans from companies firms or other parties covered in the register maintained under Section 301 of the Companies Act,1956 and accordingly, clauses (f) and (g) of the paragraph 4(iii) of CARO are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needed to be entered in the register maintained under the said section (excluding deposit reported under paragraph (iii) above). Accordingly sub clause (b) of clause (v) is not applicable.
- (vi) According to the information and explanation given to us, the Company has not accepted any deposits from the public covered under the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under, during the year.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to information and explanation given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing Service Tax and regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Cess and other material statutory dues applicable to it with the appropriate authorities during the year.
- (b) There were no undisputed amounts payable in respect of Income-tax, Cess and other material statutory dues in arrears, outstanding as at March 31, 2010 for a period of more than six months from the date they became payable.
- (c) There is no disputed dues in respect of Income-tax, Service Tax, and Cess which have not been deposited as on March 31, 2010 on account of any dispute.
- (ix) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act,1956.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 26, 2010

BALANCE SHEET

AS AT MARCH 31, 2010

	Schedules	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SOURCES OF FUNDS :			
Shareholders' Funds:			
Share Capital	1	406,075,190	397,892,210
Stock Options Outstanding		9,158,940	9,158,940
Reserves and Surplus	2	320,806,964	227,736,320
		736,041,094	634,787,470
APPLICATION OF FUNDS :			
Fixed Assets			
Gross Block	3	143,117,187	130,748,795
Less: Depreciation		126,204,347	122,862,842
Net Block		16,912,840	7,885,953
Investments	4	353,849,852	403,451,804
Deferred Tax Asset (net) (Refer note 4 of Schedule 13)		5,071,000	4,857,000
Current Assets, Loans and Advances			
Sundry Debtors	5	158,701,943	163,302,436
Cash and Bank Balances	6	114,325,143	102,517,345
Loans and Advances	7	646,973,032	477,138,149
		920,000,118	742,957,930
Less: Current Liabilities and Provisions	8		
Current Liabilities		137,381,306	159,030,377
Provisions		422,411,410	365,334,840
		559,792,716	524,365,217
Net Current Assets		360,207,402	218,592,713
		736,041,094	634,787,470
Significant Accounting Policies and Notes to the Accounts	13		

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

A. B. JANI
Partner

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedules	For the year ended March 31, 2010 Rupees	For the year ended March 31, 2009 Rupees
INCOME			
Income from Fund Management and Advisory Services	9	845,929,265	932,044,768
Income from Investments/Loans	10	57,358,656	38,265,088
Other Income (Refer note 8 (vi) of Schedule 13)		53,779,038	39,078,944
		957,066,959	1,009,388,800
EXPENSES			
Staff Expenses	11	249,755,093	286,212,000
Operating Expenses	12	113,053,542	141,753,457
Depreciation		5,614,382	3,332,305
		368,423,017	431,297,762
Profit before Tax		588,643,942	578,091,038
Provision for Tax			
- Current Tax		196,000,000	196,000,000
- Deferred Tax Asset (net) (Refer note 4 of Schedule 13)		(214,000)	11,318,000
- Fringe Benefits Tax		-	4,400,000
Profit after Tax		392,857,942	366,373,038
Balance brought forward from previous year		129,913,826	126,384,202
		522,771,768	492,757,240
Less: Appropriations :			
Transferred to General Reserve		40,000,000	37,000,000
Proposed Dividend		304,541,393	278,510,547
Tax on Dividend		50,580,519	47,332,867
		395,121,912	362,843,414
Balance carried to Balance Sheet		127,649,856	129,913,826
Earnings Per Share (EPS)(Rs.) (Refer note 9 of Schedule 13) (Equity shares Face value Rs.2/- each)			
Basic		1.96	1.84
Diluted		1.92	1.80
Significant Accounting Policies and Notes to the Accounts	13		

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 26, 2010

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2010

	Particulars	March 31, 2010 Rupees	March 31, 2009 Rupees
A	CASH FLOW FROM OPERATING ACTIVITIES		
	PROFIT BEFORE TAX	588,643,942	578,091,038
	Adjustment for:		
	Depreciation	5,614,382	3,332,305
	Leave Encashment	(2,783,484)	472,957
	Debts/ Advances written off	259,245	201,702
	Provision for share of loss in partnership firm	-	5,669,207
	Provision for diminution value of investment	-	7,246,898
	(Reversal of Excess) / Excess of cost over fair value	(2,664,440)	2,664,440
	Unrealised Exchange Gain	(8,552,057)	-
	Interest Income	(40,343,315)	(11,852,034)
	Profit on sale of Long Term Investments	(382,500)	-
	Profit on sale of Fixed Assets	(111,814)	(20,497)
		(48,963,983)	7,714,978
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	539,679,959	585,806,016
	Decrease/(Increase) in trade and other receivables	4,600,493	218,809,867
	(Increase)/Decrease in Current Investments	54,880,789	(187,342,415)
	(Increase)/Decrease in Advances	13,417,368	(26,030,652)
	(Decrease)/Increase in trade and other payables	(26,135,498)	(16,364,043)
	Cash Flow after Working Capital Changes	586,443,111	574,878,773
	Income Tax Paid (Net)	(180,295,442)	(212,390,912)
	NET CASH GENERATED FROM OPERATING ACTIVITIES	406,147,669	362,487,862
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(14,739,420)	(3,592,278)
	Proceeds from sale of Fixed Assets	209,966	378,692
	Purchase of Long Term Investments	-	(10,701,200)
	Proceeds from sale of Long term Investments	5,015,000	-
	Inter Corporate Deposits	(120,000,000)	(200,000,000)
	Decrease/(Increase) in Deposits / Loans	(26,475,000)	(52,100,000)
	Interest received	20,340,596	8,549,049
	NET CASH USED IN INVESTING ACTIVITIES	(135,648,858)	(257,465,737)
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from Issuance of Share Capital at premium	63,517,594	-
	Dividend paid (Including tax thereon)	(322,208,607)	(169,239,102)
	NET CASH USED IN FINANCING ACTIVITIES	(258,691,013)	(169,239,102)
D	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	11,807,798	(64,216,978)
	Cash and cash equivalents at the beginning of the year as per Schedule 6	102,517,345	166,734,323
	Cash and cash equivalents at the end of the year as per Schedule 6	114,325,143	102,517,345
		11,807,798	(64,216,978)
	Significant Accounting Policies and Notes to the Accounts Schedule 13		

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

A. B. JANI
Partner

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SCHEDULE 1 : SHARE CAPITAL		
Authorised:		
250,000,000 Equity shares of Rs.2/- each (Previous year 50,000,000 Equity shares of Rs.10/- each)	500,000,000	500,000,000
Issued, Subscribed and Paid-up:		
203,027,595 Equity shares of Rs. 2/- each fully paid-up (Previous year 39,787,221 Equity shares of Rs.10/- each fully paid-up)	406,055,190	397,872,210
Of the above Equity shares (a) 105,055,435 Equity shares of Rs. 2/- each (Previous Year 21,011,087 equity shares of Rs. 10/- each) fully paid-up are held by Infrastructure Leasing & Financial Services Limited, the Holding Company (b) 66,312,035 Equity shares of Rs. 2/- each, corresponding to 13,262,407 Equity shares of Rs 10/- each were allotted during earlier years as fully paid-up Bonus shares by capitalisation of Securities Premium Account. (c) 39,652,245 Equity shares of Rs. 2/- each, corresponding to 7,930,449 Equity shares were allotted during earlier years as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Profit and Loss Account and Securities Premium Account.		
Add : Forfeited shares	20,000	20,000
	406,075,190	397,892,210
Note: The shareholders of the Company have by way of a Postal Ballot, results of which were declared on September 3, 2009, approved the sub-division of 1 Equity share of face value of Rs 10/- into 5 Equity shares of face value of Rs 2/- each.		
SCHEDULE 2: RESERVES AND SURPLUS		
Securities Premium Account		
Balance as per previous Balance Sheet	5,822,494	138,446,564
Add: Received upon issuance of shares	55,334,614	-
Less: Capitalised for Issue of Bonus Shares	-	132,624,070
	61,157,108	5,822,494
General Reserve		
Balance as per previous Balance Sheet	92,000,000	55,000,000
Add: Transferred from Profit and Loss Account	40,000,000	37,000,000
	132,000,000	92,000,000
Balance in Profit and Loss Account	127,649,856	129,913,826
	320,806,964	227,736,320

**SCHEDULES FORMING PART OF BALANCE SHEET AND
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

(Rupees)

SCHEDULE 3 : FIXED ASSETS														
Description of Assets	GROSS BLOCK						DEPRECIATION / AMORTISATION						NET BLOCK	
	Cost as on 01.04.2009	Additions/ Adjustments	Deductions/ Adjustments	Cost as on 31.03.2010	Up to 31.03.2009	For the Year	Deductions/ Adjustments	Up to 31.03.2010	As At 31.03.2010	As At 31.03.2009				
Tangible Assets														
Furniture and Fixtures	5,478,765	3,298,700	(362,627)	8,414,838	2,571,420	1,376,539	(278,278)	3,669,681	4,745,157	2,907,345				
Office Equipments	1,427,411	1,179,850	(320,799)	2,286,462	1,332,364	595,311	(320,779)	1,606,896	679,566	95,047				
Vehicles	25,660	-	-	25,660	3,902	6,415	-	10,317	15,343	21,758				
Computers	5,583,262	2,349,037	(1,687,602)	6,244,697	4,016,447	1,339,459	(1,673,820)	3,682,086	2,562,611	1,566,815				
Lease Improvements	-	7,911,833	-	7,911,833	-	1,001,263	-	1,001,263	6,910,570	-				
Total (A)	12,515,098	14,739,420	(2,371,028)	24,883,490	7,924,133	4,318,987	(2,272,877)	9,970,243	14,913,247	4,590,965				
Intangible Assets														
Computer Software	5,134,186	-	-	5,134,186	1,839,198	1,295,395	-	3,134,593	1,999,593	3,294,988				
Business Know-how, Management and Advisory Contracts	113,099,511	-	-	113,099,511	113,099,511	-	-	113,099,511	-	-				
Total (B)	118,233,697	-	-	118,233,697	114,938,709	1,295,395	-	116,234,104	1,999,593	3,294,988				
Total (A+B)	130,748,795	14,739,420	(2,371,028)	143,117,187	122,862,842	5,614,382	(2,272,877)	126,204,347	16,912,840	7,885,953				
Previous Year	127,318,395	6,036,558	(2,606,158)	130,748,795	121,778,500	3,332,305	(2,247,963)	122,862,842	7,885,953					

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Number *	Face Value	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SCHEDULE - 4 : INVESTMENTS (at cost less provision)				
LONG-TERM TRADE INVESTMENTS				
- Unquoted Equity Shares (Fully Paid-up)				
- Subsidiaries				
IL&FS Asian Infrastructure Managers Ltd	2,341,837 (2,341,837)	10	23,418,370	23,418,370
IL&FS Urban Infrastructure Managers Ltd	1,000,000 (1,000,000)	10	10,000,000	10,000,000
IL&FS Investment Advisors LLC	56,997 (56,997)	USD 1	855,190	855,190
IL&FS Singapore Asset Management Company Pte. Ltd	25,500 (25,500)	USD 1	1,035,300	1,035,300
- Joint Ventures				
IL&FS Milestone Realty Advisors Private Ltd	400,000 (80,000)	10	800,000	800,000
- Others				
Avantika Gas Ltd	8,250 (8,250)	10	82,500	82,500
Sub Total (A)			36,191,360	36,191,360
- Unquoted Redeemable Participating Shares (Fully Paid-up)				
- Subsidiaries				
IL&FS Investment Advisors LLC	100,000 (100,000)	USD 0.01	45,010	45,010
Sub Total (B)			45,010	45,010
- Unquoted Preference Shares (Fully Paid-up)				
- Subsidiaries				
IL&FS Singapore Asset Management Company Pte. Ltd	1,020 (1,020)	USD 1	41,412	41,412
Sub Total (C)			41,412	41,412
- Units of Venture Fund (Unquoted)				
South Asian Regional Apex Fund	2,596 (3,599)	5,000	11,990,000	16,622,500
Leverage India Fund	100 (100)	1,000	100,000	100,000
Infrastructure Leasing & Financial Services Realty Fund	500 (500)	100	50,000	50,000
IFIN Realty Trust	10 (10)	10,000	100,000	100,000
TARA India Fund III Trust	50 (50)	10,000	500,000	500,000
TARA India Fund III Domestic Trust	500 (500)	1,000	500,000	500,000
Urjankur Nidhi Trust	1,000 (1,000)	100	100,000	100,000
Sub Total (D)			13,340,000	17,972,500
- Interest in Partnership (Unquoted)				
AMCF India Participations, L.P. ##			20,266,516	20,266,516
Sub Total (E)			20,266,516	20,266,516
Total Long Term Trade Investments (F) = (A+B+C+D+E)			69,884,298	74,516,798
Less: Provision for diminution in value of investment (G)			-	7,246,898
Total (H) = (F-G)			69,884,298	67,269,900

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Number *	Face Value	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SCHEDULE - 4 : INVESTMENTS (continued) (at cost less provision)				
CURRENT NON-TRADE INVESTMENTS				
- Units of Mutual Fund (Unquoted unless otherwise stated)				
LICMF Savings Plus Fund - Daily Dividend Plan	5,510,065 (Nil)	10	55,100,652	-
LICMF Floating Rate Fund - Short Term Plan - Daily Dividend Plan	5,686,132 (Nil)	10	56,861,319	-
LICMF Income Plus Fund - Daily Dividend Plan - Reinvestment	5,704,540 (Nil)	10	57,045,397	-
Kotak Flexi Debt Scheme - Institutional Daily Dividend-Reinvestment	5,064,509 (Nil)	10	50,885,659	-
Taurus Ultra Short Term Bond	50,005 (Nil)	1,000	50,072,527	-
ICICI Prudential Flexible Income Plan - Daily Dividend	132,406 (5,269,009)	100	14,000,000	55,711,863
Morgan Stanley Mutual Fund - Growth Plan	Nil (249,011)	10	-	10,386,520
Birla Sun Life Savings Fund - Instl. - Daily Dividend -Reinvestment	Nil (3,248,891)	10	-	32,511,006
Reliance Medium Term Fund-Daily Dividend Plan	Nil (847,207)	10	-	14,483,428
Kotak Floater Long Term - Daily Dividend	Nil (4,426,816)	10	-	44,621,421
Reliance Money Manager Fund-Institutional Option - Daily Dividend Plan	Nil (12,514)	1,000	-	12,527,815
Tata Floater Fund - Daily Dividend	Nil (2,001,442)	10	-	20,085,671
JP Morgan India Treasury Fund - Super Inst. Daily Div Plan - Reinvestment	Nil (5,598,868)	10	-	56,038,514
IDFC Money Manager Fund - Tp - Super Inst Plan C - Daily Dividend	Nil (5,435,695)	10	-	54,365,107
Fidelity Ultra Short Term Debt Fund Institutional - Daily Dividend	Nil (3,810,547)	10	-	38,114,999
Total Current Investments (I)			283,965,554	338,846,344
Less: Excess of cost over fair value (J)			-	2,664,440
TOTAL (H + I - J)			353,849,852	403,451,804
Aggregate book value of unquoted investments			353,849,852	403,451,804

* Figures in brackets indicate that of previous year

Represents the Company's 100% Share in the Limited Partners Capital, where Asia Mezzanine Capital Partners LP have 100% voting rights. Also refer Schedule 8

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SCHEDULE 5 : SUNDRY DEBTORS (Unsecured, considered good unless otherwise stated)		
Outstanding for more than six months	-	-
Other Debts	158,701,943	163,302,436
	158,701,943	163,302,436
SCHEDULE 6 : CASH AND BANK BALANCES		
Cash in hand	21,111	52,590
Cheques on Hand	1,057,410	210,227
Balance with Scheduled Banks		
- in Current Accounts (including in unclaimed dividend accounts)	62,246,622	16,254,528
- in Fixed Deposit Accounts	51,000,000	86,000,000
	114,325,143	102,517,345
SCHEDULE 7 : LOANS AND ADVANCES (Unsecured unless otherwise stated, considered good)		
Inter-Corporate Deposits with Holding Company	320,000,000	200,000,000
Interest Accrued but not due	33,263,519	13,260,801
Advance Tax (net of provision)	39,381,792	31,008,014
Advances Recoverable in cash or in kind or for value to be received (Secured to the extent of Rs. 1,660,225/-, Previous year Rs. 1,047,311/-)	234,880,654	207,285,207
Other Current Assets (Refer policy A (k) of Schedule 13)	19,447,067	25,584,127
	646,973,032	477,138,149
SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry Creditors:- (Refer Note 15 of Schedule 13)		
Total Outstanding dues of Micro Enterprises and Small Enterprises	-	-
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	124,564,927	149,186,778
Amounts to be credited to Investor Education and Protection Fund		
- Unclaimed Dividend (Refer note 5 of Schedule 13)	11,047,386	7,412,578
Other Liabilities	1,768,993	2,431,021
Total (A)	137,381,306	159,030,377
B. Provisions		
Provision for Tax (net of advance tax)	27,000,102	2,921,768
Provision for share in loss in partnership firm (Refer Schedule 4)	20,266,516	13,019,617
Proposed Dividend	304,541,393	278,510,547
Tax on Proposed Dividend	50,580,519	47,332,867
Provision for Leave Encashment	20,022,880	23,550,041
Total (B)	422,411,410	365,334,840
Total (A+B)	559,792,716	524,365,217

**SCHEDULES FORMING PART OF BALANCE SHEET AND
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	For the year ended March 31, 2010 Rupees	For the year ended March 31, 2009 Rupees
SCHEDULE 9 : INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES		
Fees from Fund Management and Advisory Services	845,929,265	932,044,768
	845,929,265	932,044,768
SCHEDULE 10 : INCOME FROM INVESTMENTS / LOANS		
Dividend Income		
- Current non-trade Investments	12,358,976	26,413,054
Profit on sale of Long-term trade Investments	382,500	-
Profit on sale of current Investments	4,273,865	-
Interest Income on		
- On Fixed Deposits with Banks	2,814,897	4,170,169
- On Other Deposits / Loans	37,528,418	7,681,865
(Tax deducted at source Rs. 4,070,308/-, Previous Year Rs. 2,613,955/-)		
	57,358,656	38,265,088
SCHEDULE 11 : STAFF EXPENSES		
Salaries and Allowances (Refer policy A (f) of Schedule 13)	227,156,859	249,517,973
Contribution to Provident Fund and other Funds	20,411,936	34,342,751
Staff Welfare Expenses	2,186,298	2,351,276
	249,755,093	286,212,000
SCHEDULE 12 : OPERATING EXPENSES		
Rent	38,267,404	34,456,998
Rates and Taxes	1,656,059	673,752
Electricity and Water Charges	1,015,164	1,394,255
Postage and Telecommunication	2,814,304	2,998,447
Printing and Stationery	1,088,167	1,158,034
Travelling and Conveyance	14,349,329	23,770,528
Debts/Advances Written Off	259,245	201,702
Insurance	3,489,412	3,641,396
Repairs and Maintenance-Others	4,906,166	3,823,376
Legal and Professional Expenses	16,834,497	27,195,837
Directors Sitting Fees	796,000	984,000
Provision for diminution value of Long term investment	-	7,246,898
Excess of cost over fair value of current investments	-	2,664,440
Underwriting and Placement Fees	164,157	1,281,672
Provision for share in loss in partnership firm	-	5,669,207
Miscellaneous Expenses (Refer note 8(v) of Schedule 13)	27,413,638	24,592,915
	113,053,542	141,753,457

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

SCHEDULE 13: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Significant Accounting Policies

a) Basis for preparation of Financial Statements

The financial statements are prepared under the historical cost convention in accordance with the applicable Accounting Standards pursuant to Companies (Accounting Standard) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on an accrual basis

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

b) Revenue Recognition

- i) Management fee income on funds under management and advisory fee income are recognised based on contractual arrangements
- ii) Income from Investment in Units of Private Equity Funds (PEF) is recognised on the basis of income distributed by the respective PEFs
- iii) Dividend income is recognised once the unconditional right to receive dividend is established
- iv) Interest income on fixed deposits is accrued proportionately based on period for which the same is placed

c) Fixed Assets

Fixed Assets are stated at cost of acquisition and other incidental expenses

Depreciation on fixed asset is provided pro-rata from the date on which asset is ready to be put to use for its intended purpose on Straight-Line Method based on the estimated useful life of the assets, which are as follows :

Category of Asset	Estimated Useful Life (in years)
Furniture and Fixtures	5
Computers	3
Office Equipments	4
Vehicles	4
Computer Software	3
Lease hold improvement	Over the lease period

All categories of assets costing Rs 5,000/- or less each and mobile phones are written off in the year of capitalisation

Intangible Assets include business know how, value of Management and Advisory Contracts and related intangible assets acquired by the Company. These Intangible Assets are amortised over the estimated useful life of 5 years on Straight-Line Method

d) Investments

- i) Investments are capitalised at actual cost including costs incidental to acquisition
- ii) Investments are classified as long term or current at the time of making such investments
- iii) Long term investments are individually valued at cost less provision for diminution, other than temporary
- iv) Current investments are valued at lower of cost or fair value, computed scrip-wise

e) Foreign Currency Transactions

- (i) Foreign currency transactions are recorded at the rate prevailing on the date of transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are restated at the closing rate. The premium or discount arising at the inception of a Forward Contract is amortised as income or expense over the life of such Contract
- (ii) Non-Monetary items which are carried in terms of historical cost denominated in foreign currency at the Balance Sheet date are reported using the exchange rate at the date of the transaction

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

f) Employee Benefits

- i) Contributions to Provident Fund and Superannuation Fund are charged to the Profit and Loss Account as per applicable law/rules
- ii) The Company has taken group gratuity cum life assurance scheme with Life Insurance Corporation of India for gratuity payable to the employees. Incremental liability based on actuarial valuation as per the projected unit credit method as at the reporting date, is charged to the Profit and Loss Account
- iii) The leave balance is classified as short term and long term based on the best estimates after considering the past trends. The short term leave encashment liability for the expected leave to be encashed has been measured on actual components eligible for leave encashment and expected short term leave to be availed is valued based on the total cost to the Company and Long term leave have been valued on actuarial basis

g) Taxation

Income tax comprises of Current Tax and net changes in Deferred Tax Assets or Liability during the year. Current Tax is determined at the amount of tax payable in respect of taxable income for the year as per the Income tax Act, 1961

Deferred Tax Assets and Liabilities are recognised for the future tax consequences of timing differences arising from differences in accounting policies as per the accounts drawn up under the Companies Act and the Income tax Act. Deferred Tax Assets and Liabilities other than on carry forward losses and unabsorbed depreciation under tax laws are recognised when it is reasonably certain that there will be future taxable income. Deferred Tax Asset on carry forward losses and unabsorbed depreciation, if any, are recognised when it is virtually certain that there will be future taxable profit. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of substantive enactment of the change

h) Cash and Cash equivalent

Cash and Cash equivalent comprises cash on hand, demand deposits with banks, short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value

i) Earnings Per Share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date

j) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that the outflow of resources would be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimates at the balance sheet date required to settle the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimation. A contingent liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent Assets are neither recognised nor disclosed in the financial statements

k) Placement Fees Expense

Placement Fees payable to the Arranger of Fund are recognized over the life of the managed scheme

B. NOTES TO ACCOUNTS

1) Outstanding Commitments on Capital Account

(Amount Rupees)

	March 31, 2010	March 31, 2009
Estimated amount of contracts remaining to be executed on capital account not provided for	39,423	Nil

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

2) Contingent Liabilities :

Claims against the Company not acknowledged as debts :

(Amount Rupees)

Particulars	March 31, 2010	March 31, 2009
<u>Income-tax Demands</u> The Company has preferred appeals against the income tax demands and the same are pending with ITAT (Appeals)	5,138,137	35,604,531

3) Employee Stock Option Plan

a) The particulars of the Options distributed under ESOP 2004 and ESOP 2006 are as follows:

Particulars	ESOP 2004	ESOP 2006
Eligibility	Directors and Employees	Directors of the Company and Subsidiary Companies and Employees of the Company
Vesting period for options granted during the year	One year from date of grant	One year to Three year from date of grant
Exercise Period	Four years beginning from date of vesting	Four years beginning from date of vesting
Method of Settlement	Equity	Equity

b) The number and weighted average Exercise Price of Stock Options for ESOP 2004 and ESOP 2006 is as follows:

Particulars	ESOP 2004		ESOP 2006	
	No of Options	Weighted Average Exercise Price *	No of Options	Weighted Average Exercise Price *
Authorised to be Granted	16,875,000	-	16,875,000	-
Granted and outstanding at the beginning of the year	981,315	4.80	9,718,990	15.98
Granted during the year	Nil	-	Nil	-
Forfeited during the year	Nil	-	Nil	-
Exercised during the year	Nil	-	4,091,490	15.52
Lapsed during the year	Nil	-	Nil	-
Granted and outstanding at the end of the year	981,315	4.80	5,627,500	16.31
Vested and Exercisable at the end of the year	981,315	4.80	4,821,250	15.84

* Determined at the time of grant

- c) The effect of subdivision of each Equity share of Rs 10/- into Equity shares of Rs 2/- each and issue of bonus shares is considered in calculating the number of Options
- d) The Company calculates the employee compensation cost using the Intrinsic Value of the Options. The Exercise Price of the Options granted is generally based on the Market Price as on the date of the Grant. The Company had issued 1,148,290 Options at an exercise price lower than the market price and accordingly, the Intrinsic Value of those Options was Rs 11,496,590/-, which has been already amortised over the vesting period in previous years
- e) No Options were granted during the year and hence calculation of the weighted average Fair Value of Options granted during the year (based on the calculation of external valuers using Black Scholes Model) is not applicable
- f) In the event the Company had used the Fair Value of Options for calculating the employee compensation cost, the employee compensation cost of the Options granted would have been Rs 2,820,973/- which would have reduced the Profit before Tax of the Company by Rs 2,820,973/- and the Basic and Diluted EPS would have reduced to Rs 1.95/- and Rs 1.92/- respectively

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

- g) The weighted average market price at the dates of exercise for options during the year was Rs 41.85
- h) The range of Exercise Price for Stock Options outstanding as at March 31, 2010 is Rs 4.80/- to Rs 15.84/- and the weighted average remaining contractual life is 2.08 years

Method and significant assumptions used to estimate the Fair Value of the Option for ESOP 2004 and ESOP 2006 :

The Fair Value of Options has been calculated by an independent valuer. The valuation has been done using the Black-Scholes model based on the assumptions, which are as below :

- a) Expected Life of Options is the period within which the Options are expected to be exercised. The Options can be exercised immediately on vesting. All the Options vest at the end of one to three years from the date of Grant. The Options can be exercised at any time upto 4 years from the vesting date
- b) Considering above the average life of option period has been assumed as expected life of Options
- c) Risk free interest rate has been assumed at 7.5%
- d) Share Price is the market price on the National Stock Exchange with reference to the Grant date
- e) Volatility is calculated based on period to represent a consistent trend in the price movement after adjusting abnormal events, if any
- f) Expected dividend yield has been calculated as follows:
- Dividend per share / Market price of the share on the Grant Date
- 4) Deferred Tax provision has been made in accordance with the requirements under the Accounting Standard - 22 "Accounting for Taxes on Income"
- a) During the current year ended March 31, 2010 the timing difference has resulted in a net deferred tax asset of Rs 214,000/-

- b) The deferred tax asset recognized in the accounts as of March 31, 2010 are as follows:

Nature of Timing Differences	March 31, 2009 Asset/(Liability) Rs	Adjusted/Added during the year Rs	March 31, 2010 Asset/(Liability) Rs
Net Depreciation	6,550,700	(751,700)	5,799,000
Retirement Benefits	7,002,345	(1,120,345)	5,882,000
Placement Fees	(8,696,045)	2,086,045	(6,610,000)
Total	4,857,000	214,000	5,071,000

- 5) Unclaimed dividend of Rs 11,047,386/- (Previous Year Rs 7,412,578/-) relates to the period from FY 2002-2003 to FY 2008-2009. During the year an amount of Rs 529,527/- (Previous Year Rs 653,128/-) has been transferred to Investor Education and Protection Fund pertaining to FY 2001-02

- 6) Derivative Instruments

- a) The Company has following derivative instruments outstanding:

	March 31, 2010	March 31, 2009
Forward Exchange Contracts:	US\$ 2,000,000(Sell)	US\$ 3,000,000(Sell)
	Rs 98,940,000 (Buy)	Rs 150,670,000 (Buy)

- b) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

Particulars	Amount in Foreign Currency	Amount in INR
Receivables	USD 1,157,000	Rs 52,226,965

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

7) Related Party Transactions

(a) As per the Accounting Standard on 'Related Party Disclosure' (AS-18), the related parties are as follows:

Sr No	Holding Company	March 31, 2010	March 31, 2009
1	Infrastructure Leasing & Financial Services Limited	√	√

Sr No	Subsidiaries	March 31, 2010	March 31, 2009
1	IL&FS Urban Infrastructure Managers Limited	√	√
2	IL&FS Asian Infrastructure Managers Limited	√	√
3	IL&FS Investment Advisors LLC	√	√
4	IL&FS Singapore Asset Management Company Pte Limited	√	√

Sr No	Fellow Subsidiaries*	March 31, 2010	March 31, 2009
1	IL&FS Ecosmart Limited	√	√
2	IL&FS Education & Technology Services Limited	√	√
3	IL&FS Financial Services Limited	√	√
4	IL&FS Property Management & Services Limited	√	√
5	IL&FS Securities Services Limited	√	√
6	IL&FS Transportation Networks Limited	√	√
7	IL&FS Waste Management & Urban Services Limited	√	√

* As certified by holding company and with whom transactions done during the year

b) The nature and volume of transactions during the year with the above related parties were as follows:

i) Transactions with holding company

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
Infrastructure Leasing & Financial Services Limited	Rent	30,762,834	Nil
		(26,866,571)	(Nil)
	Operating Expenses	852,721	612,902
		(Nil)	(Nil)
	Salary Deputation Cost recovery	674,877	Nil
		(1,857,964)	(Nil)
	Service Charges	1,462,515	Nil
		(4,439,510)	(Nil)
	Term Deposits placed	120,000,000	320,000,000
		(200,000,000)	(200,000,000)
	Interest income on Term Deposits	23,193,733	8,248,715
		(1,968,219)	(1,522,221)

(Figures in brackets represent previous year transactions)

**SCHEDULES FORMING PART OF BALANCE SHEET AND
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
Infrastructure Leasing & Financial Services Limited (continued)	Sale/Transfer of Asset	Nil	Nil
		(181,150)	(Nil)
	Sundry Advances	Nil	394,971
		(Nil)	(13,708,784)

(Figures in brackets represent previous year transactions)

ii) Transactions with subsidiaries

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
IL&FS Urban Infrastructure Managers Limited	Investment	Nil	10,000,000
		(9,500,000)	(10,000,000)
	Sundry Advances	-	1,000
		-	(Nil)
IL&FS Asian Infrastructure Managers Limited	Investment	Nil	23,418,370
		(Nil)	(23,418,370)
	Fee Income	12,656,250	Nil
		(13,500,000)	(Nil)
	Sundry Advances	-	Nil
		-	(148,252)
IL&FS Investment Advisors LLC	Investment	Nil	900,200
		(Nil)	(900,200)
	Fund Management Fee	589,534,863	141,754,630
		(610,126,241)	(161,711,115)
	Sundry Advances	-	730
		-	(32,936)
IL&FS Singapore Asset Management Pte Limited	Investment	Nil	1,076,712
		(Nil)	(1,076,712)
	Fund Management Fee	5,866,562	Nil
		(7,098,375)	(Nil)
	Sundry Advances	Nil	Nil
		(Nil)	(251,377)

(Figures in brackets represent previous year transactions)

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

iii) Transactions with fellow subsidiaries

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
IL&FS Property Management & Services Limited	Operating Expenses	874,725	124,895
		(402,416)	(29,039)
IL&FS Education & Technology Services Limited	Operating Expenses	114,560	498,744
		(601,552)	(498,744)
	Sundry Advances	-	13,552
		-	(106,200)
IL&FS Financial Services Limited	Legal & Professional	Nil	Nil
		(2,200,000)	(Nil)
	Underwriting Fees	164,157	Nil
		(1,281,672)	(1,210,936)
	Placement Fees	Nil	Nil
		(5,000,000)	(Nil)
	Salary Deputation Cost recovery	3,500,689	Nil
		(596,004)	(Nil)
	Creditors	-	42,892
		-	(Nil)
Sundry Advances	-	115,577	
	-	(9,902)	
IL&FS Securities Services Limited	Custody Charges	22,100	10,894
		(24,164)	(11,710)
IL&FS Ecosmart Limited	Sundry Advances	-	119,214
		-	(73,903)
IL&FS Transportation Networks Limited	Sundry Advances	-	5,995
		-	(5,995)
	Creditors	-	Nil
		-	(8,000)
IL&FS Waste Management & Urban Services Limited	Sundry Advances	-	263,804
		-	(14,197)

(Figures in brackets represent previous year transactions)

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

c) Transactions with Key Management Personnel together with Relatives of such Personnel

Key Management Personnel :

Dr Archana Hingorani CEO & Executive Director

Mr Alok Bhargava Executive Director

Upto December 31, 2008:

Mr Shahzaad Dalal Vice Chairman & Managing Director

Mrs Nafisa Dalal Spouse of Mr Shahzaad Dalal

	For the year ended	March 31, 2010 Rs	March 31, 2009 Rs
(i)	Remuneration	52,714,503	85,772,542
(ii)	Rent for Premises Occupied	Nil	1,755,000

d) Transaction with IVC Welfare Trust

Nature of Transaction	Amount in Rupees
Interest Income	14,282,535
	(7,638,650)
Repayment of Loan	1,428,253
	(16,100,000)
Disbursement of Loan	26,475,000
	(68,200,000)
Balance Loan Recoverable (including interest)	211,255,942
	(171,926,660)

(Figures in brackets represent previous year transactions)

8) Other information as required pursuant to the provisions in Part II of Schedule VI to the Companies Act 1956, to the extent applicable

	Particulars	For the year ended	
		March 31, 2010 Rs	March 31, 2009 Rs
(i)	Managerial Remuneration * :		
	(a) Remuneration to Whole Time Directors:		
	Salary including performance related pay	47,330,842	77,778,792
	Perquisites	1,900,661	2,318,202
	Contribution to Provident Fund and other fund	3,483,000	5,675,548
		52,714,503	85,772,542
	(b) Remuneration to Non-Whole Time Director:		
	Sitting fee	796,000	984,000
	Commission	6,000,000	6,000,000

**SCHEDULES FORMING PART OF BALANCE SHEET AND
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	Particulars	For the year ended	
		March 31, 2010 Rs	March 31, 2009 Rs
	(c) Computation of net profit in accordance with Section 349 and other Sections of the Companies Act, 1956 in respect of Remuneration payable to Directors (including Whole Time Directors)		
	Profit before Tax	588,643,942	578,091,038
	Add: Managerial Remuneration *	52,714,503	85,772,542
	Directors' sitting fee	796,000	984,000
	Commission to Non- Whole Time Directors	6,000,000	6,000,000
	Provision for losses relating to Investment	-	15,580,545
	Profit on sale of the Long term investment	(382,500)	-
	Profit on sale of assets	(111,814)	-
		59,016,189	108,337,087
	Net Profit as per Section 198	647,660,131	686,428,125
	Maximum permissible remuneration computed @ 10% of Net Profit payable to Whole Time Directors	64,766,013	68,642,812
	Commission payable to Non Whole-Time Directors		
	Maximum Commission payable to Non Whole Time Directors computed @ 1% of Net Profit	6,476,601	6,864,281
	Commission payable restricted to	6,000,000	6,000,000
	* Note		
	1 The above includes Performance related pay (PRP) to Whole-time Directors on payment basis as the provision for PRP for the year is on aggregate basis for all employees and individual amounts are yet to be determined by the compensation committee of the Board		
	2 The above payment does not include contribution to gratuity funds as the same is determined on an actuarial basis for the company and the amount is not determinable on an individual basis		
	3 The previous year column above excludes gratuity paid on final settlement to the retiring Managing Director		
(ii)	The remuneration to the Whole Time Directors include Rs Nil (Previous Year Rs 17,129,730/-) which is in excess of the limit specified in Section 198 of the Companies Act, 1956. The Company is awaiting approval from Central Government in this regard.		

**SCHEDULES FORMING PART OF BALANCE SHEET AND
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	Particulars	For the year ended	
		March 31, 2010 Rs	March 31, 2009 Rs
(iii)	Expenditure in foreign currency (on accrual basis) on:		
	(a) Travelling	7,047,591	3,839,198
	(b) Conference and Seminar	2,549,685	3,601,114
	(c) Books and Periodicals	314,802	171,022
	(d) Legal and Professional fees	333,859	2,705,892
	(e) Subscription to Clubs and Association	-	1,374,400
	(f) Business Promotion expenses	323,180	-
(iv)	Earnings in Foreign Currency (on accrual basis) on:		
	Income from Fund Management	598,530,274	623,328,478
(v)	Miscellaneous Expenses includes commission to non whole time directors, advertisement expenses, service promotion expenses, subscription to clubs/association, general office expenses, payment to auditors		
	(a) Amounts paid/payable to the Auditors:		
	As Auditors	1,600,000	1,250,000
	For audit of consolidated accounts	300,000	200,000
	For Tax Audit	250,000	200,000
	In any other capacity		
	For taxation matters	1,175,000	-
	For other services, certification etc	305,000	201,000
	Out of Pocket Expenses	2,387	1,230
	The above mentioned fees is excluding Service tax of Rs 197,760/- (Previous Year Rs 99,155/-)		
(vi)	Other Income includes Rs 13,310,956/- (Previous Year Rs 27,328,285/-) on account of foreign exchange gain, Rs 111,814/- (Previous Year Rs 20,497/-) profit on sale of fixed assets, Rs 36,620,942/- (Previous Year Rs Nil) reversal of Performance Related Pay provision, Rs 2,664,440/- (Previous Year Rs Nil) reversal of excess of cost over fair value of current investments and Rs Nil/- (Previous Year 9,609,676/-) recovery of fund setup expenses		

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

9) Earnings Per Share

In accordance with the Accounting Standard on 'Earnings Per Share' (AS-20), the Basic Earnings Per Share and Diluted Earnings Per Share has been computed by dividing the Profit After Tax by the number of equity shares for the respective years as under:

	Particulars	March 31, 2010	March 31, 2009
(a)	Profit After Tax (Rs)	392,857,942	366,373,038
(b)	Weighted Average Number of Equity Shares in calculating Basic EPS	200,093,374	198,936,105
	Add: Potential Equity Shares on conversion of ESOPs outstanding at the end of the year (weighted average from date of grant for options issued during the year)	4,392,524	4,349,426
	Weighted Average Number of Equity Shares in calculating Diluted EPS	204,485,898	203,285,531
	(i) Nominal Value per share (Rs)	2.00	2.00
	(ii) Basic Earnings per share (Rs)	1.96	1.84
	(iii) Diluted Earnings per share (Rs)	1.92	1.80

The shareholders of the Company have by way of Postal Ballot, results of which were declared on September 3, 2009, approved the sub-division of 1 equity share of face value Rs 10/- into 5 equity shares of face value Rs 2/- each. Accordingly, the basic and diluted earnings per share and number of shares have been computed for the year and restated for the previous year based on the face value of Rs 2/- per equity share

10) The quantitative details of current investment:

Sr No	Scheme Name	Opening Balance	Purchases (including Dividend)	Sold	Closing Balance
1	Birla Sun Life Savings Fund - Instl. - Daily Dividend - Reinvestment	3,248,891.394	3,797,623.276	7,046,514.670	-
2	Fidelity Ultra Short Term Debt Fund Institutional - Daily Dividend	3,810,547.238	50,846.436	3,861,393.674	-
3	ICICI Prudential Flexible Income Plan Premium - Daily Dividend	5,269,008.645	2,870,592.433	8,007,194.590	132,406.488
4	IDFC Money Manager Fund - Super Institutional Plan C - Daily Dividend	5,435,695.376	84,595.675	5,520,291.051	-
5	JP morgan India Treasury Fund - Super Institutional Daily Dividend Plan - Reinvestment	5,598,868.379	79,062.620	5,677,931.000	-
6	Kotak Flexi Debt Scheme Institutional - Daily Dividend - Reinvestment	-	10,132,248.595	5,067,739.113	5,064,509.482
7	Kotak Floater Long Term - Daily Dividend	4,426,816.061	6,264,306.363	10,691,122.424	-
8	LICMF Income Plus Fund - Daily Dividend Plan - Reinvestment	-	5,804,539.748	100,000.000	5,704,539.748
9	LIC MF Savings Plus - Daily Dividend Reinvestment	-	8,760,065.229	3,250,000.000	5,510,065.229

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Sr No	Scheme Name	Opening Balance	Purchases (including Dividend)	Sold	Closing Balance
10	LIC Floating Rate Fund - Short Term Plan - Daily Dividend Plan	-	5,686,131.932	-	5,686,131.932
11	Reliance Medium Term Fund - Daily Dividend Plan	847,207.031	1,426,550.803	2,273,757.834	-
12	Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan	12,513.594	94,689.771	107,203.365	-
13	Tata Floater Fund - Daily Dividend	2,001,442.042	6,556,607.897	8,558,049.939	-
14	UTI Treasury Advantage Fund	-	13,529.190	13,529.190	-
15	Fortis Money Plus Institutional Plan - Daily Dividend Reinvestment	-	5,622,611.431	5,622,611.431	-
16	Principal Floating Rate Fund	-	5,203,977.855	5,203,977.855	-
17	Principal Cash Management Fund	-	5,199,359.667	5,199,359.667	-
18	Sundaram BNP Flexible Short Tem	-	1,998,480.224	1,998,480.224	-
19	HDFC Cash Management Fund - Treasury Advantage Plan	-	3,500,772.350	3,500,772.350	-
20	Taurus Liquid Fund	-	50,004.092	50,004.092	-
21	Taurus Ultra Short Term Bond Fund	-	50,005.020	-	50,005.020

11) Segment Reporting

The Company is in the business of providing asset management and other related service. As such, there are no separate reportable business segment or geographical segment as per Accounting Standard 17 on "Segment Reporting". It is considered appropriate by the Management to have a single segment i.e. "Asset Management and other related service"

12) Disclosure as required under Accounting Standard 15 on "Employee Benefits" is as under :

- a) The Company has recognised Rs 7,712,398/- (Previous Year Rs 8,793,833/-) in Profit and Loss Account under Company's Contribution to Provident Fund, which is maintained with the office of Regional Provident Fund Commissioner
- b) The Company operates funded post retirement defined benefit plans for gratuity, details of which are as follows:

I. Assumptions:	March 31, 2010	March 31, 2009
Discount Rate	8.25%	7.50%
Rate of Return on Plan Assets	8.00%	8.00%
Salary Escalation	4.00%	4.00%
Mortality Table	LIC (1994-96)	LIC (1994-96)

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

II. Table Showing Change in Benefit Obligation:		March 31, 2010	March 31, 2009	
Liability at the beginning of the year		30,572,656	38,618,405	
Interest Cost		2,575,611	2,459,292	
Current Service Cost		3,768,818	4,418,124	
Past Service Cost (Non Vested Benefit)		-	-	
Past Service Cost (Vested Benefit)		-	-	
Liability Transfer In		-	294,269	
Liability Transfer Out		-	-	
Benefit Paid		-	(24,590,769)	
Actuarial (gain)/loss on obligations		(2,046,741)	9,373,335	
Liability at the end of the year		34,870,344	30,572,656	
III. Tables of Fair value of Plan Assets:		March 31, 2010	March 31, 2009	
Fair Value of Plan Assets at the beginning of the year		27,763,511	35,143,384	
Expected Return on Plan Assets		2,445,812	2,938,611	
Contributions		2,809,145	13,884,637	
Transfer from other Company		-	294,269	
Transfer to other Company		-	-	
Benefit Paid		-	(24,590,769)	
Actuarial gain/(loss) on Plan Assets		257,575	93,379	
Fair Value of Plan Assets at the end of the year		33,276,043	27,763,511	
Total Actuarial Gain/(Loss) to be recognized		2,304,315	(9,279,956)	
IV. Actual Return on Plan Assets:		March 31, 2010	March 31, 2009	
Expected Return on Plan Assets		2,445,812	2,938,611	
Actuarial gain/(loss) on Plan Assets		257,575	93,379	
Actual Return on Plan Assets		2,703,387	3,031,990	
V. Amount Recognised in the Balance Sheet:		March 31, 2010	March 31, 2009	March 31, 2008
Liability at the end of the year		34,870,344	30,572,656	38,618,405
Fair Value of Plan Assets at the end of the year		33,276,043	27,763,511	35,143,384
Difference		(1,594,301)	(2,809,145)	(3,475,021)
Unrecognised Past Service Cost		-	-	-
Amount Recognised in the Balance Sheet		(1,594,301)	(2,809,145)	(3,475,021)

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

VI. Expenses Recognised in the Income Statement:	March 31, 2010	March 31, 2009
Current Service Cost	3,768,818	4,418,124
Interest Cost	2,575,611	2,459,292
Expected Return on Plan Assets	(2,445,812)	(2,938,611)
Net Actuarial (Gain)/Loss To Be Recognised	(2,304,315)	9,279,956
Past Service Cost (Non Vested Benefit) Recognised	-	-
Past Service Cost (Vested Benefit) Recognised	-	-
Expense Recognised in P & L	1,594,301	13,218,761
VII. Balance Sheet Reconciliation	March 31, 2010	March 31, 2009
Opening Net Liability	2,809,145	3,475,021
Expense as above	1,594,301	13,218,761
Transfer from other Company	-	294,269
Employers Contribution	2,809,145	13,590,368
Amount Recognised in Balance Sheet	1,594,301	2,809,145
VIII. Description of Plan Assets	March 31, 2010 % Invested	March 31, 2009 % Invested
Insurer Managed Funds	100%	100%
IX. Experience Adjustment	March 31, 2010	March 31, 2009
Experience Adjustment on Liability	(1,293,138)	6,461,619
Experience Adjustment on Asset	257,575	93,379
X. Other Details		
The Employer's best estimate of the contributions expected to be paid to the plan during the next year Rs 5,614,753/-		
The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary and relied upon by the Auditors		

13) The Company has entered into Operating Lease arrangements towards provision for vehicles and Business Centre arrangement towards use of office facility. The minimum future payments during non-cancellable periods under the foregoing arrangements in the aggregate for each of the following periods is as follows:

- (i) Not later than one year Rs 28,115,837/-
- (ii) Later than one year and not later than five years Rs 52,985,939/-
- (iii) Later than five years Rs Nil

During the current year ended March 31, 2010 the lease payments recognised in the Profit and Loss account for the aforesaid arrangement amounts to Rs 28,292,292/-

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

14) The Company has joint control over the following entities as per Accounting Standard 27 (AS-27)

Jointly Controlled Entity (Incorporated in India)	Percentage of ownership interest	
	March 31, 2010	March 31, 2009
IL&FS Milestone Realty Advisors Private Limited	40.00%	40.00%

The aggregate amount of assets, liabilities, income and expenditure of the jointly controlled entities, based on audited accounts of the respective entities is as follows

As at the end of the year	March 31, 2010 Rs	March 31, 2009 Rs
Assets	71,320,001	37,069,492
Liabilities	55,631,980	30,425,347
For the year ended	March 31, 2010 Rs	March 31, 2009 Rs
Income	64,061,216	41,118,980
Expenses (including tax)	55,017,340	35,725,175

15) On the basis of the information available with the Company there are no suppliers registered under the Micro, Small, Medium Enterprises Development Act, 2006

16) Figures for the previous year have been regrouped and rearranged wherever considered necessary

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 26, 2010

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

INFORMATION PURSUANT TO PART IV TO THE COMPANIES ACT, 1956 AS AMENDED TO THE EXTENT APPLICABLE FURNISHED BELOW

(Previous year figures in brackets)

I Registration Details					
Registration No	:		L65999MH1986PLC147981		
State Code	:		11		
Balance Sheet Date	:		31.03.2010		
II Capital raised during the year (Amount in Rs Thousand)					
Public Issue	:	Nil (Nil)	Right Issue	:	8,182 (Nil)
Bonus Issue	:	Nil (Nil)	Private Placement	:	Nil (Nil)
III Position of Mobilisation and Deployment of Funds (Amount in Rs thousands)					
Total Liabilities	:	736,041 (634,787)	Assets	:	736,041 (634,787)
Sources of Funds					
Paid up Capital	:	406,075 (397,892)	Reserves & Surplus	:	320,807 (227,736)
Secured Loans	:	Nil (Nil)	Unsecured Loans	:	Nil (Nil)
Application of Funds					
Net Fixed Assets	:	16,913 (7,886)	Investments	:	353,850 (403,452)
Net Current Assets	:	360,278 (223,450)	Miscellaneous Expenditure	:	Nil (Nil)
Accumulated Losses	:	Nil (Nil)			
IV Performance of company (Amount in Rs Thousands)					
Turnover	:	957,067 (1,009,389)	Expenditure	:	368,423 (431,298)
Profit/Loss Before Tax	:	588,644 (578,091)	Profit/Loss after tax	:	392,858 (366,373)
Basic Earning per Shares	:	1.96 (1.84)	Dividend rate %	:	75% (70%)
V Generic names of three principal products/services of company (as per monetary terms)					
Item Code No. (ITC Code)	:	Not Applicable			
Product Description	:	Fund Management Business			

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Sr No	Name of the Subsidiary Company	IL&FS Singapore Asset Management Company Pte. Ltd.	IL&FS Investment Advisors LLC	IL&FS Asian Infrastructure Managers Limited	IL&FS Urban Infrastructure Managers Limited
	Financial year ended on	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10
	Extent of Company's Holding	51%	100%	51%	100%
1	Reporting Currency	USD	USD	INR	INR
2	Exchange Rate	45.14	45.14	1.00	1.00
3	Capital	2,347,309	2,618,120	45,918,370	10,000,000
4	Reserves	3,567,597	602,201,039	8,831,527	9,253,337
5	Total Assets	7,018,704	821,182,614	55,149,050	41,065,586
6	Total Liabilities	1,103,798	216,363,455	399,153	21,812,249
7	Investment Other than Investment in Subsidiary	-	90,461	43,998,016	-
8	Turnover	18,236,560	907,091,044	23,976,151	68,378,144
9	Profit before Taxation	3,166,121	319,830,772	3,863,752	11,555,751
10	Provision for Taxation	246,286	9,677,790	694,257	3,876,359
11	Profit after Taxation	2,919,835	310,152,982	3,169,495	7,679,392
12	Proposed Dividend	-	-	-	-
13	Country	Singapore	Mauritius	India	India

Notes

The Ministry of Corporate Affairs, Government of India has vide its letter no 47/33/2010-CL-III dated January 13, 2010 granted exemption under Section 212(8) of the Companies Act, 1956 from attaching to the Balance Sheet of the Company, the Accounts and other documents of its Subsidiary Companies. The above statement has been prepared for each of the Company's Subsidiaries under the terms of the aforesaid exemption

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF IL&FS INVESTMENT MANAGERS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF IL&FS INVESTMENT MANAGERS LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance Sheet of **IL&FS INVESTMENT MANAGERS LIMITED** (the Company, its subsidiaries and jointly controlled entity constitute the "Company") its subsidiaries and a Joint venture (the "Group") as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of Rs. 828,201,341/- as at March 31, 2010, total revenue of Rs. 1,307,943,394/- and net cash flows amounting to Rs. 134,537,893/- for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion insofar as it relates to the amounts included in respect of these two subsidiaries, is based solely on the reports of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 on Consolidated Financial Statements and Accounting Standard 27 on Financial Reporting of Interests in Joint Ventures as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the subsidiaries referred to in paragraph 3 above, and to the best of our information and according to the explanations given to us and in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 26, 2010

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2010

	Schedules	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SOURCES OF FUNDS :			
Shareholders' Funds:			
Share Capital	1	406,075,190	397,892,210
Stock Options Outstanding		9,158,940	9,158,940
Reserves and Surplus	2	923,433,466	494,167,155
Minority Interest		29,725,772	26,857,619
Deferred Tax Liability (net) (Refer note 3 of Schedule 13)		4,140,400	1,847,600
		1,372,533,768	929,923,524
APPLICATION OF FUNDS :			
Fixed Assets			
Gross Block	3	961,210,658	927,081,986
Less: Depreciation and Amortisation		692,670,312	518,627,523
Net Block		268,540,346	408,454,463
Capital Work-in-Progress		162,500	225,855
		268,702,846	408,680,318
Investments	4	365,743,046	413,185,416
Deferred Tax Asset (net) (Refer note 3 of Schedule 13)		5,604,516	5,093,875
Current Assets, Loans and Advances			
Sundry Debtors	5	275,035,985	4,346,215
Cash and Bank Balances	6	428,654,371	272,696,358
Loans and Advances	7	738,000,304	543,833,033
		1,441,690,660	820,875,606
Less: Current Liabilities and Provisions	8		
Current Liabilities		281,414,502	344,988,639
Provisions		427,792,798	372,923,052
		709,207,300	717,911,691
Net Current Assets		732,483,360	102,963,915
		1,372,533,768	929,923,524
Significant Accounting Policies and Notes to the Accounts	13		

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

A. B. JANI
Partner

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedules	For the year ended March 31, 2010 Rupees	For the year ended March 31, 2009 Rupees
INCOME			
Income from Fund Management and Advisory Services	9	1,698,393,126	1,539,352,584
Income from Investments/ Loans	10	61,113,852	42,231,685
Other Income (Refer note 6 of Schedule 13)		53,861,211	60,026,431
		1,813,368,189	1,641,610,700
EXPENSES			
Staff Expenses	11	427,968,090	317,229,429
Operating Expenses	12	252,162,635	260,326,817
Depreciation and Amortisation		176,315,665	218,028,655
		856,446,390	795,584,901
Profit before Tax		956,921,799	846,025,799
Provision for Tax			
- Current Tax		213,597,747	205,871,105
- Deferred Tax Liability/(Asset) (net) (Refer note 3 of Schedule 13)		1,782,159	12,087,425
- Fringe Benefits Tax		-	4,686,874
Profit after Tax		741,541,893	623,380,395
Less: Minority Interest		3,055,913	1,497,560
Profit Available for Appropriations		738,485,980	621,882,835
Less: Appropriations :			
Transferred to General Reserve		40,000,000	37,000,000
Proposed Dividend		304,541,393	278,510,547
Tax on Dividend		50,580,519	47,332,867
		395,121,912	362,843,414
Balance carried forward		343,364,068	259,039,421
Earnings Per Share (EPS) - (Refer note 8 of Schedule 13) (Equity shares, Face value Rs. 2 each)			
Basic		3.69	3.13
Diluted		3.61	3.06
Significant Accounting Policies and Notes to the Accounts	13		

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

A. B. JANI
Partner

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2010

		March 31, 2010 Rupees	March 31, 2009 Rupees
A	CASH FLOW FROM OPERATING ACTIVITIES		
	PROFIT BEFORE TAX	956,921,799	846,025,799
	Adjustment for:		
	Depreciation and Amortisation	176,315,665	218,028,655
	Leave Encashment	(3,047,202)	1,028,939
	Debts / Advances written off	1,025,152	201,702
	Provision for share in loss in partnership firm	-	5,669,207
	Provision for diminution in value of Investments	-	7,246,898
	(Reversal of Excess) / Excess of Cost over fair value	(2,664,440)	2,664,440
	Interest Income	(42,163,580)	(12,824,422)
	Foreign Exchange (gain) / loss	(17,972,787)	(79,028,437)
	Profit on sale of Long Term Investments	(382,500)	-
	Profit on sale of Fixed Assets	(111,814)	(20,497)
		110,998,494	142,966,485
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,067,920,293	988,992,284
	Decrease / (Increase) in trade and other receivables	(270,689,770)	128,824,934
	Decrease / (Increase) in Current Investments	52,709,564	(192,853,949)
	Decrease / (Increase) in Advances	(10,103,495)	(25,533,735)
	(Decrease) / Increase in trade and other payables	(67,504,647)	(114,848,864)
	Cash Flow after Working Capital Changes	772,331,945	784,580,670
	Income Tax Paid (Net)	(201,910,198)	(222,943,762)
	NET CASH GENERATED FROM OPERATING ACTIVITIES (A)	570,421,747	561,636,908
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(36,436,345)	(87,714,050)
	Proceeds from sale of Fixed Assets	209,966	378,692
	Purchase of Long Term Investments	-	(1,322,004)
	Proceeds from sale of Long Term Investments	5,015,000	-
	Inter Corporate Deposits	(120,000,000)	(200,000,000)
	Increase in Deposits / Loans	(26,475,000)	(52,100,000)
	Interest received	21,913,658	9,527,113
	NET CASH USED IN INVESTING ACTIVITIES (B)	(155,772,721)	(331,230,249)
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from Issuance of Share Capital at premium	63,517,594	-
	Dividend paid (Including tax thereon)	(322,208,607)	(169,239,102)
	NET CASH USED IN FINANCING ACTIVITIES (C)	(258,691,013)	(169,239,102)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

		March 31, 2010 Rupees		March 31, 2009 Rupees
D	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	155,958,013		61,167,557
	Cash and cash equivalents at the beginning of the year as per Schedule 6	272,696,358		211,528,801
	Cash and cash equivalents at the end of the year as per Schedule 6	428,654,371		272,696,358
		155,958,013		61,167,557
Significant Accounting Policies and Notes to the Accounts Schedule 13				

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 26, 2010

For and on behalf of the Board

S M Datta
Chairman

Manoj Borkar
Chief Financial Officer

Archana Hingorani
CEO & Executive Director

Sanjay Mitra
Company Secretary

**SCHEDULES FORMING PART OF CONSOLIDATED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SCHEDULE 1 : SHARE CAPITAL		
Authorised:		
250,000,000 Equity shares of Rs.2/- each (Previous year 50,000,000 Equity shares of Rs.10/- each)	500,000,000	500,000,000
Issued, Subscribed and Paid-up:		
203,027,595 Equity shares of Rs. 2/- each fully paid-up (Previous year 39,787,221 Equity shares of Rs.10/- each fully paid-up)	406,055,190	397,872,210
Of the above Equity shares		
(a) 105,055,435 Equity shares of Rs. 2/- each (Previous Year 21,011,087 equity shares of Rs. 10/- each) fully paid-up are held by Infrastructure Leasing & Financial Services Limited, the Holding Company		
(b) 66,312,035 Equity shares of Rs. 2/- each, corresponding to 13,262,407 Equity shares of Rs 10/- each were allotted during earlier years as fully paid-up Bonus shares by capitalisation of Securities Premium Account.		
(c) 39,652,245 Equity shares of Rs. 2/- each, corresponding to 7,930,449 Equity shares were allotted during earlier years as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Profit and Loss Account and Securities Premium Account.		
Add : Forfeited shares	20,000	20,000
	406,075,190	397,892,210
Note: The shareholders of the Company have by way of a Postal Ballot, results of which were declared on September 3, 2009, approved the sub-division of 1 Equity share of face value of Rs 10/- into 5 Equity shares of face value of Rs 2/- each.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Securities Premium Account		
Balance as per previous Balance Sheet	5,822,494	138,446,564
Add: Received upon issuance of shares	55,334,614	-
Less: Capitalised for Issue of Bonus Shares	-	132,624,070
	61,157,108	5,822,494
General Reserve		
Balance as per previous Balance Sheet	92,000,000	55,000,000
Add: Transferred from Profit and Loss Account	40,000,000	37,000,000
	132,000,000	92,000,000
Balance in Profit and Loss Account		
Balance as per previous Balance Sheet	438,636,506	179,597,085
Add: Transferred from Profit and Loss Account	343,364,068	259,039,421
	782,000,574	438,636,506
Foreign Currency Translation Reserve Adjustment during the year	(51,724,216)	(42,291,845)
	923,433,466	494,167,155

**SCHEDULES FORMING PART OF CONSOLIDATED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

(Rupees)

SCHEDULE 3 : FIXED ASSETS												
Description of Assets	GROSS BLOCK (AT COST)					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 01.04.2009	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2010	Up to 31.03.2009	For the year	Deductions/ Adjustments	Up to 31.03.2010	As At 31.03.2010	As At 31.03.2009		
Tangible Assets												
Furniture & Fixtures	6,423,382	3,739,106	(362,627)	9,799,861	3,246,733	1,794,634	(278,278)	4,763,089	5,036,772	3,176,650		
Office Equipments	2,458,427	3,377,075	(320,799)	5,514,703	1,690,129	2,215,392	(320,779)	3,584,742	1,929,961	768,298		
Vehicles	25,660	7,480,460	-	7,506,120	3,902	1,732,029	-	1,735,931	5,770,189	21,758		
Computers	6,199,665	4,385,805	(1,687,602)	8,897,868	4,167,144	2,403,851	(1,673,819)	4,897,176	4,000,692	2,032,521		
Improvement to Leasehold Property	1,922,848	16,793,088	-	18,715,936	373,100	4,377,901	-	4,751,001	13,964,935	1,549,748		
Total (A)	17,029,982	35,775,534	(2,371,028)	50,434,488	9,481,008	12,523,807	(2,272,876)	19,731,939	30,702,549	7,548,975		
Intangible Assets												
Computer Software	5,259,126	724,166	-	5,983,292	1,849,609	1,519,713	-	3,369,322	2,613,970	3,409,517		
Business Know-how, Management & Advisory Contracts	113,099,511	-	-	113,099,511	113,099,511	-	-	113,099,511	-	-		
Placement Fees	791,693,367	-	-	791,693,367	394,197,395	162,272,145	-	556,469,540	235,223,827	397,495,972		
Total (B)	910,052,004	724,166	-	910,776,170	509,146,515	163,791,858	-	672,938,373	237,837,797	400,905,489		
Total (A+B)	927,081,986	36,499,700	(2,371,028)	961,210,658	518,627,523	176,315,665	(2,272,876)	692,670,312	268,540,346	408,454,463		
Capital Work-in-Progress									162,500	225,855		
								Total	268,702,846	408,680,318		
Previous Year	839,529,814	90,158,330	(2,606,158)	927,081,986	302,846,831	218,028,655	(2,247,963)	518,627,523	408,680,318			

**SCHEDULES FORMING PART OF CONSOLIDATED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	Number *	Face Value	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
Schedule - 4 : INVESTMENTS (at cost less provision)				
LONG TERM TRADE INVESTMENTS				
- Unquoted Equity Shares (Fully Paid)				
Avantika Gas Limited	8,250 (8,250)	10	82,500	82,500
IL&FS India Realty Fund LLC	100 (100)	USD 10	45,140	50,950
IL&FS India Realty Fund II LLC	100,000 (100,000)	USD 0.01	45,140	50,950
TARA India Fund III LLC	2 (2)	USD 1	90	102
TARA Feeder Fund Limited	2 (2)	USD 1	90	102
Sub Total (A)			172,960	184,604
- Units of Venture Fund (Unquoted)				
South Asian Regional Apex Fund	2,596 (3,599)	5,000	11,990,000	16,622,500
Leverage India Fund	100 (100)	1,000	100,000	100,000
Infrastructure Leasing & Financial Services Realty Fund	500 (500)	100	50,000	50,000
Urjankur Nidhi Trust	1,000 (1,000)	100	100,000	100,000
TARA India Fund III Trust	50 (50)	10,000	500,000	500,000
IFIN Realty Trust	10 (10)	10,000	100,000	100,000
TARA India Fund III Domestic Trust	500 (500)	1,000	500,000	500,000
PAN Asia Project Development Fund	1,000 (1,000)	100	100,000	100,000
Sub Total (B)			13,440,000	18,072,500
- Interest in Partnership (Unquoted)				
AMCF India Participations, L.P. ##			20,266,516	20,266,516
Sub Total (C)			20,266,516	20,266,516
Total Long Term Trade Investments (D) = (A+B+C)			33,879,476	38,523,620
Less: Provision for diminution in value of investment (E)			-	7,246,898
Total (F) = (D-E)			33,879,476	31,276,722
CURRENT NON TRADE INVESTMENTS				
- Units of Mutual Fund (Unquoted unless otherwise stated)				
LICMF Floating Rate Fund - Daily Dividend Plan	10,075,933 (Nil)	10	100,759,335	-
LICMF Income Plus Fund - Daily Dividend Plan - Reinvestment	5,704,540 (Nil)	10	57,045,397	-
LICMF Savings Plus Fund - Daily Dividend Plan	5,510,065 (Nil)	10	55,100,652	-

**SCHEDULES FORMING PART OF CONSOLIDATED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	Number *	Face Value	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
Schedule - 4 : INVESTMENTS (continued) (at cost less provision)				
Kotak Flexi Debt Scheme - Institutional Daily Dividend-Reinvestment	5,064,509 (Nil)	10	50,885,659	-
Taurus Ultra Short Term Bond	50,005 (Nil)	1,000	50,072,527	-
ICICI Prudential Flexible Income Plan - Daily Dividend	170,237 (5,269,009)	100	18,000,000	55,711,863
Morgan Stanley Mutual Fund - Growth Plan	Nil (249,011)	10	-	10,386,520
Birla Sun Life Savings Fund - Instl. - Daily Dividend -Reinvestment	Nil (3,248,891)	10	-	32,511,006
Reliance Medium Term Fund-Daily Dividend Plan	Nil (847,207)	10	-	14,483,428
Kotak Floater Long Term - Daily Dividend	Nil (4,426,816)	10	-	44,621,421
Reliance Money Manager Fund-Institutional Option - Daily Dividend Plan	Nil (12,514)	1,000	-	12,527,815
Tata Floater Fund - Daily Dividend	Nil (2,001,442)	10	-	20,085,671
JP Morgan India Treasury Fund - Super Inst. Daily Div Plan - Reinvestment	Nil (5,598,868)	10	-	56,038,514
IDFC Money Manager Fund - Tp - Super Inst Plan C - Daily Dividend	Nil (5,435,695)	10	-	54,365,107
Fidelity Ultra Short Term Debt Fund Institutional - Daily Dividend	Nil (3,810,547)	10	-	38,114,999
Birla Sun Life Liquid Plus Institutional - Daily Dividend	Nil (4,569,572)	10	-	45,726,790
Total Current Investments (G)			331,863,570	384,573,134
Less: Excess of Cost over fair value (H)			-	2,664,440
TOTAL (F+G-H)			365,743,046	413,185,416
Aggregate book value of unquoted investments			365,743,046	413,185,416

* Figures in brackets indicate that of previous year

Represents the Company's 100% Share in the Limited Partners Capital, where Asia Mezzanine Capital Partners LP have 100% voting rights. Also refer Schedule 8

**SCHEDULES FORMING PART OF CONSOLIDATED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	As at March 31, 2010 Rupees	As at March 31, 2009 Rupees
SCHEDULE 5 : SUNDRY DEBTORS (Unsecured, considered good, unless otherwise stated)		
Outstanding for more than six months	-	1,311,356
Outstanding for more than six months - doubtful	160,651	-
Other Debts	275,035,985	3,034,859
Less : Provision for doubtful debts	(160,651)	-
	275,035,985	4,346,215
SCHEDULE 6 : CASH AND BANK BALANCES		
Cash in hand	35,369	69,855
Cheques on Hand	1,057,410	210,227
Balance with Scheduled Banks		
- in Current Accounts	86,990,275	78,446,860
- in Fixed Deposit Accounts	340,571,317	193,969,416
	428,654,371	272,696,358
SCHEDULE 7 : LOANS AND ADVANCES (Unsecured unless otherwise stated, considered good)		
Inter-Corporate Deposit to holding company	320,000,000	200,000,000
Interest Accrued but not due	33,523,367	13,273,445
Advance Tax (net of provision)	57,642,440	47,938,437
Advances Recoverable in cash or in kind or for value to be received	250,846,285	230,624,244
Other Current Assets	75,988,212	51,996,909
	738,000,304	543,833,034
SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry Creditors	224,725,498	314,286,522
Fees Received in advance	3,035,550	700,000
Deferred Income	39,306,345	19,532,001
Amounts to be Credited to Investor Education and Protection Fund		
- Unclaimed Dividend	11,047,386	7,412,578
Other Liabilities	3,299,723	3,057,538
Total (A)	281,414,502	344,988,639
B. Provisions		
Provision for Tax (net of advance tax)	31,345,549	9,953,998
Provision for share in loss in a partnership firm (refer schedule 4)	20,266,516	13,019,617
Proposed Dividend	304,541,393	278,510,547
Tax on Proposed Dividend	50,580,519	47,332,867
Leave Encashment	21,058,821	24,106,023
Total (B)	427,792,798	372,923,052
Total (A+B)	709,207,300	717,911,691

**SCHEDULES FORMING PART OF CONSOLIDATED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	For the year ended March 31, 2010 Rupees	For the year ended March 31, 2009 Rupees
SCHEDULE 9 : INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES		
Fees from Fund Management and Advisory Services	1,698,393,126	1,539,352,584
	1,698,393,126	1,539,352,584
SCHEDULE 10 : INCOME FROM INVESTMENTS/ LOANS		
Dividend Income		
- Current non-trade Investments	14,293,907	29,407,263
Profit on sale of Long-term trade Investments	382,500	-
Profit on sale of Current Investments	4,273,865	-
Interest from		
- Fixed Deposits with Banks	4,635,162	5,142,557
- Other Deposits/ Loans	37,528,418	7,681,865
	61,113,852	42,231,685
SCHEDULE 11 : STAFF EXPENSES		
Salaries and Allowances	399,059,783	272,148,963
Contribution to Provident Fund and other Funds	21,617,731	34,342,751
Staff Welfare Expenses	7,290,576	10,737,715
	427,968,090	317,229,429
SCHEDULE 12 : OPERATING EXPENSES		
Rent	56,474,016	49,649,939
Rates and Taxes	2,313,054	1,428,381
Electricity and Water Charges	1,454,369	1,647,996
Postage and Telecommunication	4,294,664	3,522,491
Printing and Stationery	2,146,233	1,687,595
Travelling and Conveyance	24,685,003	27,572,166
Debts/Advances Written Off	1,025,152	201,702
Provision for share in loss in partnership firm	-	5,669,207
Insurance	4,219,069	4,402,129
Repairs and Maintenance-Others	6,278,391	4,975,840
Advisory Fees	12,958,264	15,032,747
Legal and Professional Expenses	89,531,884	85,185,941
Directors Sitting Fees	1,066,248	1,233,741
Provision for diminution value in investment	-	7,246,898
Provision for doubtful debts	160,651	-
Excess of Cost over fair value in current investment	-	2,664,440
Underwriting and Placement Fees	164,157	1,753,434
Miscellaneous Expenses	45,391,480	46,452,170
(Refer Note 7 of Schedule 13)		
	252,162,635	260,326,817

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

SCHEDULE 13: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

a) Basis for preparation of Financial Statements

The Consolidated Financial Statement (CFS) relates to IL&FS Investment Managers Limited (IIML) ("the Holding Company"), its subsidiaries and a jointly controlled entity, which constitute the "Group"

The financial statements are prepared under the historical cost convention in accordance with the applicable Accounting Standards pursuant to Companies (Accounting Standard) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on an accrual basis

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

b) Principles of consolidation

The financial statement of the subsidiary companies used in the consolidation are drawn upto the same reporting date as of the Holding Company. For the purpose of CFS uniform accounting policies are adopted by the Group

The Consolidated Financial Statements have been prepared on the following basis:

- i) The financial statements of the Group have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated. For translation of the non-integral foreign operations, both monetary and non-monetary assets and liabilities are translated using closing rate as on the balance sheet date. The income and expenses are translated using the average rate during the year. The resulting exchange difference is accumulated in the foreign currency translation reserve until the disposal of the net investment
 - ii) The financial statements / information of the jointly controlled entity has been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra group transactions resulting in unrealised profits or loss as per Accounting Standard 27 on 'Financial Reporting of Interest in Joint Venture' using the "proportionate consolidation" method
 - iii) Minority interest in the net assets of consolidating subsidiaries consists of the amount of equity attributable to the minority shareholders and share of profit attributable to them
- c) The Consolidated Financial Statements present the consolidated accounts of IIML, which consists of the accounts of the Holding Company and of the following subsidiaries and a jointly controlled entity

Name of the Entity	Country of Incorporation and Residence	Amount of Investment	Percentage of Voting power As at March 31, 2010
Subsidiaries			
IL&FS Asian Infrastructure Managers Limited	India	23,418,370	51.00
IL&FS Urban Infrastructure Managers Limited	India	10,000,000	100.00
IL&FS Investment Advisors LLC	Mauritius	900,200	100.00
IL&FS Singapore Asset Management Company Pte Limited	Singapore	1,076,712	51.00
Jointly Controlled Entity			
IL&FS Milestone Realty Advisors Private Limited	India	800,000	40.00

d) Revenue Recognition

- i) Management fee income on funds under management and advisory fee income are recognised based on contractual arrangements
- ii) Mobilisation Fees / Upfront Fees are recognised over the life of the managed scheme
- iii) Income from Investment in Units of Private Equity Funds (PEF) is recognised on the basis of income distributed by the respective PEFs
- iv) Dividend income is recognised once the unconditional right to receive dividend is established
- v) Interest income on fixed deposits is accrued proportionately based on period for which the same is placed

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

e) Fixed Assets

Fixed Assets are stated at cost of acquisition and other incidental expenses

Depreciation on fixed asset is provided pro-rata from the date on which asset is ready to be put to use for its intended purpose on Straight-Line Method based on the estimated useful life of the assets, which are as follows:

Category of Asset	Estimated Useful Life (in years)
Furniture and Fixtures	5
Computers	3
Office Equipments	4
Vehicles	4
Computer Software	3
Lease hold improvement	Over the lease period

All categories of assets costing Rs 5,000/- or less each and mobile phones are written off in the year of capitalisation

f) Intangible Assets

Intangible Assets include business know how, value of Management and Advisory Contracts and related intangible assets acquired. These Intangible Assets are amortised over the estimated useful life of 5 years on Straight-Line Method

Placement Fees incurred in the establishment of the Fund are carried as Intangible Assets and are amortised over five years from the commencement date of the Fund to which the placement fee relate

g) Investments

- i) Investments are capitalised at actual cost including costs incidental to acquisition
- ii) Investments are classified as long term or current at the time of making such investments
- iii) Long term investments are individually valued at cost less provision for diminution, other than temporary
- iv) Current investments are valued at lower of cost or fair value, computed scrip-wise

h) Foreign Currency Transactions

- (i) Foreign currency transactions are recorded at the rate prevailing on the date of transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are restated at the closing rate. The premium or discount arising at the inception of a Forward Contract is amortised as income or expense over the life of such Contract
- (ii) Non-Monetary items which are carried in terms of historical cost denominated in foreign currency at the Balance Sheet date are reported using the exchange rate at the date of the transaction

i) Employee Benefits

- i) Contributions to Provident Fund and Superannuation Fund are charged to the Profit and Loss Account as per applicable law/rules
- ii) The Group has taken group gratuity cum life assurance scheme with Life Insurance Corporation of India for gratuity payable to the employees. Incremental liability based on actuarial valuation as per the projected unit credit method as at the reporting date, is charged to the Profit and Loss Account
- iii) The leave balances are classified as short term and long term based on the best estimates after considering the past trends. The short term leave encashment liability for the expected leave to be encashed has been measured on actual components eligible for leave encashment and expected short term leave to be availed is valued based on the total cost to the Company and Long term leave have been valued on actuarial basis

j) Taxation

Income tax comprises of Current Tax and net changes in Deferred Tax Assets or Liability during the year. Current Tax is determined at the amount of tax payable in respect of taxable income for the year as per the Income tax Act, 1961

Deferred Tax Assets and Liabilities are recognised for the future tax consequences of timing differences arising from differences in accounting policies as per the accounts drawn up under the Companies Act and the Income tax Act. Deferred Tax Assets and Liabilities other than on carry forward losses and unabsorbed depreciation under tax laws are recognised when it is reasonably certain that there will be future taxable income. Deferred Tax Asset on carry forward losses and unabsorbed depreciation, if any, are recognised when it is virtually certain that there will be future taxable profit. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of substantive enactment of the change

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

k) Cash and Cash equivalent

Cash and Cash equivalent comprises cash on hand, demand deposits with banks, short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value

l) Earnings Per Share

In determining earnings per share, the net profit after tax is considered. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date

m) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when there is a present obligation as a result of a past event and it is probable that the outflow of resources would be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimates at the balance sheet date required to settle the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimation. A contingent liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent Assets are neither recognised nor disclosed in the financial statements

B. NOTES TO ACCOUNTS

1) Outstanding Commitments on Capital Account

(Amount Rupees)

	March 31, 2010	March 31, 2009
Estimated amount of contracts remaining to be executed on capital account (intangible asset software) not provided for (net of advances paid amounting to Rs Nil/- Previous Year Rs 264,145/-)	218,661	264,145

2) Contingent Liabilities

Claims against the Group not acknowledged as debts:

(Amount Rupees)

Particulars	March 31, 2010	March 31, 2009
<u>Income Tax Demands</u> The Group has preferred appeals against the income tax demands and the same is pending with ITAT (Appeals)	5,138,137	35,604,531

3) Deferred Tax provision has been made in accordance with the requirements under the Accounting Standard - 22 "Accounting for Taxes on Income"

a) During the current year ended March 31, 2010 the timing difference has resulted in a net deferred tax liability of Rs 1,782,159/-

b) The deferred tax asset recognised in the accounts as of March 31, 2010 are as follows:

Nature of Timing Differences	March 31, 2009	Adjusted during the year	March 31, 2010
Net Depreciation	6,557,917	(644,945)	5,912,972
Preliminary Expenses	19,013	(6,530)	12,483
Retirement Benefits	7,212,990	(1,085,065)	6,127,925
Provision for Baddebts	-	53,368	53,368
Placement Fees	(8,696,045)	2,086,045	(6,610,000)
Deferred Rent	-	107,768	107,768
Total	5,093,875	510,641	5,604,516

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

c) The deferred tax liability recognised in the accounts as of March 31, 2010 are as follows:

Nature of Timing Differences	March 31, 2009	Adjusted during the year	March 31, 2010
Net Depreciation	(52,360)	55,600	3,240
Retirement Benefits	-	98,400	98,400
Mobilisation Fee Expense	(8,978,000)	(9,803,600)	(18,781,600)
Deferred Income	6,638,920	6,417,600	13,056,520
Bonus	543,840	493,600	1,037,440
MAT Credit	-	445,600	445,600
Total	(1,847,600)	(2,292,800)	(4,140,400)

4) Derivative Instruments

The Group has entered into the following derivative instruments outstanding:

	March 31, 2010	March 31, 2009
Forward Exchange Contracts:	US\$ 2,000,000 (Sell)	US\$ 3,000,000 (Sell)
	Rs 98,940,000 (Buy)	Rs 150,670,000 (Buy)

5) Related Party Transactions

(a) As per the Accounting Standard on 'Related Party Disclosure' (AS-18), the related parties are as follows:

Sr. No.	Holding Company	March 31, 2010	March 31, 2009
1	Infrastructure Leasing & Financial Services Limited	√	√

Sr. No.	Fellow Subsidiaries *	March 31, 2010	March 31, 2009
1	IL&FS Cluster Development Initiative Company Limited	√	√
2	IL&FS Ecosmart Limited	√	√
3	IL&FS Education & Technology Services Limited	√	√
4	IL&FS Financial Services Limited	√	√
5	IL&FS Property Management & Services Limited	√	√
6	IL&FS Securities Services Limited	√	√
7	IL&FS Transportation Networks Limited	√	√
8	IL&FS Waste Management & Urban Services Limited	√	√
9	IL&FS Water Limited	√	√
10	Integrated Waste Management & Urban Services Company (Tamil Nadu) Private Limited	√	√
11	Vanch Nimay Infraproject Private Limited	√	√
12	IL&FS Infrastructure Development Corporation Limited	√	√

*As certified by holding Company and with whom transactions done during the year

Sr. No.	CO-VENTURER	March 31, 2010	March 31, 2009
1	Progain Properties Private Limited		√
2	Lantern Trading and Investment Private Limited	√	√
3	Milestone Capital Advisors Private Limited	√	
4	ORIX Corporation, Japan	√	√

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

b) The nature and volume of transactions during the year with the above related parties were as follows:

i) Transactions with holding company

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
Infrastructure Leasing & Financial Services Limited	Rent	32,407,250	Nil
		(26,866,571)	(Nil)
	Service Charges	2,213,515	Nil
		(5,038,772)	(Nil)
	Operating Expenses	852,721	Nil
		(Nil)	(Nil)
	Salary Deputation Cost recovery	674,877	Nil
		(1,857,964)	(Nil)
	Deputation Cost	8,064,838	Nil
		(4,100,000)	(Nil)
	Term Deposits placed	120,000,000	320,000,000
		(200,000,000)	(200,000,000)
	Interest Income on Term Deposits	23,193,733	8,248,715
		(1,968,219)	(1,522,221)
	Sale/Transfer of Asset	Nil	Nil
		(181,150)	(Nil)
Sundry Advances	-	394,971	
	-	(13,708,784)	
Assets Purchased	2,063,492	Nil	
	(237,358)	(Nil)	
Sundry Creditors	-	3,172,744	
	-	(11,737,008)	

(Figures in brackets represent previous year transactions)

ii) Transactions with fellow subsidiaries

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
IL&FS Property Management Services Limited	Operating Expenses	874,275	124,895
		(402,416)	(29,039)
IL&FS Financial Services Limited	Legal & Professional	Nil	Nil
		(4,782,250)	(Nil)
	Underwriting Fees	164,157	42,892
		(1,281,672)	(1,210,936)
	Placement Fees	Nil	Nil
		(5,000,000)	(Nil)
Salary Deputation Cost recovery	3,500,689	Nil	
	(596,004)	(Nil)	
Advances	-	115,577	
	-	(9,902)	
IL&FS Education & Technologies Limited	Operating Expenses	114,560	498,744
		(601,552)	(498,744)
	Advances	-	Nil
		-	(106,200)
	Sundry Debtors	-	51,622
		-	(66,817)
IL&FS Securities Services Limited	Custody Charges	22,100	10,894
		(24,164)	(11,710)

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
IL&FS Ecosmart Limited	Advances	-	119,214
		-	(73,903)
IL&FS Transportation Networks Limited	Advances	-	5,995
		-	(5,995)
	Creditors	-	Nil
		-	(20,000)
Integrated Waste Management & Urban Services Company (Tamil Nadu) Private Limited	Fund Management Fee	1,384,935	Nil
		(1,147,654)	(Nil)
	Consultancy Fees Paid	7,600,000	Nil
		(Nil)	(Nil)
Debtors	-	Nil	
	-	(163,796)	
IL&FS Waste Management & Urban Services Limited	Advances	-	263,804
		-	(14,197)
IL&FS Cluster Development Initiative Limited	Advances	-	Nil
		-	(192,524)
Vanch Nimay Infraproject Private Limited	Fee Income	1,805,413	25,023
		(1,385,428)	(45,342)
IL&FS Water Limited	Advances	-	Nil
		-	(138,467)
IL&FS Infrastructure Development Corporation Limited	Service Charges	8,397,962	1,599,852
		(Nil)	(Nil)

(Figures in brackets represent previous year transactions)

iii) Transactions with the Co-venturer

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2010
Milestone Capital Advisors Private Limited	Rent	622,800	220,263
		(Nil)	(Nil)
ORIX Corporation	Expense Sub-Advisory Fees (excluding service tax)	7,031,250	Nil
		(7,875,000)	(Nil)

c) Transactions with Key Management Personnel together with Relatives of such Personnel

Key Management Personnel:

Dr Archana Hingorani	CEO & Executive Director
Mr Alok Bhargava	Executive Director
Mr Shahzaad Dalal	Director, IL&FS Investment Advisors LLC
Mrs Nafisa Dalal	Spouse of Mr Shahzaad Dalal
Mr Mohan Roy	Director, IL&FS Investment Advisors LLC
Mr Ved Prakash Arya	Director and Chief Investment Officer, IL&FS Milestone Realty Advisors Private Limited

	For the year ended	March 31, 2010 Rs	March 31, 2009 Rs
(i)	Remuneration	154,414,520	90,772,542
(ii)	Rent for Premises Occupied	Nil	1,755,000

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

d) Transaction with IVC Welfare Trust

Nature of Transaction	Amount in Rupees
Interest Income	14,282,535
	(7,638,650)
Repayment of Loan	1,428,253
	(16,100,000)
Disbursement of Loan	26,475,000
	(68,200,000)
Balance Loan Recoverable (including interest)	211,255,942
	(171,926,660)

(Figures in brackets represent previous year transactions)

- 6) Other Income includes Rs 13,310,956/- (Previous Year: Rs 27,328,285/-) on account of foreign exchange gain, Rs 111,814 /- (Previous Year Rs 20,497/-) profit on sale of fixed assets, Rs 36,620,942/- (Previous Year Rs Nil) reversal of Performance Related Pay provision , Rs 2,664,440/- (Previous Year Rs Nil) reversal of excess of cost over fair value of current investments and Rs Nil (Previous Year: 9,609,676/-) recovery of fund setup expenses
- 7) Miscellaneous Expenses includes commission to non whole time directors, advertisement expenses, service promotion expenses, subscription to clubs/association, general office expenses and payment to auditors.

	Particulars	For the year ended	
		March 31, 2010 Rs	March 31, 2009 Rs
(a)	Amounts paid/payable to the Auditors:		
	As Auditors	2,305,000	1,925,000
	For audit of consolidated accounts	430,000	290,000
	For Tax Audit	300,000	250,000
	In any other capacity		
	For taxation matters	1,175,000	-
	For other services, certification etc	305,000	201,000
	Out of Pocket Expenses	34,317	37,301

8) Earnings Per Share (EPS)

In accordance with the Accounting Standard on 'Earnings Per Share' (AS-20), the Basic Earnings Per Share and Diluted Earnings Per Share has been computed by dividing the Profit After Tax by the number of equity shares for the respective years as under:

	Particulars	March 31, 2010	March 31, 2009
(a)	Profit After Tax (Rs)	738,485,980	621,882,835
(b)	Weighted Average Number of Equity Shares in calculating Basic EPS	200,093,374	198,936,105
	Add: Potential Equity Shares on conversion of ESOPs outstanding at the end of the year (weighted average from date of grant for options issued during the year)	4,392,524	4,349,426
	Weighted Average Number of Equity Shares in calculating Diluted EPS	204,485,898	203,285,531
	(i) Nominal Value per share (Rs)	2.00	2.00
	(ii) Basic Earnings per share (Rs)	3.69	3.13
	(iii) Diluted Earnings per share (Rs)	3.61	3.06

The shareholders of the Company have by way of Postal Ballot, results of which were declared on September 3, 2009, approved the sub-division of 1 equity share of face value Rs 10/- into 5 equity shares of face value Rs 2/- each. Accordingly, the basic and diluted earnings per share and number of shares have been computed for the year and restated for the previous year based on the face value of Rs 2/- per equity share

9) Segment Reporting

The Group is in the business of providing asset management and other related service. As such, there are no separate reportable business segment or geographical segment as per Accounting Standard 17 on "Segment Reporting"

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

10) Disclosure as required under Accounting Standard 15 on "Employee Benefits" is as under:

- a) The Group has recognised Rs 8,009,587/- (Previous Year Rs 9,100,980/-) in Profit and Loss Account under Company's Contribution to Provident Fund, which is maintained with the office of Regional Provident Fund Commissioner
- b) The Group operates funded post retirement defined benefit plans for gratuity, details of which are as follows :

I. Assumptions:	March 31, 2010	March 31, 2009	
Discount Rate	7.75% - 8.25%	7.50%	
Rate of Return on Plan Assets	7.75% - 8.00%	8.00%	
Salary Escalation	4.00% - 5.00%	4.00%	
Mortality Table	LIC (1994-96)	LIC (1994-96)	
II. Table Showing Change in Benefit Obligation:	March 31, 2010	March 31, 2009	
Liability at the beginning of the year	30,868,588	38,618,405	
Interest Cost	2,598,546	2,459,292	
Current Service Cost	4,177,006	4,418,124	
Past Service Cost (Non Vested Benefit)	-	-	
Past Service Cost (Vested Benefit)	-	-	
Liability Transfer In	-	294,269	
Liability Transfer Out	-	-	
Benefit Paid	-	(24,590,769)	
Actuarial (gain)/loss on obligations	(2,019,066)	9,669,267	
Liability at the end of the year	35,625,074	30,868,588	
III. Tables of Fair value of Plan Assets:	March 31, 2010	March 31, 2009	
Fair Value of Plan Assets at the beginning of the year	28,070,713	35,143,384	
Expected Return on Plan Assets	2,474,011	2,950,448	
Contributions	2,901,502	14,180,569	
Transfer from other Company	-	294,269	
Transfer to other Company	-	-	
Benefit Paid	-	(24,590,769)	
Actuarial gain/(loss) on Plan Assets	229,376	92,812	
Fair Value of Plan Assets at the end of the year	33,675,602	28,070,713	
Total Actuarial Gain/(Loss) to be Recognised	2,248,442	(9,576,455)	
IV. Actual Return on Plan Assets:	March 31, 2010	March 31, 2009	
Expected Return on Plan Assets	2,474,011	2,950,448	
Actuarial gain/(loss) on Plan Assets	229,376	389,311	
Actual Return on Plan Assets	2,703,387	3,339,759	
V. Amount Recognised in the Balance Sheet:	March 31, 2010	March 31, 2009	March 31, 2008
Liability at the end of the year	35,625,074	30,868,588	38,618,405
Fair Value of Plan Assets at the end of the year	33,675,602	28,070,713	35,143,384
Difference	(1,949,472)	(2,797,875)	(3,475,021)
Unrecognised Past Service Cost	-	-	-
Amount Recognised in the Balance Sheet	(1,949,472)	(2,797,875)	(3,475,021)
VI. Expenses Recognised in the Income Statement:	March 31, 2010	March 31, 2009	
Current Service Cost	4,177,006	4,418,124	
Interest Cost	2,598,546	2,459,292	
Expected Return on Plan Assets	(2,474,011)	(2,950,448)	
Net Actuarial (Gain)/Loss To Be Recognised	(2,248,442)	9,576,455	
Past Service Cost (Non Vested Benefit) Recognised	-	-	
Past Service Cost (Vested Benefit) Recognised	-	-	
Expense Recognised in P & L	2,053,099	13,503,423	

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

VII. Balance Sheet Reconciliation	March 31, 2010	March 31, 2009
Opening Net Liability	2,797,875	3,475,021
Expense as above	2,053,099	13,503,423
Transfer from other Company	-	294,269
Employers Contribution	2,901,502	13,886,300
Amount Recognised in Balance Sheet	1,949,472	2,797,875
VIII. Description of Plan Assets	March 31, 2010 % Invested	March 31, 2009 % Invested
Insurer Managed Funds	100%	100%
IX. Experience Adjustment	March 31, 2010	March 31, 2009
Experience Adjustment on Liability	(1,293,138)	6,461,619
Experience Adjustment on Asset	229,376	92,812
X. Other Details		
The Employer's best estimate of the contributions expected to be paid to the plan during the next year Rs 5,614,753/-		
The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary and relied upon by the Auditors		

- 11) The Holding Company has entered into Operating Lease arrangements towards provision for vehicles and Business Centre arrangement towards use of office facility. The minimum future payments during non-cancellable periods under the foregoing arrangements in the aggregate for each of the following periods is as follows:

- (i) Not later than one year - Rs 28,630,752/-
- (ii) Later than one year and not later than five years - Rs 52,985,939/-
- (iii) Later than five years - Rs Nil

During the current year ended March 31, 2010 the lease payments recognised in the Profit and Loss account for the aforesaid arrangement amounts to Rs 29,631,792/-

- 12) The Group has joint control over the following entity as per Accounting Standard 27 (AS-27)

Jointly Controlled Entity (Incorporated in India)	Percentage of ownership interest	
	March 31, 2010	March 31, 2009
IL&FS Milestone Realty Advisors Private Limited	40.00%	40.00%

The aggregate amount of assets, liabilities, income and expenditure of the jointly controlled entities, based on audited accounts of the respective entities is as follows :

As at the end of the year	March 31, 2010 Rs	March 31, 2009 Rs
Assets	71,320,001	37,069,492
Liabilities	55,631,980	30,425,347
For the year ended	March 31, 2010 Rs	March 31, 2009 Rs
Income	64,061,216	41,118,980
Expenses (including tax)	55,017,340	35,725,175

- 13) Figures for the previous year have been regrouped and rearranged wherever considered necessary

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

A. B. JANI
Partner

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of the Company will be held on Friday, July 16, 2010 at 11.00 a.m. at M.C. Ghia Hall, 2nd Floor, 18/20 Bhogilal Hargovindas Building, K Dubash Marg, Kalaghoda, Mumbai 400 001, to transact the following business :

ORDINARY BUSINESS

- (1) To receive and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit & Loss Account for the year ended as on that date and the Reports of Auditors and Directors thereon
- (2) To declare dividend on Equity Shares for the year ended March 31, 2010
- (3) To appoint a Director in place of Mr Bansi Mehta who retires by rotation and being eligible, has offered himself for re-appointment
- (4) To appoint a Director in place of Mr Ravi Parthasarathy who retires by rotation and being eligible, has offered himself for re-appointment
- (5) To appoint M/s Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration

SPECIAL BUSINESS

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, sub-clause (iii) of Part C of Clause 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof and subject to the approval of the Central Government, if required, the Company hereby approves the remuneration of Dr Archana Hingorani, Executive Director of the Company with effect from July 17, 2009 for remainder of her tenure i.e. upto July 16, 2011, on the following terms and conditions :

- (a) **Consolidated Salary** : Within the limits of Rs 450,000/- per month to Rs 1,500,000/- per month, to be determined by the Compensation Committee from time to time
- (b) **Perquisites** : In addition to the Consolidated Salary she shall also be entitled to perquisites which would include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, medical reimbursement for self and family, mediclaim insurance for self and family, personal accident insurance, gas, electricity, soft furnishings, telephone & fax, leave travel allowance for self and family, club fees upto two clubs, use of Company's cars, contribution to provident fund, superannuation fund and gratuity fund, leave encashment, children education expenses and other benefits, amenities and facilities in accordance with the Rules of the Company or as may be approved from time to time by the Compensation Committee
- (c) **Performance Related Pay** : Such remuneration by way of commission or performance based rewards/incentives, in addition to the above salary and perquisites as may be decided by the Compensation Committee from time to time
- (d) **General Conditions** :
 - (i) The total remuneration payable to the Executive Director shall not exceed such limits as may be prescribed by the Central Government
 - (ii) The Executive Director will be entitled to such other privileges, facilities and amenities in accordance with the Company's Rules and Regulations as may be applicable to other employees of the Company within the overall limits prescribed under the Companies Act, 1956
 - (iii) The terms and conditions of appointment may be varied, altered, increased or enhanced from time to time by the Compensation Committee as it may in its discretion deem fit subject to the limits laid down under applicable provisions of the Companies Act, 1956 and subject to the requisite approvals, if any, being obtained
- (e) **Minimum Remuneration** : Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, commission and perquisites as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors or the Compensation Committee, subject to approval of the Central Government, if required

"RESOLVED FURTHER THAT for the purpose of giving effect to the Resolution, any Director or the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, usual, expedient and proper"

Registered Office :
The IL&FS Financial Centre
Plot No. C-22, G Block
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051

By Order of the Board of Directors

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

NOTES

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

Proxies in order to be effective must be delivered at the Registered Office of the Company at least 48 hours before the time appointed for the meeting

2. The Register of Members and Share Transfer Books of the Company will remain closed from July 6, 2010 to July 16, 2010 (both days inclusive). The Dividend as recommended by the Directors if approved by the shareholders will be payable on or after July 16, 2010
3. Members desiring any information on the business to be transacted at the Annual General Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting
4. Members are requested to bring their copy of the Annual Report to the Annual General Meeting. Members\proxies should bring the attendance slip duly filled in for attending the Meeting
5. Members holding shares in the same set of names under different Ledger Folios are requested to apply for consolidation of such folios along with relevant share certificates to the Company's Registrars. Members are also requested to intimate the Registrar and Transfer Agents of the Company of any change in their registered address. Members holding shares in dematerialised mode should intimate their respective Depository Participants of their change in address
6. As per Section 205C of the Companies Act, 1956 the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years, to the credit of the Investor Education and Protection Fund. No claims shall lie against the Company or the Investor Education and Protection Fund in respect of amounts which were unclaimed or unpaid for a period of seven years from the dates that they became due for payment and no payment shall be made in respect of any such claims. Hence, members who have not encashed their dividend should contact the Registrar and Transfer Agents of the Company for the same. Please note that the dividend paid for 2002-2003 is due for transfer to the Investor Education and Protection Fund in September 2010 and the dividend paid for 2003-2004 is due for transfer to the Investor Education and Protection Fund next year
7. The resolutions regarding the re-appointment of Mr Banshi Mehta and Mr Ravi Parthasarathy as Directors of the Company are placed before the shareholders. As per Clause 49 of the Listing Agreement with the Stock Exchanges the following particulars of Mr Banshi Mehta and Mr Ravi Parthasarathy are being provided :

Mr Banshi Mehta :

Mr Banshi Mehta is a Practicing Chartered Accountant specialising in Taxation, Corporate Laws and Valuation. He is a director on the boards of several prominent companies in India. He is also past President of the Institute of Chartered Accountants of India

He is also Chairman of the Audit Committee and Member of the Compensation Committee of the Company. Mr Banshi Mehta is not related to any Director of the Company. As on March 31, 2010, Mr Mehta holds 2,262,500 Equity Shares in the Company

Other Directorships :

Name of Company	Position held	Membership of Committees*
Atul Limited	Director	Audit Committee
Bharat Bijlee Limited	Director	–
Century Enka Limited	Director	Audit Committee
CEAT Limited	Director	–
Clariant Chemicals (India) Limited	Director	–
Gillette India Limited	Director	Audit Committee
Housing Development Finance Corporation Limited	Director	Audit Committee
J.B. Chemicals & Pharmaceuticals Limited	Director	Chairman - Audit Committee
National Securities Depository Limited	Director	–
Pidilite Industries Limited	Director	Chairman - Audit Committee
Procter and Gamble Hygiene and Health Care Limited	Director	Audit Committee
Sasken Communication Technologies Limited	Director	Chairman - Audit Committee
SBI Capital Markets Limited	Director	–
Sudarshan Chemical Industries Limited	Director	Chairman - Audit Committee
Jumbo World Holdings Limited (BVI)	Director	–
Uhde India Private Limited	Alternate Director	–

* The Membership of Committees includes only two committees i.e. Audit Committee & Shareholders'/ Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

NOTES

Mr Ravi Parthasarathy :

Mr Ravi Parthasarathy is an M.B.A. from I.I.M. (Ahmedabad). He is currently the Chairman of Infrastructure Leasing & Financial Services Limited (IL&FS). IL&FS started its operations under him in 1988 and is a financial institution with a focus on commercialization of infrastructure projects. IL&FS is currently promoting, developing and financing diverse projects in surface transport, power, telecommunications, ports, SEZs, water supply and area development, working closely in this regard with Central Government agencies, and numerous State Governments and local authorities in a public-private partnership format. In financial services, IL&FS specializes in structured finance, broking and private equity

Mr Ravi Parthasarathy started his career with Citibank. Thereafter he joined 20th Century Finance Corporation Limited as Executive Director. By the time he left the company as Executive Director, the company had grown to be the largest private sector company in the financial services sector

Mr Ravi Parthasarathy is also on the Board of several organizations, including Indian Institute of Management, Bangalore

Mr Ravi Parthasarathy is also a member of the Compensation Committee of the Company. He is not related to any Director of the Company except to the extent of his being a nominee director and employee of Infrastructure Leasing & Financial Services Limited (IL&FS) and the other Directors nominated by IL&FS are also employees of IL&FS. As on March 31, 2010, Mr Parthasarathy holds 900,000 Equity Shares in the Company

Other Directorships :

Name of Company	Position held	Membership of Committees*
Infrastructure Leasing & Financial Services Limited	Chairman	–
IL&FS Cluster Development Initiatives Limited	Chairman	–
IL&FS Education & Technology Services Limited	Chairman	–
IL&FS Energy Development Company Limited	Chairman	–
IL&FS Infrastructure Development Corporation Limited	Chairman	–
IL&FS Property Management & Services Limited	Chairman	–
IL&FS Financial Services Limited	Chairman	–
Maytas Infra Limited	Chairman	–
IL&FS Maritime Infrastructure Company Limited	Director	–
New Tirupur Area Development Corporation Limited	Director	–
ORIX Auto Infrastructure Services Limited	Director	–
IL&FS Transportation Networks Limited	Director	–
Elsamex S.A.	Director	–
Tamil Nadu Water Investment Company Limited	Alternate Director	–

* The Membership of Committees includes only two committees i.e. Audit Committee & Shareholders'/ Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

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

Item No. 6

At the Annual General Meeting of the Company held on August 30, 2007, the members of the Company had approved the appointment and remuneration of Dr Archana Hingorani, Executive Director of the Company for a period of five years with effect from July 17, 2006. At the Annual General Meeting held on June 26, 2008, the members of the Company had approved the revision in the slab of the consolidated salary of Dr Hingorani with effect from April 1, 2008 for the remainder of her tenure i.e. upto July 16, 2011, other terms of remuneration as approved by the members at the Annual General Meeting held on August 30, 2007 continuing to be in effect and unchanged. As per sub-clause (iii) of Part C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956, in the event the profits available with the Company were inadequate to pay the managerial remuneration within the limits in accordance with the provisions of the Companies Act the members' resolution approving the remuneration is valid only for three years. Though the Company had always earned impressive profits, the profits available with the Company in the past were inadequate to pay the managerial remuneration within the limits in accordance with the provisions of the Companies Act. Hence, as a matter of abundant caution the above resolution has been placed before the members for the approval of the remuneration of Dr Archana Hingorani as the Executive Director of the Company with effect from July 17, 2009 for the remainder of her tenure i.e. upto July 16, 2011

Copies of the Letter indicating the terms of remuneration of Dr Archana Hingorani are available for inspection at the Registered Office of the Company during business hours on all working days till the date of the ensuing Annual General Meeting

The Board of Directors recommends passing of this resolution

None of the Directors of the Company except Dr Archana Hingorani are concerned or interested in the resolution

NOTES

The Department of Company Affairs has vide notification dated January 16, 2002 amended Schedule XIII to the Companies Act, 1956 revising the limits for payment of managerial remuneration by companies in case of loss or inadequacy of profits. Though it is expected that the Company would make sufficient profits but as a matter of abundant caution the following information as prescribed in the amended Schedule XIII to the Companies Act, 1956 is being provided. However, in the event the remuneration exceeds the limits under Schedule XIII, the Company will apply to the Central Government for necessary approval

I. General Information :

The Company is in the business of fund management for private equity funds. The Company was incorporated on 10th February, 1986 and commenced business on 6th March, 1986. The Company is not a new Company so the date of commencement of activities as per prospectus does not apply. The financial performance of the Company for the year ended March 31, 2010 is as follows :

Total Income	Rs 957.06 million
Net Profit before Tax	Rs 588.64 million
Networth	Rs 736.04 million

The Company does not export any product of the Company. The Company has foreign exchange earnings of Rs. 598.53 million for the services rendered during year ended March 31, 2010. The foreign investments made by the Company were by way of investments made in the subsidiaries of the Company

II. Information about the appointee :

Dr Hingorani has over 24 years of experience in the financial services business, teaching and research. She has been with the IL&FS Group for 16 years and has performed a multitude of roles starting off as an economist and moving on to project finance and asset management. Dr Hingorani has worked on some of the pioneering private finance transactions in India and has participated in negotiating and structuring project contracts and agreements to meet international benchmarks. Her focus over the last 14 years has been on private equity fund management. She is one of the founding members of the IL&FS private equity business

Dr Hingorani has been with the Company since 2002 and her focus has been on private equity, project finance and financial structuring, with a specialization in infrastructure, manufacturing and recently in real estate projects. The Company at present has approximately USD 2.8 billion under its management and a team of around 52 employees spearheaded by Dr Hingorani

Dr Archana Hingorani is a Bachelor of Arts (Economics) with post-graduate qualifications in Management (MBA) as well as a Ph.D. in Corporate Finance from the University of Pittsburgh, USA

During the financial year 2009-2010, Dr Hingorani was paid a gross remuneration including contribution to provident fund and superannuation fund of Rs 38,901,886/-

In view of her qualifications, experience and expertise Dr Hingorani is best suited to her present responsibilities

The proposed remuneration for Dr Archana Hingorani is given in Resolution no. 6 placed before the members

Taking into consideration the profile of Dr Hingorani, the industry benchmarks, responsibilities, the size of the funds being managed by the Company, the diverse business sectors in which the funds managed by the Company operate in, the remuneration being paid is similar to other persons at similar levels in other companies

Dr Archana Hingorani does not have any other pecuniary relationship directly or indirectly with the Company other than the remuneration being paid to her

III. Other Information :

The Company's income and profits have grown substantially during the year ended March 31, 2010 on account of augmentation of funds under management. The main income stream for the Company is from management fees received from the funds under its management. The management fee provides a fixed annuity to the Company over the life of the funds and helps to cover its overheads during the normal course of business. The Company has been taking steps to augment the funds under its management in order to improve the profitability of the Company. During the year the Company set up new funds, which resulted in significant increase in income and profits for the Company. The Company is also in the process of further enhancing the funds under its management, which it expects will improve its income and profits in the coming years

All the relevant disclosures pertaining to the Directors of the Company and which are required to be disclosed in the Report of the Board of Directors under the heading "Corporate Governance" attached to the annual report have been disclosed therewith

Registered Office :
The IL&FS Financial Centre
Plot No. C-22, G Block
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051

By Order of the Board of Directors

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 26, 2010

PROXY

IL&FS Investment Managers Limited

Regd Office: The IL&FS Financial Centre, Plot No. C-22, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051

Folio No. _____

Client ID No. _____

DP Name _____

DP ID No. _____

I/We _____

of _____

being a member / members of **IL&FS Investment Managers Limited** hereby appoint

or failing him/her _____

of _____

as my / our proxy to vote for me/us on my / our behalf at the 24th Annual General Meeting of the Company to be held on July 16, 2010 at 11.00 a.m. at M.C. Ghia Hall, 2nd Floor, 18/20 Bhogilal Hargovindas Building, K Dubash Marg, Kalaghoda, Mumbai 400 001 and at any adjournment thereof

Signed this _____ day of _____ 2010,

by the said _____

Re.1/-
Revenue
Stamp

Signature

Note: This proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting. The proxy need not be a member of the Company

ATTENDANCE SLIP

IL&FS Investment Managers Limited

Regd Office: The IL&FS Financial Centre, Plot No. C-22, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051

Please complete this Attendance Slip Form and hand it over at the entrance of the place of the meeting

Folio No. _____

Client ID No. _____

DP ID No. _____

Name of the Shareholder / Proxy _____

Address _____

No. of shares held _____

I hereby record my presence at the 24th Annual General Meeting of the Company held on July 16, 2010 at 11.00 a.m. at M.C. Ghia Hall, 2nd Floor, 18/20 Bhogilal Hargovindas Building, K Dubash Marg, Kalaghoda, Mumbai 400 001

Signature of the Shareholder / Proxy

IL&FS Investment Managers Limited

The IL&FS Financial Centre
Plot No. C-22, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051, India

www.iimlindia.com

