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Board of Directors

Rahul Bajaj
Chairman

Nanoo Pamnani
Vice Chairman

Sanjiv Bajaj
Managing Director

Madhur Bajaj

Rajiv Bajaj

S H Khan

D J Balaji Rao

Management

Sanjiv Bajaj
Managing Director

Ranjit Gupta
President (Insurance)

Kevin D'sa
CFO & President (Business Dev.)

Company Secretary

Sonal R Tiwari

Auditors

Dalal & Shah
Chartered Accountants

**Registered under the
Companies Act, 1956**

Registered Office

Bajaj Auto Limited Complex,
Mumbai-Pune Road,
Pune 411 035.

Management Team



Sanjiv Bajaj Managing Director
Ranjit Gupta President (Insurance)



Kevin D'sa CFO & President (Business Dev.)
Kamesh Goyal (CEO - BALICL)
Rajeev Jain (CEO - BAFL)
Swaraj Krishnan (CEO - BAGICL)



Chairman's Letter

Dear Shareholder

This is my first letter to you as the Chairman and chief fiduciary of Bajaj Finserv Limited.

As you know, the Company was formed on 30 April 2007 as a pure play financial services business. The process of demerging this entity from Bajaj Auto Limited was completed on 20 February 2008. The new Company has in its portfolio Bajaj Auto's holdings of the insurance companies — Bajaj Allianz Life Insurance, Bajaj Allianz General Insurance and Bajaj Allianz Financial Distributors — as well as Bajaj Auto Finance and the wind-power undertaking. In addition, it has around Rs. 8 billion (Rs.800 crore) of cash and cash equivalents.

Why Bajaj Finserv? It has everything to do with a vision of India in the 21st century. This is a

vision of growth where, in the next two decades or less, per capita real income of the nation will have risen from roughly US\$ 1,000 today to over US\$ 3,500, at a compound annual growth rate of at least 6.5% per annum. Growth increases aspirations of people; and these aspirations need to be met.

Economics tells us that when a nation's per capita income grows at a steady rate in excess of 6.5% per year and when its people, on average, cross the US\$ 1,500 mark, there occur discontinuous changes in consumer wants. What are these changes?

- People save more. Already, India's household savings rate has increased from a low 20% of income in the late 1980s to the mid-30%. We can expect this to rise further as per capita real income crosses US\$ 1,500.

- People want different financial products to channelise their savings. From post office and bank savings accounts, households migrate to other instruments such as pension funds, mutual funds, and others.
- People want financial protection. As incomes grow, so too does awareness of the need for insurance — life, health and non-life products.
- People spend more. They desire better things in life: their own place to live, personal transport, consumer durables, better education for their children, holidays, and the like.

All these wants need to be met by dynamic players in the financial services space. Indeed, beyond a certain level, as per capita incomes rise, the demand for financial services rise even faster. We have already begun to witness this in India; and the trend will intensify over the coming years.

Bajaj Finserv has been formed precisely to meet these needs. To touch and improve the lives of a growing number of people of this country and, in doing so, deliver superior corporate value to its shareholders.

I expect the major growth engines of the Company — Bajaj Allianz Life Insurance,

Bajaj Allianz General Insurance and Bajaj Auto Finance — to continue delivering growth, increase the size of their businesses, and create a new financial conglomerate that serves the needs of our people.

Indeed, if there is a single line that should define your Company, it is: “To grow for, and with, India”.

In doing so, I expect the Company to be conscious of the Bajaj brand, which carries with it decades of commitment to business ethics, integrity, and the highest standards of fiduciary responsibility. Having lived with these values, I am confident that your Company’s Managing Director, Sanjiv Bajaj, and his team will carry the torch forward.

I request you to extend your fullest support to Bajaj Finserv. It has been created on the belief of providing value in the financial services sector and, thus, improving the lives of many in our country. It will, I’m sure, redeem this pledge in due course.



Rahul Bajaj
Chairman

Management Discussion and Analysis

Bajaj Finserv Limited ('Bajaj Finserv' or 'the Company') was formed on 30 April 2007 as a pure play financial services business. Following shareholders' approval, and pursuant to the orders of the High Court, Bombay, of 18 December 2007, the process of demerger was completed on 20 February 2008. The new Company has in its portfolio Bajaj Auto's holdings of the insurance companies — Bajaj Allianz Life Insurance, Bajaj Allianz General Insurance and Bajaj Allianz Financial Distributors — as well as Bajaj Auto Finance and the wind-power undertaking. In addition, the Company has around Rs. 8 billion (Rs. 800 crore) of cash and cash equivalents.

This is the first Management Discussion and Analysis of Bajaj Finserv, which gives a brief overview of the performance of its four key components: Bajaj Allianz Life Insurance and Bajaj Allianz General Insurance, Bajaj Auto Finance and the wind-power undertaking.

Bajaj Allianz Life Insurance

In 2007-08, the life industry grew at 23%, garnering new business premium of Rs. 930 billion, compared to Rs. 754 billion in 2006-07. However private sector returned a high growth of 74% in 2007-08. Market share of private players increased from 26% in 2006-07 to 36% in 2007-08. On a rated basis, private market share grew to 51.9 %.

Bajaj Allianz Life Insurance continues to be at the second position amongst the private life insurers on the basis of new business premium. It wrote new business of Rs. 66.7 billion compared to Rs. 43.0 billion in the previous year and registered a market share of 7.0% compared to 5.7% in the previous year.

Bajaj Allianz Life Insurance is at first position among the private life insurers on total new business policy basis with 3.74 million policies

issued for the year 2007-08 as compared to 2.08 million policies in 2006-07. The gross premium written for the financial year 2007-08 was Rs. 97.3 billion, as compared to Rs. 53.5 billion in 2006-07.

The annualised new business premium (considering single premium @ 10% and first year premium @ 100%) registered a growth of 85% from Rs. 32.3 billion in 2006-07 to Rs. 60.0 billion in 2007-08. Market share on an annualised new business premium basis grew from 7.4% in 2006-07 to 10.3% in the year 2007-08. However, the business incurred a loss of Rs. 159 million during 2007-08 as compared to a profit of Rs. 662 million in 2006-07.

The Assets under Management as on 31st March 2008 include shareholder funds Rs. 11.5 billion; traditional policyholder funds Rs. 14.7 billion and Unit linked funds of Rs. 109.5 billion. The unit-linked funds have increased by 111.2% from Rs. 51.9 billion in 2006-07.

Bajaj Allianz General Insurance

The year 2007-08 witnessed the first full year of de-tariffication process initiated by the Insurance Regulatory and Development Authority (IRDA). The first phase of de-tariffication rolled out effective January 2007 resulted in partial removal of price controls with respect to Fire, Engineering and Motor Own Damage businesses. Effective January 2008, a further relaxation was announced, permitting companies to charge prices in accordance with their actuarially determined pricing policies, subject to compliance with the File and Use Guidelines of the IRDA.

Another major development during the year was the establishment of the Indian Motor Third Party Insurance Pool (IMTPIP), under which 100% of third party insurance risks arising out of specified commercial vehicles are ceded to the IMTPIP. All non-life insurers licensed to sell Motor insurance are required to participate as ceding companies in the pool and also compulsorily required to share in the business of the IMTPIP as reinsurers.

Consequently, the growth rate of the general insurance industry (excluding specialised insurers) fell from 22.4% in 2006-07 to 12.6% in 2007-08. Excluding specialised reinsurers, the total gross premium of the industry was Rs. 281.3 billion, as against Rs. 249.8 billion in the previous year. The growth rate of private sector companies also fell from 60.4% in 2006-07 to 28.9% in 2007-08. However, private sector companies increased their market share from 34.9% in 2006-07 to 39.9% in 2007-08.

Despite not so conducive conditions, Bajaj Allianz General Insurance managed to maintain a growth rate which was more than twice that of the market. Gross written premium (excluding share of premium from the IMTPIP) grew by 33.3% during 2007-08 and despite intense price competition, Bajaj Allianz General Insurance maintained its second position among the private sector companies in terms of gross written premium. The market share (excluding premium of specialised insurers) increased from 7.2% in 2006-07 to 8.5% in 2007-08.

During 2007-08, Bajaj Allianz General Insurance clocked gross written premium of Rs. 24.0 billion excluding share of business from the IMTPIP

as compared to Rs. 18.0 billion in 2006-07. Including its share of inward business from the IMTPIP, the gross premium written amounted to Rs. 25.8 billion. Reflecting the company's strong retention policy, the net earned premium for the year (excluding net premium from inward business of the IMTPIP) rose to Rs. 13.26 billion, an increase of 58.6% over the previous year of Rs. 8.3 billion. Including the net premium arising out of the share of business from the IMTPIP, the net premium for the year was Rs. 14.1 billion.

The number of policies sold grew to 6.61 million as against 4.90 million in 2006-07.

Post-tax profits for 2007-08 increased by 40% from Rs. 754 million in 2006-07 to Rs. 1,056 million in 2007-08.

During the year, shareholders infused capital, including share premium, amounting to Rs. 692 million. Total shareholder capital of Bajaj Allianz General stood at Rs. 2.77 billion as on 31st March 2008. Shareholders' equity grew from Rs. 4.03 billion on 31st March 2007 to Rs. 5.77 billion on 31st March 2008 (excluding fair value reserve). As at 31st March 2008, the company's invested surplus, as measured by cash and investments, was Rs. 20.5 billion as against Rs. 15.2 billion as at the end of the previous year.

Bajaj Auto Finance

Bajaj Auto Finance Limited is a leading financier of two wheelers, consumer durables, personal computers and personal loans with an asset base of Rs. 38.06 billion.

BAFL has strong market presence through its pan-India network of branches. In the current year, the company launched new product lines / extensions - launched IPO financing for high networth customers, acquisition of AAA rated securitisation transactions, personal loan cross sell programme to its existing customers and financing for personal computers to SMEs. Going forward, BAFL has decided to diversify its product offerings and grow other retail finance product lines.

During the year, the gross deployments stood at Rs. 30.36 billion – a growth of 15% as against Rs. 26.31 billion in the previous year.

Assets under Finance and Receivables as on 31 March 2008 were Rs. 33.32 billion as against Rs. 27.61 billion in the previous year.

The profit after tax for the year 2007-08 stood at Rs. 201 million as against Rs. 472 million in the previous year. There was an increase in provision for bad and doubtful debts due to company's increased focus in semi-urban and rural markets during the last 2-3 years. Capital Adequacy Ratio for the company stood at 40.69 percent (pre-dividend), which is above the RBI norm of 12 percent.

Wind Energy Undertaking

The Company has 138 wind mills in Maharashtra with total installed capacity of 65.2 MW. The mills are located in two clusters: Vankuswade (Satara district), and Supa (Ahmednagar district). These wind mills were set up at a total cost of Rs. 2.94 billion (Rs. 294 crore). The project generated net wind energy of 91 million units of

electricity in 2007-08, compared to 103 million units in 2006-07. Reduction in net generation was due to abnormal weather changes and low wind during the year. The electricity generated in 2007-08 was valued at Rs. 271 million. The wind energy generated was supplied to the three manufacturing plants of Bajaj Auto Limited, namely, Akurdi, Chakan and Waluj.

This year, the overall grid availability for the Company's wind power project improved to 97% and machine availability to 98%, This helped the business to achieve an annual plant load factor of 17% at the Vankuswade site, and in excess of 18% at Supa.

Power from Windmills is recognised as Zero Emission of Greenhouse Gas (GHG), which

contributes to the reduction of global warming, which entitles the company for Voluntary Emission Reduction (VER). The company was able to get certified for 555,000 tradable VERs from TÜV Nord Cert GmbH, according to the Voluntary Carbon Standard as issued by International Emission Trading Association (IETA).

Consolidation of accounts and segment reporting

Bajaj Finserv has consolidated the financial statements of subsidiaries, associates and joint ventures in accordance with the relevant accounting standards issued by The Institute of Chartered Accountants of India. The summary of consolidated profit and loss account business segment wise is tabulated in Table 1.

Table 1: Segment Revenue and Segment Results (Rs. million)

Segment Revenue		Segment Results Profit / (loss) from each segment before interest and tax	
	2007-08		2007-08
Insurance	121,224	Insurance	(460)
Windmill	348	Windmill	(27)
Retail finance	-	Retail finance	83
Investments & other	682	Investments & other	628
Total	122,254	Total	224

Cautionary Statement

Statements in Management Discussion and Analysis describing the Company's objectives,

projections, estimates and expectation may be 'forward looking' within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.

Corporate Governance

The commitment of Bajaj Group to the highest standards of good corporate governance practices predates SEBI and clause 49 of the Listing Agreements. Transparency, fairness, disclosure and accountability are central to the working of the Group. Bajaj Finserv Limited ('BFS or the company'), the newly incorporated company maintains the same tradition and commitment.

Given below are the company's corporate governance policies and practices for 2007-08 (being the period commencing from 30 April 2007, the date of incorporation of the company upto 31 March 2008 and hereinafter referred to as such).

Board of directors

In keeping with the commitment of the management for the principle of integrity and transparency in business operations for good corporate governance, the company's policy is to have an appropriate blend of executive and independent directors to maintain the independence of the Board, and to separate the Board functions of governance and management.

Composition

As on 31 March 2008, the board of the company consisted of seven directors, of whom six were non-executive and one was the managing director. Three out of the six non-executive Directors were independent. The board has no institutional nominee director.

According to clause 49 in force as on 31 March 2008, if the Chairman is a non-executive, at least one third of the board should consist of non-executive, independent directors. As Table 1 below shows, this provision is met at BFS.

All the first directors of the company viz: Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj will retire at the ensuing annual general meeting and being eligible have offered their candidature for re-appointment.

The company appointed four additional directors during the year — Madhur Bajaj, S H Khan, D J Balaji Rao and Nanoo Pamnani. Their term expires on the date of the ensuing annual general

meeting and the company has received a notice along with requisite deposit amount from the members of the company proposing for their candidature for the office of directors.

The details of all the above directors are given in the notice convening the ensuing annual general meeting of the company.

Non-executive directors' compensation

The company has not paid any sitting fee or commission until 20 February 2008. As fixed by the board of directors at its meeting held on 30 January 2008, a sitting fee of Rs. 20,000 per meeting is paid to non-executive directors, including independent directors, for every meeting of the board or committees of the board attended after 20 February 2008.

The shareholders of the company vide a special resolution passed at the Extra-ordinary meeting

held on 17 March 2008 has by way of an enabling provision approved the payment of a sum not exceeding one percent of the net profits of the company, calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956, to the directors (other than the Managing Director and whole-time Directors) as may be decided by the Board of Directors in respect of the profits of the company for each year for a period of five years commencing from 20 February 2008, the effective date of the scheme of demerger.

The company currently does not have a stock option programme.

Board procedures

During 2007-08, the board of directors met nine times: on 2 May 2007, 10 May 2007, 15 May 2007, 17 May 2007, 12 July 2007, 20 July 2007, 19 October 2007, 30 January 2008, 28 March 2008. The gap between any two meetings has been less than four months.

Attendance record of directors

Table 1: Composition of the board and attendance record of directors for 2007-08

Name of director	Category	Meetings attended	Whether attended last AGM
Rahul Bajaj	Chairman, non-executive	7/9	Not Applicable since the company will have its first annual general meeting only on 9 July 2008.
Nanoo Pamnani ¹	Vice Chairman Non-executive & independent	2/2	
Madhur Bajaj ²	Non-executive	8/8	
Rajiv Bajaj	Non-executive	9/9	
Sanjiv Bajaj ³	Managing Director, executive	9/9	
D J Balaji Rao ¹	Non-executive, independent	2/2	
S H Khan ¹	Non-executive, independent	2/2	

¹ Appointed with effect from 30 January 2008.

² Appointed with effect from 10 May 2007.

³ Appointed as Managing Director with effect from 20 February 2008.

Information supplied to the board

In advance of each meeting, the board is presented with all relevant information on various matters related to the working of the company, especially those that require deliberation at the highest level. Directors have separate and independent access to senior management at

all times. In addition to items which are required to be placed before the board for its noting and / or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the board of the company is far ahead of the list mandated under clause 49 of the listing agreement.

Outside directorships and memberships of board committees

Table 2 gives the number of outside directorships and committee positions held by the directors of the company.

Table 2: Outside directorships / committee positions as on 31 March 2008

Name of Director	In listed companies	In unlisted public limited companies	As chairman / member of Board committees of companies
Rahul Bajaj	3	3	0
Madhur Bajaj	4	7	0
Rajiv Bajaj	2	2	0
Sanjiv Bajaj	3	4	3
D J Balaji Rao	5	3	9
S H Khan	3	4	8
Nanoo Pamnani	2	1	5

Notes: Private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the above purposes. Only audit committee and shareholders' grievance committee are considered for the purpose of committee positions as per listing agreement.

None of the directors was a member in more than ten committees, nor a chairman in more than five committees across all companies in which he was a director.

Review of legal compliance reports

Provision regarding the above as stipulated under clause 49 was not applicable for the period under review, as the company was not listed on or before 31 March 2008. However, at its meeting held on 30 January 2008, the board has approved and adopted the legal compliance reporting system for the company for future and the same will be duly adhered to.

Code of conduct

Provision regarding the above as stipulated under clause 49 was not applicable for the period under review, as the company was not listed on or before 31 March 2008. However, the board at its meeting on 30 January 2008 laid down a code of conduct for all directors and senior management of the company, which has been posted on the web-site www.bajajfinserv.in. All directors and senior management personnel have affirmed compliance with the code for 2007-08. A declaration to this effect signed by the Managing Director / CEO is given in this annual report.

Audit committee

Constitution and composition

With a view to comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement, the company has set up its audit committee in the board of directors meeting held on 30 January 2008. The present audit committee consists of the following directors:

1. Nanoo Pamnani, Chairman
2. S H Khan
3. D J Balaji Rao

All members of the audit committee are independent, non-executive directors and are 'financially literate' as required by clause 49. Moreover, all the members of the audit committee viz., Nanoo Pamnani, S H Khan and D J Balaji Rao have 'accounting or related financial management expertise'.

Meetings, attendance and topics discussed

During 2007-08, the audit committee met once on 30 January 2008. In addition to the members of the audit committee, this meeting was attended by the heads of finance and internal audit functions of the company and those executives who were considered necessary for providing inputs to the committee. The company secretary acted as the secretary to the audit committee.

All the members of the committee viz., Nanoo Pamnani, S H Khan and D J Balaji Rao were present at the meeting.

The terms of reference of the audit committee are extensive and go beyond what is mandated in clause 49 of the listing agreement and section 292A of the Companies Act, 1956.

Subsidiary companies

Provision regarding the above as stipulated under clause 49 was not applicable for the period under review, as the company was not listed on or before 31 March 2008. The two insurance companies, viz., Bajaj Allianz General Insurance Company Limited and Bajaj Allianz Life Insurance Company Limited have now become the subsidiaries of the company pursuant to the scheme of demerger sanctioned by the Hon'ble High Court of Judicature at Bombay vide its order

dated 18 December 2007 and the provisions with regard to the same would hereafter be adhered to.

Disclosures

A summary statement of transactions with related parties was placed before the audit committee meeting held on 30 January 2008. Suitable disclosures have been made in the financial statements, together with the management's explanation in the event of any treatment being different from that prescribed in accounting standards.

At its meeting of 30 January 2008, the board laid down procedures to inform it of the company's risk assessment and minimisation procedures. These would be periodically reviewed to ensure that management identifies and controls risk through a properly defined framework.

Pursuant to scheme of arrangement of demerger sanctioned by the Hon'ble Court at Judicature Bombay, 101,183,510 equity shares of Rs. 5 each of the company, have been issued and allotted to the shareholders of demerged company (erstwhile BAL) in the ratio of 1:1, on 3 April 2008.

Except as above, there were no public issues, right issues, preferential issues etc. during the year.

Remuneration committee

In order to comply with the non-mandatory requirements concerning remuneration committee stipulated in clause 49 of the listing agreement, the company constituted a remuneration committee of the board on 30 January 2008

consisting of the following directors:

1. S H Khan, Chairman
2. D J Balaji Rao
3. Nanoo Pamnani.

The remuneration committee met on 30 January 2008 to fix the remuneration for Sanjiv Bajaj, Managing Director of the company.

Remuneration of directors

Pecuniary relationships or transactions of non-executive directors

During the year under review, there were no pecuniary relationships and transactions of any non-executive director with the company.

Criteria of making payments to non-executive directors

The criteria of making payments to non-executive directors as approved by the board at its meeting held on 30 January 2008 have been put on the company's web-site www.bajajfinserv.in

Non-executive Directors

During the period under review, all the non-executive directors were paid only the sitting fees after 20 February 2008 as separately stated in this report.

Executive Directors

During the year under review, the company has not paid any remuneration to its managing director i.e. Sanjiv Bajaj. The remuneration, however, becomes payable to him for the period commencing from 1 April 2008.

The company has no stock option plans and hence it does not form a part of the remuneration package payable to the managing director. During the year under review, none of the directors was paid any performance-linked

incentive. In 2007-08, the company did not advance any loan to any of the non-executive director and / or managing director. Table 3 gives details of the remuneration paid or payable to directors during 2007-08.

Table 3: Remuneration paid to Directors during 2007-08

Name of director	Relationship with other directors	Sitting fees Rs.	Salary & perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	Father of Rajiv Bajaj & Sanjiv Bajaj.	20,000	—	—	20,000
Madhur Bajaj	—	20,000	—	—	20,000
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj.	20,000	—	—	20,000
Sanjiv Bajaj	Son of Rahul Bajaj, brother of Rajiv Bajaj.	—	—	—	—
D J Balaji Rao	—	20,000	—	—	20,000
S H Khan	—	20,000	—	—	20,000
Nanoo Pamnani	—	20,000	—	—	20,000

Notes: Salary and perquisites include all elements of remuneration i.e. salary, allowances and benefits. No bonus, pension or incentive is paid to any of the directors. The company has not issued any stock options to any of the directors. The term of managing director does not exceed five years.

Shares held by non-executive Directors

The non-executive directors who held shares in the company are:

Name of director	Number of shares held as on 31 March 2008
Rahul Bajaj	2,002,992
Madhur Bajaj	836,516
Rajiv Bajaj	373,050

Management

Management discussion and analysis

This is given as a separate chapter in the annual report.

Disclosure of material transactions

Under clause 49, senior management is required to make periodical disclosures to the board

relating to all material financial and commercial transactions where they had (or were deemed to have had) personal interest that might have been in potential conflict with the interest of the company. Provision regarding the above has been adhered to.

Warning against insider trading

The board at its meeting on 30 January 2008 laid down comprehensive guidelines in accordance with the SEBI regulations in this regard. The code of conduct and corporate disclosure practices framed by the company helps in ensuring compliance with the requirements.

Shareholders

Appointment and / or re-appointment of directors

The board of directors appointed Madhur Bajaj as an additional director with effect from 10 May 2007 and S H Khan, D J Balaji Rao and Nanoo Pamnani as additional directors with effect from 30 January 2008. All these directors hold office till the date of the ensuing annual general meeting and, if approved by the shareholders, are to be appointed as directors in that meeting. All the first directors of the company viz: Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj are retiring at the ensuing annual general meeting and are eligible for re-appointment. The company has received a notice along with requisite deposit amount from a member of the company proposing the candidature of the said directors.

Brief profiles of each of the above-named directors are given in the notice being issued to the shareholders for the ensuing annual general meeting of the company.

Communication to shareholders

As the company was not listed on BSE and NSE until 31 March 2008, it was not required to publish its financial statements for the period under review. However, the shareholders of the company were communicated the information on demerger process through leading newspapers such as Times of India and Sakal on 7 September 2007 and through other communications from time to time. The company has its own web-site, www.bajajfinserv.in which contains all important public domain information, including presentations made to the media, analysts and institutional investors. The web-site also contains information on matters concerning the shareholders and details of the corporate contact persons.

Information on general body meetings

As the company was incorporated on 30 April 2007, the first annual general meeting of the company is scheduled to be held only on 9 July 2008 at the registered office of the company.

So far, the company has not adopted postal ballot for passing any resolution at the general meetings, because there has been no occasion for doing so.

Material disclosure of related party transactions

There were no material transactions entered into with related parties, during the period under review, which had any potential conflict with the interests of the company.

Details of capital market non-compliance, if any

There was no non-compliance by the company of any legal requirements; nor has there been any penalty, stricture imposed on the company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets during the period under review.

Shareholders' and investors' grievance committee

The board of directors of the company constituted its shareholders' and investors' grievance committee in its meeting held on 30 January 2008. This committee has been constituted to specifically look into the shareholders' and investors' complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of dividend etc. In addition, the committee also looks into matters that can facilitate better investor services and relations.

The committee consisted of three directors on 31 March 2008 as under:

1. S H Khan, Chairman
2. Nanoo Pamnani
3. Sanjiv Bajaj

During the year under review, the company had not held any shareholders' and investors' grievance committee meeting, as the company was not listed up to 31 March 2008 and was only a wholly owned subsidiary of Bajaj Holdings & Investment Limited until that date. The committee would meet normally once in a year to review the status of the investors' services rendered.

In due course, all physical transfers of shares as well as requests for dematerialisation /

rematerialisation would get processed in weekly cycles. The company has not appointed any registrar or share transfer agent and the work regarding dematerialisation / rematerialisation would be handled in-house through the connectivities with the National Securities Depository Limited and Central Depository Services (India) Limited. The company being an unlisted company until 31 March 2008, no query / complaint was received during the year under review.

More details have been furnished in the chapter on Additional Shareholder Information.

CEO / CFO certification

The CEO and CFO have certified to the board with regard to the financial statements and other matters as required by clause 49 of the listing agreement. The certificate is contained in this annual report.

Report on corporate governance

This chapter, read together with the information given in the chapters on Management Discussion and Analysis and Additional Shareholder Information, constitute the compliance report on corporate governance during 2007-08.

Auditors' certificate on corporate governance

The company has obtained the certificate from its statutory auditors regarding compliance with the provisions relating to corporate governance laid down in clause 49 of the listing agreement. This report is annexed to the directors' report, and will be sent to the stock exchanges along with the annual return to be filed by the company.

Additional Shareholder Information

Annual general meeting

Date : 09 July 2008
Time : 3.30 p.m.
Venue : Registered office at
Bajaj Auto Limited Complex,
Mumbai-Pune Road, Pune 411 035.

Financial calendar

Audited annual results for year ending 31 March	-	May
Mailing of annual reports	-	June
Annual general meeting	-	July
Unaudited first quarter financial results	-	July
Unaudited second quarter financial results	-	October
Unaudited third quarter financial results	-	January

Dividend

The board of directors of the company has proposed a dividend of Re. 1 per equity share (20 per cent) for the financial year 2007-08,

subject to approval by the shareholders at the annual general meeting. As the company was incorporated only on 30 April 2007, there was no dividend paid in the previous year.

Dates of book closure

The register of members and share transfer books of the company will remain closed from Tuesday, 1 July 2008 to Wednesday, 9 July 2008, both days inclusive.

Date of dividend payment

The payment of dividend, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after 14 July 2008:

- a) to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end-of-the-day on Monday, 30 June 2008; and

- b) to all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the company on or before the closing hours on Monday, 30 June 2008.

Payment of dividend

Dividend will be paid by account payee / non-negotiable instruments or through the electronic clearing service (ECS), as notified by the SEBI through the stock exchanges. In view of the significant advantages and the convenience, the company will pay dividend through ECS in all major cities to cover maximum number of shareholders, as per applicable guidelines. Shareholders are advised to refer to the notice of the annual general meeting for details of action required to be taken by them in this regard. For additional details or clarifications, shareholders are requested to contact the registered office of the company.

Unclaimed dividends

Not applicable since the company was incorporated on 30 April 2007.

Registrar and share transfer agent

The company has no external registrar or share transfer agent. All work relating to physical transfer, transmission, splitting of share certificates, dematerialisation and rematerialisation processing, payment of dividend etc. is done in-house at the registered office of the company.

Share transfer system

Share transfers received by the company would be registered within fifteen days from the date of receipt, provided the documents are complete in all respects. The process will become applicable from the year 2008-09 as the equity shares of the company are getting listed shortly.

Dematerialisation of shares

During 2007-08, no shares were dematerialised. Distribution of shares as on 31 March 2008 and 3 April 2008 (date of allotment) is given in Table 1

Table 1: Shares held in physical and electronic mode

	Position as on 31 March 2008		Position as on 3 April 2008	
	No. of Shares	% to total shareholding	No. of shares	% to total shareholding
Physical	43,500,000	100.00	59,759,914	41.31
Demat:				
NSDL	—	—	83,313,322	57.58
CDSL	—	—	1,610,274	1.11
Sub Total	—	—	84,923,596	58.69
Total	43,500,000	100.00	144,683,510	100.00

Allotment of shares

In terms of scheme of arrangement of demerger approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 18 December 2007, BFS allotted on 3 April 2008 101,183,510 equity shares of Rs.5 each to every shareholder of Bajaj Holdings & Investment Limited (BHIL) in the proportion of 1 equity share of Rs.5 as fully paid up for every 1 equity share of Rs.10 each held in BHIL on 25 March 2008, the record date fixed by BHIL.

Global depository receipts (GDRs)

The company issued and allotted Global Depository Receipts (GDRs) on 3 April 2008 to the shareholders of BHIL (formerly BAL) pursuant to the scheme of demerger sanctioned by the Hon'ble High Court vide its order dated 18 December 2007 and the underlying shares against each GDR were issued in the name of the overseas depository — the Bankers Trust Company (whose name changed to Deutsche Bank Trust Company Americas from 15 April 2002). GDRs are expected to get listed on the London Stock Exchange in due course of time.

Stock code

1. Bombay Stock Exchange	532978
2. National Stock Exchange	BAJAJFINS
3. ISIN	INE918I01018

Listing on stock exchanges

As on 31 March 2008 the shares of the company were not listed on any stock exchanges. The company will get its shares listed on the following stock exchanges:

Name	Address
1. Bombay Stock Exchange Limited. (BSE)	1st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001
2. National Stock Exchange of India Limited. (NSE)	Exchange Plaza Bandra-Kurla Complex, Bandra (E) Mumbai 400 051

The company will take necessary steps with London Stock Exchange for the listing of GDRs issued and allotted to the shareholders of BHIL (formerly BAL) pursuant to the scheme of demerger sanctioned by the Hon'ble High Court vide its order dated 18 December 2007.

Market price data

Not applicable, since the company was an unlisted company during the year under review.

Distribution of shareholdings

Table 2 gives details about the pattern of shareholdings among various categories as on 31 March 2008 and 3 April 2008, while Table 3 and Table 3A gives the data according to size classes as on 31 March 2008 and 3 April 2008.

Table 2: Distribution of shareholdings across categories

Categories	31 March 2008		3 April 2008	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters	43,500,000	100.00	72,747,805	50.28
Friends and associates of promoters	—	—	16,454,136	11.37
GDRs	—	—	1,805,071	1.25
Foreign Institutional Investors	—	—	20,266,586	14.01
Public Financial Institutions	—	—	8,707,469	6.02
Mutual Funds	—	—	1,123,175	0.78
Nationalised & other banks	—	—	251,704	0.17
NRIs & OCBs	—	—	613,745	0.42
Others	—	—	22,713,819	15.70
Total	43,500,000	100.00	144,683,510	100.00

Table 3: Distribution of shareholding according to size class as on 31 March 2008

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 100	6	85.71	1,200	—
101 TO 200	—	—	—	—
201 TO 500	—	—	—	—
501 TO 1000	—	—	—	—
1001 TO 5000	—	—	—	—
5001 TO 10000	—	—	—	—
10001 TO 100000	1	14.29	43,498,800	100.00
100001 AND ABOVE	—	—	—	—
Total	7	100.00	43,500,000	100.00

Table 3A: Distribution of shareholding according to size class as on 3 April 2008

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 100	64,084	84.76	1,278,620	0.88
101 TO 200	3,779	5.00	587,193	0.41
201 TO 500	3,187	4.22	1,067,092	0.74
501 TO 1000	1,511	2.00	1,105,792	0.76
1001 TO 5000	1,993	2.64	4,508,642	3.12
5001 TO 10000	436	0.58	3,034,320	2.10
10001 TO 100000	4,701	0.62	14,474,822	10.00
100001 AND ABOVE	144	0.19	118,627,029	81.99
Total	75,604	100.00	144,683,510	100.00

Shareholders' and investors' grievances

During the year under review, the board of directors at its meeting held on 30 January 2008 constituted a shareholders' / investors' grievance committee consisting of three directors to specifically look into the shareholders'/ investors' complaints on various matters. Since the company was an unlisted company until 31 March 2008, there was no question of there being any pending issues to be addressed or resolved.

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s). The prescribed nomination form

will be sent by the company upon such request. Nomination facility for shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

Address for correspondence

Investors and shareholders can correspond at the registered office of the company at the following address:

Bajaj Finserv Limited.

Bajaj Auto Limited Complex,
Mumbai – Pune Road,
Pune – 411 035.

Tel No. : (020) 66107458, 27472851.

Fax No. : (020) 27407380.

E-mail : investors@bajajfinserv.in

Website : www.bajajfinserv.in

Directors' Report

Introduction

The company was incorporated on 30 April 2007 as a wholly owned subsidiary of erstwhile Bajaj Auto Limited and received the Certificate of Commencement of business on 7 May 2007. The directors present their first annual report and the audited statements of accounts for the year ended 31 March 2008.

Demerger

During the year under review, the Hon'ble High Court of Judicature at Bombay approved the scheme of arrangement of demerger of the erstwhile Bajaj Auto Limited vide its order dated 18 December 2007. Consequently, the strategic business undertaking consisting of wind farm business and financial services business of the erstwhile Bajaj Auto Limited has been vested with the company. The appointed date of this demerger was closing hours of business on 31 March 2007.

Financial results

The financial results of the company are elaborated in the annexed Management Discussion and Analysis Report. The highlights are as under:-

	2007-08 Rs. In Million
Income from Operations & other income	1,064
Gross profit before interest & depreciation	947
Interest	-
Depreciation	297
Profit before taxation	650
Provision for taxation	210
Profit after tax	440
Disposable surplus	440
Proposed dividend (inclusive of dividend tax)	169
Earnings per share (Rs.)	3.1

Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a maiden dividend of Re. 1 per share (20 per cent) for the year ended 31 March 2008. The amount of dividend and the tax thereon aggregates to Rs. 169 million. This being the first year of the company since incorporation, there is no corresponding dividend figure for the previous year.

Operations

Pursuant to the scheme of demerger, the company has been vested with the strategic business undertaking, as defined under the Scheme, comprising of wind farm and financial services undertaking of erstwhile Bajaj Auto Limited (inclusive of insurance, consumer finance & financial products distribution business). The company operates its insurance business through its joint ventures viz: Bajaj Allianz General Insurance Company Limited (BAGICL) & Bajaj Allianz Life Insurance Company Limited (BALICL), retail / consumer finance business through Bajaj Auto Finance Limited (BAFL) & financial products distribution business through Bajaj Allianz Financial Distributors Limited (BAFDL).

The company believes that financial services sector will play a crucial role in sustaining India's economic growth. In spite of the rapid growth in the banking, insurance and other financial services in recent years, the penetration rates for most financial products are very low compared to international levels including emerging economies, such as Thailand, Malaysia and China. This indicates vast opportunities for growth for all players in the industry and the

management of the company believes that it has the potential to become a significant player therein as demonstrated by the success of its current ventures.

Detailed information on the operations of the different business lines of the company are covered in Management Discussion and Analysis.

Conservation of energy

The company being engaged in wind farm & financial services activities pursuant to the demerger of the company, the subject of conservation of energy is applicable to the company only with regard to its wind farm business. In this respect, in order to reduce use of reactive power [cost of Rs. 0.35 per Rkvah unit] the company has installed additional 12% capacitors and achieved 50% reduction in reactive power consumption. The percentage of consumed reactive power with active generation was reduced this year to 1.6% from 3 % of the previous year.

Technology absorption, foreign exchange earnings & outgo

The company having become by and large a financial services company pursuant to the demerger of the company, the company has nothing to report on technology absorption, foreign exchange earnings & outgo during the year under review.

Directors

The board of directors appointed first directors of the company viz, Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj with effect from 30 April 2007 (date of incorporation of the company) to hold office until

the ensuing annual general meeting. Madhur Bajaj was appointed as an additional director of the company with effect from 10 May 2007 and S H Khan, D J Balaji Rao and Nanoo Pamnani were appointed as additional directors with effect from 30 January 2008 to hold office till the conclusion of ensuing annual general meeting of the company. All of these directors are eligible for appointment / re-appointment at the ensuing annual general meeting.

Nanoo Pamnani has been appointed as Vice Chairman of the company with effect from 30 January 2008 and Sanjiv Bajaj has been appointed as the Managing Director for a period of five years with effect from 20 February 2008.

Directors' responsibility statement

As required by sub-section (2AA) of section 217 of the Companies Act, 1956, directors state:

- that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.
- that the directors have 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.

- that the annual accounts have been prepared on a going concern basis.

Consolidated financial statements

The directors present the audited consolidated financial statements incorporating the duly audited financial statements of the subsidiaries, associates and joint ventures and as prepared in compliance with the accounting standards and listing agreement as prescribed by SEBI.

Information in aggregate for each subsidiary company is disclosed in one page of the consolidated balance sheet.

Statutory disclosures

The company has made an application for an exemption from the central government under section 212(8) of the Companies Act, 1956 with regard to attaching of the balance sheet, profit and loss account and other documents of two subsidiaries of the company for the year 2007-08 and the approval for the same is awaited. The summary of the key financials of the company's subsidiaries is included in this annual report.

The annual accounts of the subsidiary companies and the related detailed information will be made available to the members of the company and its subsidiary companies, seeking such information at any point of time. The annual accounts of the subsidiary companies will be kept for inspection by any member of the company at its registered office and also at the registered office of the concerned subsidiary company.

As required under the provisions of sub-section (2A) of section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, particulars of the employees are set out in the Annexure to the Directors Report. As per provisions of section 219 (1)(b)(iv) of the said Act, these particulars will be made available to any shareholder on request.

The company having become by and large a financial services company pursuant to the demerger of the company, there are no particulars regarding technology absorption and foreign exchange earning and outgo required under section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of board of directors) Rules, 1988 for the year under review except for as stated above on conservation of energy in its wind energy generation business of the company.

Directors' Responsibility Statement as required by section 217(2AA) of the Companies Act, 1956 appears in a preceding paragraph.

Corporate governance

Pursuant to Clause 49 of the Listing Agreement with stock exchanges, a separate section titled 'Corporate Governance' has been included in this annual report, along with the reports on Management Discussion and Analysis and Additional Shareholder Information.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2007-08. A declaration to this effect signed by the

Managing Director / Chief Executive Officer (CEO) of the company is contained in this annual report.

The Managing Director / CEO and Chief Financial Officer (CFO) have certified to the board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is contained in this annual report.

Auditors' report

The observations made in the Auditors' Report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

Auditors

The members are requested to note that Messrs Dalal & Shah, Chartered Accountants, are first auditors of the company and hold office until the conclusion of first annual general meeting.

The members are requested to appoint auditor for the period from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting and to fix their remuneration.

On behalf of the board of directors



Rahul Bajaj
Chairman

21 May 2008

Annexure 1

Certificate by the Auditors on Corporate Governance

To the members of
Bajaj Finserv Limited

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2008.

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

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for examination and the information and explanations given to us by the Company.

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied, to the extent applicable, with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

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

For and on behalf of
Dalal & Shah
Chartered Accountants

Anish Amin
Membership No. 40451
Partner

Pune: 21 May 2008

Annexure 2

Declaration by Chief Executive Officer (CEO)

I, Sanjiv Bajaj, Managing Director of Bajaj Finserv Limited hereby declare that all the board members and senior managerial personnel have affirmed for the year ended 31 March 2008 compliance with the code of conduct of the company laid down for them.

Sanjiv Bajaj
Managing Director
Pune : 21 May 2008

Annexure 3

Certificate by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

We, Sanjiv Bajaj, Managing Director and Kevin D'sa, CFO & President (Business Development) of Bajaj Finserv Limited, certify :

1. That we have reviewed the financial statements for the year ended 31 March 2008 and that to the best of our knowledge and belief;
 - these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - these statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and.
4. That we have informed the auditors and the audit committee of:
 - i. significant changes in internal control during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Sanjiv Bajaj
Managing Director
Pune : 21 May 2008

Kevin D'sa
CFO & President (Business Development)

Audited Financial Statements

Report of the Auditors to the Members

We have audited the attached Balance Sheet of BAJAJ FINSERV LIMITED, as at 31st March 2008 and also the annexed Profit and Loss Account of the Company for the financial year ended on that date. 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.

- (1) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (2) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annexe hereto a Statement on the matters specified in paragraphs 4 of the said Order, to the extent applicable;
- (3) Further to our comments in Annexure referred to in paragraph 2 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account of the Company;
- (d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
- (e) On the basis of the written representations received from the Directors as at 31st March, 2008, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st. March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2008 and
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner
Membership No: 40451

Pune: 21 May 2008.

Annexure to the Auditors' Report

Statement referred to in Paragraph 2 of the Auditors' Report of even date to the Members of BAJAJ FINSERV LIMITED on the Accounts for the year ended 31st March, 2008.

On the basis of the records produced to us for our verification / perusal, such checks as we considered appropriate, in terms of information and explanations given to us on our enquiries and in consideration of the scheme of arrangement detailed in Note No.1 in Schedule 10 to the financial statements, we state that:

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year in accordance with the verification policy adopted by erstwhile Bajaj Auto Ltd. prior to the demerger, whereby all the assets were verified, in a phased manner, once in a block of three years. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not, in our opinion, material and the same have been properly dealt with in the Books of Account.
 - (c) In our opinion, the sale of assets during the year, being negligible would not have an impact on the operations of the company.
- ii) (a) As per the information and explanation given to us and the records produced to us for our verification, the company has not granted loans, secured or unsecured, to any Company, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 .
 - (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and for the sale of goods and services, if any. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal audit department of the company during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the company;
- iv) (a) On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the particulars of contracts and arrangements required to be entered into the register in pursuance of

section 301 of the Companies Act, 1956 have been so entered.

- (b) The transactions effected in pursuance of such contracts and arrangements, as the case may be, aggregating in excess of Rs.500,000/- in respect of each party during the year, have been, in our opinion, as per the information and explanation given to us, made at prices which are reasonable having regard to prevailing market prices as available with the Company for such transactions or prices at which transactions, if any, for similar goods have been made with other parties at the relevant time;
- v) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;
- vi) (a) According to the records of the Company, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities;
- (b) According to the records of the Company and the information and explanations given to us & upon our enquiries in this regards, disputed dues in respect of Sales Tax, Income-tax, Wealth-tax, Service Tax, Customs Duty, Excise Duty and Cess unpaid as at the last day of the financial year, are as follows

Statutes	Show Cause Notice	FORUM BEFORE WHOM PENDING				Total
		Commissioner Appeals	Tribunal	High Court	Supreme Court	
	Rs. In million	Rs. In million	Rs. In million	Rs. In million	Rs. In million	Rs. In million
Sales Tax Income Tax Wealth Tax Service Tax Customs Duty Excise	NIL	NIL	NIL	NIL	NIL	NIL

vii) The Company, in our opinion, has maintained proper records and contracts with respect to its investments wherein timely entries of transactions are made. Investments at the close of the year are in the process of being transferred in the name of the company as detailed in Note No. 1 to schedule "10" to the financial statements

viii) As per the information and explanations given to us on our enquiries on this behalf there were no frauds on or by the company which have been noticed or reported during the year;

In view of the nature of business carried on by the company subsequent to the demerger of the Manufacturing and Strategic Business

Undertakings with effect from 1st April 2007, clause no (ii), (viii), (xiii) of CARO, 2003 are not applicable to the company. Further in view of the absence of conditions prerequisite to the reporting requirement of clauses (iii) (b), (c), (d), (f) and (g), (vi), (x), (xi), (xii), (xv), (xvi), (xvii), (xviii), (xix) and (xx), the said clauses are, at present, not applicable.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner
Membership No: 40451

Pune: 21 May 2008.

Balance Sheet as at 31 March, 2008

	Schedule	Rs. In Million	Rs. In Million
I. Sources of Funds			
1. Shareholders' Funds			
a) Share Capital	1	723.4	
b) Reserves & Surplus	2	11,087.8	11,811.2
2. Loan Funds			
a) Secured Loans		—	
b) Unsecured Loans	3	3,107.6	3,107.6
Total			14,918.8
II. Application of Funds			
1. Fixed Assets			
a) Gross Block		3,120.7	
b) Less: Depreciation		2,122.2	
c) Net Block	4	998.5	998.5
d) Capital Work in progress, expenditure to date		—	
2. Investments	5		13,469.6
3. Deferred Tax Adjustments [See note 10]			
a) Deferred Tax Liabilities		(266.7)	
b) Deferred Tax Assets		292.9	
4. Current Assets, Loans and Advances	6		26.2
a) Cash and Bank Balances		0.3	
b) Other Current Assets		110.2	
c) Loans and Advances		805.5	
		916.0	
Less: Current Liabilities and Provisions	7		
a) Liabilities		19.6	
b) Provisions		471.9	
		491.5	
Net Current Assets			424.5
Total			14,918.8
Notes forming part of the Financial Statements	10		

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Pune: 21 May 2008

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur Bajaj
Rajiv Bajaj
D. J. Balaji Rao
S. H. Khan

Chairman
Vice Chairman
Managing Director

Directors

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

	Schedule	Rs. In Million	Rs. In Million
Income			
Income from Operations	8 A	1,039.7	
Other Income	8 B	24.0	
			1,063.7
Expenditure			
Administration and Other Expenses	9	116.8	
Depreciation		297.0	
			413.8
Profit for the financial year before taxation			649.9
Taxation			
Current Tax [including Rs. 1 million for Wealth tax]		298.5	
Deferred Tax [See note 10]		(88.3)	
Fringe Benefit Tax		0.2	
			210.4
Profit for the financial year			439.5
Transfer to General Reserve			270.2
Proposed Dividend			144.7
Corporate Dividend Tax thereon			24.6
Balance Carried to Balance Sheet			—
Notes forming part of the Financial Statements	10		
Basic and diluted Earnings Per Share (Rs.)			3.1
Nominal value per share (Rs.)			5.0
Net Profit (Rs. In Million)			439.5
Weighted average number of Shares (In Million)			139.6

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Pune: 21 May 2008

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur Bajaj
Rajiv Bajaj
D. J. Balaji Rao
S. H. Khan

Chairman
Vice Chairman
Managing Director

Directors

Schedules No 1-10 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the financial year ended 31st March, 2008

Schedule 1 - Share Capital

	As at 31st March, 2008	
	Rs. In Million	
Authorised		
150,000,000 Equity Shares of Rs.5 each		750.0
Issued,Subscribed and Paid up		
*144,683,510 Equity Shares of Rs 5 each		723.4
Total		723.4

Notes

*Includes:

- 43,500,000 Equity Shares of Rs. 5 each were issued, subscribed and allotted to erstwhile Bajaj Auto Ltd. and its nominees, now known as Bajaj Holdings & Investment Ltd..
- 101,183,510 Equity Shares of Rs. 5 each are deemed to be issued, subscribed and fully paid up in terms of the scheme of arrangement, detailed in Note No. 1 in Schedule 10 to the Financial Statements, becoming operative from 20th February 2008 (Effective Date), since allotted on 3rd April 2008.

1,805,071 Equity Shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date i.e. 25th March 2008 , in terms of scheme of arrangement.

Schedule 2 - Reserves and Surplus

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
General Reserve		
As computed in terms of the scheme of arrangement, detailed in Note No. 1	11,324.4	
Less: Diminution in the value of Fixed Income securities, Net of deferred tax, See Note No 6	506.8	
	10,817.6	
Set aside this year	270.2	
Total		11,087.8
		11,087.8

Schedule 3 - Unsecured Loans

		As at 31st March, 2008
		Rs. In Million
Sales tax deferral incentive / loan liability		
representing incentive attached to the Wind Farm business assigned to and availed by Bajaj Auto Ltd. passed on to the Company under an arrangement. See Note No 8		3,107.6
Total		3,107.6

Schedule 4 - Fixed Assets

Particulars	Gross Block				Depreciation				Net Block
	As at 1st April, 2007 (c)	Additions	Deductions and Adjustments	As at 31st March, 2008	Upto 1st April, 2007 (c)	Deductions and Adjustments	For the Year (a)	Upto 31st March, 2008	As at 31st March, 2008
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Land Freehold	78.2	–	–	78.2	–	–	–	–	78.2
Buildings (b)	108.1	94.8	–	202.9	15.7	–	3.4	19.1	183.8
Furniture & Fixtures	0.1	–	–	0.1	–	–	–	–	0.1
Vehicles & Aircraft	1.2	2.0	0.9	2.3	0.4	0.5	0.3	0.2	2.1
Wind Energy Generators	2,837.2	–	–	2,837.2	1,809.6	–	293.3	2,102.9	734.3
Total	3,024.8	96.8	0.9	3,120.7	1,825.7	0.5	297.0	2,122.2	998.5

(a) Refer Para 3(A) & (B) of Statement on Significant Accounting Policies annexed to the Accounts.

(b) Includes office premises given on lease Rs 82.5 million. Accumulated depreciation Rs 10.3 million. Depreciation for the year Rs 1.3 million.

(c) See note No. 1

Schedule 5 - Investments, at Cost (Unless otherwise stated)

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
Long Term Investments :		
In Government and Trust Securities :		
Quoted :		
- 6.13% Government of India Stock 2028 of face value of Rs.100,000,000	80.6	
- 6.25% Government of India Stock 2018 of face value of Rs.900,000,000	953.4	
- 6.72% Government of India Stock 2014 of face value of Rs.550,000,000	613.9	
- 7.46% Government of India Stock 2017 of face value of Rs.900,000,000	1,002.9	
- 7.95% Government of India Stock 2032 of face value of Rs.105,000,000	112.8	
- 7.99% Government of India Stock 2017 of face value of Rs.100,000,000	103.2	
- 8.33% Government of India Stock 2036 of face value of Rs.100,000,000	103.2	
- 9.40% Government of India Stock 2012 of face value of Rs.200,000,000	242.5	
- 9.85% Government of India Stock 2015 of face value of Rs.900,000,000	1,255.1	
- 10.25% Government of India Stock 2021 of face value of Rs.1,150,000,000	1,527.4	
- 11.43% Government of India Stock 2015 of face value of Rs.200,000,000	290.5	
	<u>6,285.5</u>	
Less: Amortisation of Premium / Discount on acquisition	163.5	
		6,122.0
In Fully Paid Equity Shares :		
Trade :		
Quoted :		
14,831,976 Shares of Rs.10 each in Bajaj Auto Finance Limited		<u>3,593.0</u>
Carried over		<u>9,715.0</u>

Schedule 5 - Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
Brought over			9,715.0
In Subsidiary Company :			
Unquoted :			
111,524,660	Shares of Rs.10 each in Bajaj Allianz Life Insurance Co Limited	1,115.2	
81,568,165	Shares of Rs.10 each in Bajaj Allianz General Insurance Co Limited	815.7	
1,200,000	Shares of Rs.10 each in Bajaj Allianz Financial Distributors Limited	12.0	
			1,942.9
In Debentures:			
Fully Paid:			
Other :			
Quoted:			
50	6.50% Secured Redeemable Non Convertible Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Hindalco Industries Limited - Series 2004 (I)	49.6	
10	7.45% Redeemable Non Convertible Bonds in the nature of Debentures of Rs.10,000,000 each of LIC Housing Finance Limited - Option III	100.0	
5	12.75% Secured Redeemable Non Convertible Debentures of Rs.10,000,000 each of Reliance Industries Limited - balance Non Convertible portion of Rs.8,000,000 each after second redemption	42.4	
100	5.78% Non Convertible Debentures of Rs.1,000,000 each of Ultra Tech Cement Limited.	99.4	
		291.4	
Less: Amortisation of Premium / Discount on acquisition		7.3	
			284.1
Carried over			11,942.0

Schedule 5 - Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
Brought over			11,942.0
In Bonds:			
Fully Paid:			
Other :			
Quoted:			
5	6.40% Unsecured Non Convertible Redeemable Bonds of Rs.10,000,000 each of Export Import Bank of India	50.4	
100	6.20% Omni Bonds of Rs.1,000,000 each of Industrial Development Bank of India Limited	98.9	
100	7.45% Unsecured Redeemable Non Convertible Subordinated Bonds of Rs.500,000 each of Indian Overseas Bank - Series IV	50.0	
150	6.20% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited -2018 - Series 46AA, to 46EE	140.5	
50	6.98% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited - 2013 - Series 44AA to 44 JJ	50.0	
100	8.69% Tax Free Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited	100.1	
27	7.60% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Konkan Railway Corporation Limited	28.3	
100	10.00% Capital Gain Bonds of Rs.1,000,000 each of National Bank for Agriculture and Rural Development	100.0	
250	8.49% Unsecured, Redeemable, Non-Convertible, Non-cumulative, Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited - Series XXX (2011)	250.3	
50	9.40% Unsecured, Redeemable, Non-Convertible, Non-cumulative, Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited	50.0	
	Carried over	918.5	
	Carried over		11,942.0

Schedule 5 - Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
			11,942.0
Brought over			
In Bonds: (Contd.)			
Fully Paid: (Contd.)			
Other : (Contd.)			
Quoted: (Contd.)			
Brought over		918.5	
50	9.80% Unsecured, Redeemable, Non-Convertible, Non-cumulative, Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited	50.4	
100	6.90% Unsecured Redeemable Non Convertible Subordinated Bonds (Series V) of Rs.1,000,000 each of Union Bank of India.	100.2	
		1,069.1	
Add: Amortisation of Premium / Discount on acquisition		7.3	
			1,076.4
In Mutual Fund Units:			
Quoted:			
138,194.999	Units of Rs.10 each of Standard Chartered Liquidity Manager - Plus - Growth	160.0	
17,157,522.000	Units of Rs.10 each of UTI Fixed Income interval Fund - Quarterly Series -Inst.Dividend Plan.	171.6	
9,997,300.729	Units of Rs.10 each of Sundaram Mutual Fund - Fixed maturity Plan - 3 Months	100.0	
7,000,000.000	Units of Rs.10 each of ABN Amro Fixed Term Plan Series 11 Plan A- Institutional Growth - One Year	70.0	
17,850,000.000	Units of Rs.10 each of ABN Amro Fixed Term Plan Series 10 Plan A- Institutional Growth - One Year	178.5	
			680.1
Current Investments :			
In Certificate of Deposit :			
Quoted:			
1,000	Certificate of Deposit of Rs.100,000 each of Canara Bank --22.09.2008	95.3	
1,000	Certificate of Deposit of Rs.100,000 each of IDBI Limited - 20.12.2008	93.5	
		188.8	
Add: Amortisation of Premium / Discount on acquisition		0.2	
			189.0
Carried over			13,887.5

Schedule 5 - Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31st March, 2008
		Rs. In Million
Brought over		13,887.5
In Warrants		
Unquoted:		
2,178,490	Warrants of Rs.48/- each of Bajaj Auto Finance Limited	104.6
		13,992.1
Less:	Provision for diminution in value of Investments	722.5
		13,269.6
Application Money for Investment in Shares, Bonds & Mutual Fund Units		200.0
		13,469.6

	Book Value as at 31st March, 2008 Rs. In Million	Market Value as at 31st March, 2008 Rs. In Million
Quoted	11,222.1	12,595.2 *
Unquoted	2,047.5	
	13,269.6	

Schedule 5 - Investments, at Cost (Unless otherwise stated) (Contd.)

Notes to Investment Schedule :

1 The following investments were purchased and sold during the year

(a) Mutual Funds :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
DWS Insta Cash Plus Fund Super Institutional Plan G	14,775,339	151.1	151.1
DWS Quarterly Interval Fund Series 1	14,503,249	151.1	154.6
Standard Chartered Mutual Fund under Liquidity Manager Fund - Growth Plus	1,123,895	1,300.0	1,300.3
UTI Liquid Cash Plan Institutional - Growth Option	53,404	67.0	67.0
UTI Fixed Income Interval Fund Quarterly Plan	6,701,988	67.0	71.6

(b) Certificate of Deposits :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
UCO Bank - 12.07.2007	2,500	249.3	250.0

(c) Bonds :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
National Bank for Agriculture and Rural Development	200	202.8	211.4
Power Finance Corporation Ltd.	50	50.4	53.1

2* Quoted Investments for which quotations are not available have been included in market value at the face value / paid up value, whichever is lower, except in case of Debentures, Bonds and Government Securities, where the Net Present Value at current Yield to Maturity have been considered.

3 See Note '6' in Schedule '10' to the Accounts.

Schedule 6 - Current Assets, Loans and Advances

	As at 31st March, 2008		
	Rs. In Million	Rs. In Million	Rs. In Million
(a) Cash and Bank Balances			
Cash on hand		—	
		—	—
Bank Balances :			
With Scheduled Banks:			
In current account		0.3	
		—	0.3
(b) Other Current Assets, good			
(Unless otherwise stated)			
Voluntary Emission Reduction receivable		77.0	
Credit receivable for Windpower generated		33.2	
		—	110.2
			110.5
(c) Loans and Advances, unsecured, good			
(Unless otherwise stated)			
Advances Recoverable in Cash or in kind or for value to be received:			
Due from Subsidiaries			
@ Others, Good	460.1		
Doubtful	—		
Less: Provision	—		
	—		
	—		
		460.1	
Tax paid in Advance		345.4	
		—	805.5
Total			916.0

@ Includes amount due from an Officer of the Company Rs. Nil

Maximum balance outstanding during the year Rs. Nil

Includes Rs. 458.7 million due from Bajaj Auto Ltd. and Bajaj Holdings and Investment Ltd. being net result of business carried on in trust

Schedule 7 - Current Liabilities and Provisions

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
(a) Liabilities		
Sundry Creditors:		
Other than dues to Micro and Small Enterprises (See Note No.9)		7.8
Investor Education Protection Fund		—
Deposits received		11.8
		19.6
(b) Provisions		
Provision for Employee Benefits [See note 11]	3.9	
Provision for Taxation	298.7	
Proposed Dividend	144.7	
Provision for Corporate Dividend Tax on Proposed Dividend	24.6	
		471.9
Total		491.5

Schedule 8 - Other Income

	Rs. In Million	Rs. In Million	Rs. In Million
A. Income from Operations			
Wind Farm business:			
Income from power generation		270.7	
Voluntary emission reduction credits		77.0	
			347.7
Investments Activity:			
Dividends			
From Trade Investments	—		
Other	40.8		
		40.8	
Interest [Gross-Tax Deducted Rs. 32.6 million]			
On Government Securities	427.2		
On Debentures and Bonds	149.1		
Other	8.1		
	584.4		
Less: Amortisation of premium / discount on acquisition of fixed income securities	10.4		
		574.0	
Profit on Sale of Investments, net *		76.7	
Surplus on redemption of Securities *		0.5	
			692.0
			1,039.7
B. Other Income			
Lease Rent (Rs. 3,000)		—	
Rent		11.8	
Miscellaneous Receipts		4.2	
Provisions no longer required		8.0	
			24.0
Total			1,063.7

* Including on Current Investments Rs. 0.7 million

Schedule 9 - Other Expenses

	Rs. In Million	Rs. In Million
Repairs		
Buildings and Roads	0.7	
Windmill	73.2	
Other	0.1	
		74.0
Employees' Emoluments		
Salaries,wages,bonus etc.	17.4	
Contribution to Provident and other funds and schemes	2.8	
Welfare expenses	0.4	
		20.6
Rates and taxes		1.6
Insurance		3.8
Auditors' Remuneration		
Audit Fees	0.5	
Audit Fees in connection with the Information memorandum filed with Stock Exchnages	0.5	
Certification		
Other capacity		
Out of Pocket expenses		1.0
Directors' fees and travelling expenses		0.1
Miscellaneous expenses		8.4
Loss on assets sold,demolished,discarded and scrapped		0.4
Preliminary expenses written off		6.9
Total		116.8

Schedule 10- Notes forming part of financial statements

1. A. Background:

The Company was incorporated on 30th April 2007 with the object of carrying out financing and financial services under the name Bajaj Finserv Ltd. Under a scheme of arrangement under section 391 to 394 of the Companies Act 1956 between the company and erstwhile Bajaj Auto Ltd., the “Strategic Business Undertaking” of erstwhile Bajaj Auto Limited vested with the company retrospectively from 1st April 2007 (“the appointed date”).

The Strategic Business Undertaking comprises of the Wind farm business, the interests in the Life and General Insurance Business carried on through its subsidiary companies viz. Bajaj Allianz Life Insurance Co. Ltd. and Bajaj Allianz General insurance Company Ltd. and the interests in the retail consumer finance and financial products distribution business conducted by Bajaj Auto Finance Ltd. and Bajaj Allianz Financial Distributors Limited, respectively, as also all the assets(whether moveable or immoveable, tangible or intangible, real or personal, corporeal or incorporeal, present, future or contingent) and liabilities, which relate thereto or are necessary therefore, including specifically items set out in detail in the scheme of arrangement.

The said Scheme became effective from 20th February 2008 (“Effective Date”) upon which,

- i) The Business of the “Strategic Business Undertaking” together with all related Assets and Liabilities, including those specifically listed in the scheme were deemed to have been vested and transferred with the company with retrospective effect from 1st April 2007.
- ii) The Business of the Strategic Business Undertaking was deemed to have been carried out by erstwhile Bajaj Auto Limited, in trust for the company upto the effective date.
- iii) The said transfer and vesting of the business and its assets were deemed to be on a going concern Basis.
- iv) The accounting treatment and recognition of the above is to be as specified in Part V of the scheme.

Accordingly, these financial statements incorporate the result of the activities carried out by the erstwhile Bajaj Auto Ltd. in trust for the company from 1st April 2007 to 20th February 2008.

Schedule 10 - Notes forming part of financial statements (Contd.)

The details of the Assets and Liabilities relating to the Strategic business undertaking vesting with the company with effect from 1st April 2007, the appointed date are as follows:

Particulars	Strategic Business Undertaking	
	Rs. In Million	Rs. In Million
ASSETS:		
Fixed Assets		
Gross Block	3024.8	
Accumulated Depreciation	1825.7	
Net Block	1199.1	
Capital work in Progress	—	
Total Fixed Assets		1,199.1
Technical Know-how		—
Investments		
in fixed income Securities	8,752.9	
in subsidiaries, associates, joint ventures and others	5,072.3	
		13,825.2
Current Assets, Loans and Advances		
a) Inventories	—	
b) Sundry Debtors	—	
c) Cash & Bank Balances	—	
d) Other Current Assets	25.5	
c) Loans & Advances	4.9	
	30.4	
Current Liabilities and Provisions		
a) Current Liabilities	14.3	
b) Provisions	1.7	
	16.0	
Net working Capital		14.4
Total Assets		15,038.7
LOANS		
Secured Loans	—	
Unsecured Loans	2,900.4	
	2,900.4	
DEFERRED TAX LIABILITY (Net)	308.0	
		3,208.4
Net Worth		11,830.3
REPRESENTED BY:		
Equity Share Capital , to be allotted, to the shareholders of erstwhile Bajaj Auto Limited as at the record date		505.9
General Reserve		11,324.4
Net Worth		11,830.3

B. As the scheme became effective only on 20th February, 2008 the titles to the Assets vested and arising out of business conducted thereafter, could not, where necessary, be transferred, as at 31st March 2008. Hence, the same are being held, in trust, by Bajaj Holdings & Investment Limited.

Schedule 10- Notes forming part of financial statements (Contd.)

2. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.

3. This being the first financial year since incorporation, no statement of cash flows has been drawn up under the indirect method adopted by the company.

As at
31st March 2008

Rs. In Million

4. A. Contingent Liability, not provided for:

Claims against the company not acknowledged as debts 50.4

B. The company is prima facie a "Non Banking Finance Company" (NBFC). However, being the first financial year of the company, the process with regard to the registration of the company as a NBFC would be commenced after the first audited accounts are adopted by the shareholders at the ensuing annual general meeting. This is also as per legal opinion received by the company.

5. Details of Installed Capacity, Production / Generation and Turnover

Wind Power Generation			
Installed Capacity (*) –	Mega Watts	:	65.2
Generated, during the year –	Units	:	91,172,520
Sold, during the year –		:	Rs. 270.7 million

(*) As certified by the management and being a technical matter, accepted by the Auditors as correct.

6. Investments:

a. Investments transferred to and vested with the company, consequent to the demerger of erstwhile Bajaj Auto Ltd. under the scheme of arrangement discussed in Note No. 1 above, were recognised on 1st April 2007 at their fair market values, where the carrying cost was higher. Fair Market values have been determined with reference to the yield prevailing in the market for similar types of securities as at 1st April 2007. The resulting diminution (net of Deferred Tax - Rs. 245.9 million) amounting to Rs. 506.8 million, as per the method of accounting specified in the said scheme, is provided for by way of a debit / charge to the General Reserve.

b. Investments made by the Company other than those with a maturity of less than one year, being of long-term nature, diminution in the value of quoted Investments are not considered to be of a permanent nature. However, on an assessment of the non-performing investments (quoted and unquoted) as per guidelines adopted by the Company during the period ended 31st March 2008 the management has not determined any further provisions for possible diminution / losses.

7. The windfarm business transferred and vested with the company w.e.f. 1st April 2007, generated power during the year ended 31st March 2008 which has been consumed / utilised by the manufacturing undertaking transferred and vested with Bajaj Auto Ltd. Accordingly, 90% of the estimated value of benefit to be received from Bajaj Auto Ltd. is recognised as Income in the profit and loss account under an arrangement which is pending formalisation of terms and conditions between the two parties.

8. The Sales tax deferral benefit available to the company as a wind power generator was and continues to be availed by the manufacturing undertaking vested with Bajaj Auto Ltd. The amount of liability deferred by the latter has been passed on to the company, under an arrangement, and recognised as a liability as the ultimate obligation would devolve on the company. This arrangement remains to be formalised, pending finalisation of terms and conditions between the two parties.

Schedule 10- Notes forming part of financial statements (Contd.)

9. In absence of any information on requests to the vendors with regards to their registration (filing of Memorandum) under "The Micro, Small and Medium Enterprises Development Act, 2006. (27 of 2006)" and in view of the terms of payments not exceeding 45 days, no liability exists at the close of the year and hence no disclosures have been made in this regard.

10. Deferred Tax adjustments recognised in the financial statements are as under:

(Rs. In Million)				
Particulars	Balance assigned on demerger As at 1st April, 2007	Arising against adjustments to General Reserve, on accounting treatment specified in the Scheme	Arising during the period ended 31st March 2008	Balance carried As at 31st March, 2008
Deferred Tax Liabilities:				
On account of timing difference in				
a) Depreciation and Amortisation	364.3	—	(97.6)	266.7
Total	364.3	—	(97.6)	266.7
Deferred Tax Assets:				
On account of timing difference in				
a) Provision for bad and doubtful debts, DEPB, ICDs etc.	1.2	—	(1.2)	—
b) Provision for privilege leave etc.	0.5	—	0.2	0.7
c) Taxes, duties etc	—	—	0.1	0.1
d) Amortisation of premium / discount on acquisition of fixed income securities	54.0	—	1.5	55.5
e) Adjustments on account of gratuity provisions	0.6	—	0.3	0.9
f) Transitional provision for diminution in value of investments	—	245.9	(10.2)	235.7
Total	56.3	245.9	(9.3)	292.9
Net	(308.0)	(245.9)	(88.3)	(26.2)

Schedule 10- Notes forming part of financial statements (Contd.)

11. Liability for Employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder.

(Rs. In Million)		
Amount To Be Recognized in Balance Sheet	As at 31 March 2008	
	Gratuity	Compensated Absences
Present Value of Funded Obligations	5.5	—
Present Value of Unfunded Obligations	—	1.4
Fair Value of Plan Assets (managed by insurer)	(3.0)	—
Net Liability	2.5	1.4
Amounts in Balance Sheet		
Liability	2.5	1.4
Assets	—	—
Net Liability	2.5	1.4

Expense To Be Recognized in the Statement of P&L		
Current Service Cost	0.2	
Interest on Defined Benefit Obligation	0.2	
Expected Return on Plan Assets	(0.1)	
Net Actuarial Losses / (Gains) Recognised in Year	0.9	
Total, Included in "Employee Benefit Expense"	1.2	0.3
Actual Return on Plan Assets	(0.2)	

Reconciliation of Benefit Obligations & Plan Assets For the Period		
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	4.5	
Current Service Cost	0.2	
Interest Cost	0.2	
Actuarial Losses / (Gains)	0.6	
Closing Defined Benefit Obligation	5.5	
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	2.7	
Expected Return on Plan Assets	0.1	
Actuarial Gains / (Losses)	(0.3)	
Contributions by Employer	0.5	
Closing Fair Value of Plan Assets	3.0	

Principal Actuarial Assumptions (Expressed as Weighted Averages)			(Rs. In Million)
	Gratuity	Compensated Absences	
Discount Rate (p.a.)	7.65%	7.65%	
Expected Rate of Return on Assets (p.a.)	7.50%		
Salary Escalation Rate (p.a.) - Senior Staff	7.00%	7.00%	
Salary Escalation Rate (p.a.) - Junior Staff	6.00%	6.00%	

Schedule 10- Notes forming part of financial statements (Contd.)

12. Future minimum lease rental in respect of assets

(i) given on operating lease in the form of office premises after April 1, 2001

Minimum future lease payments as on March 31, 2008:

(a) Receivable within one year - Rs. Nil

(b) Receivable between one year and five years - Rs. Nil

(c) Receivable after five years - Rs. Nil

(ii) taken on operating lease in the form of office premises after April 1, 2001

Minimum future lease payments as on March 31, 2008:

(a) Payable within one year- Rs. Nil

(b) Payable between one year and five years - Rs. Nil

(c) Payable after five years - Rs. Nil

13. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the Company.

14. Segment Information based on the Consolidated Financial Statements attached to the Independent Financial Statements has been disclosed in the Statement annexed to this Schedule.

15. Amounts less than Rs. 50,000 have been shown at actuals against respective line items statutorily required to be disclosed.

16. This being the first financial year of the company, previous years figures have not been disclosed.

Signature to Schedules "1" to "10"

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Pune: 21 May 2008

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur Bajaj
Rajiv Bajaj
D. J. Balaji Rao
S. H. Khan

Chairman
Vice Chairman
Managing Director

} Directors

Annexure referred to in Note No.2 in Schedule 10 to the financial statements

Statement of Significant Accounting Policies

1) System of Accounting

- i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
- ii) Financial Statements are prepared under the Historical cost convention. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) Estimates and Assumptions used in the preparation of the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements, which may differ from the actual results at a subsequent date.

2) Revenue recognition:

Income:

The Company recognises income on accrual basis. However where the ultimate collection of the same lacks reasonable certainty, revenue recognition is postponed to the extent of uncertainty.

- (1) Interest income is accrued over the period of the loan / investment and net of amortisation of premium / discount with respect to fixed income securities thereby recognising the implicit yield to maturity.
- (2) Dividend is accrued in the year in which it is declared whereby a right to receive is established.
- (3) Profit / loss on sale of investments is recognised on the contract date.

3) Fixed Assets and Depreciation

(A) Fixed Assets:

Fixed Assets except freehold land are carried at cost of acquisition or construction or at manufacturing cost including pre-operative expenses, less accumulated depreciation and amortisation.

(B) Depreciation and Amortisation:

(a) Leasehold land:

Premium on leasehold land is amortised over the period of lease.

(b) On other Fixed Assets

Depreciation on all assets is provided on 'Straight Line basis' in accordance with the provisions of Section 205 (2) (b) of the Companies Act 1956, in the manner and at the rates specified in Schedule XIV to the said Act.

- i. Depreciation on additions is being provided on prorata basis from the month of such additions.
- ii. Depreciation on assets sold, discarded or demolished during the year is being provided at their rates upto the month in which such assets are sold, discarded or demolished.

4) Investments

- a) Fixed income securities transferred to and vested with the company consequent to the demerger of erstwhile bajaj auto ltd. discussed in Note No. 1 above, are carried at their fair market values as at 1st April 2007 where the carrying costs was higher on that date, less amortisation of premium / discount thereafter, as the case may be. (Refer Note No. 6 in Schedule 10)
- b) Other Fixed income securities are carried at cost, less amortisation of premium / discount, as the case may be, and provision for diminution, if any, as considered necessary.

Annexure referred to in Note No.2 in Schedule 10 to the financial statements (Contd.)

- c) Investments other than fixed income securities are valued at cost of acquisition, less provision for diminution as necessary.
- d) Investments made by the Company are of a long-term nature, hence diminutions in value of quoted Investments are generally not considered to be of a permanent nature. However, current investments representing fixed income securities with a maturity less than 1 year are stated at cost adjusted for amortisation and diminution as considered necessary.
- e) The management has laid out guidelines for the purpose of assessing likely impairments in investments and for making provisions based on given criteria. Appropriate provisions are accordingly made, which in the opinion of the management are considered adequate.

5) Employee Benefits

a) Privilege Leave entitlements

Privilege leave entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the company. As accumulated leave can be availed and / or encashed at any time during the tenure of employment the liability is recognised at the actuarially determined value by an Appointed Actuary.

b) Gratuity

Payment for present liability of future payment of gratuity is being made to approved Gratuity Fund, which fully covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India. However, any deficit in Plan Assets managed by LIC as compared to the actuarial liability is recognised as a liability immediately.

c) Superannuation

Defined Contribution to Superannuation fund is being made as per the Scheme of the Company.

d) Provident Fund Contributions are made to Company's Provident Fund Trust. Deficits, if any, of the fund as compared to aggregate liability is additionally contributed by the company and recognised as an expense.

e) Defined Contribution to Employees Pension Scheme 1995 is made to Government Provident Fund Authority.

6) Taxation

- a) Provision for Taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with the Income Tax Act, 1961.
- b) Deferred Tax resulting from timing difference between book profits and taxable profits are accounted for to the extent deferred tax liabilities are expected to crystallise with reasonable certainty. However, in case of deferred tax assets (representing unabsorbed depreciation or carried forward losses) are recognised, if and only if there is virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised. Deferred tax is recognised on adjustments to revenue reserves to the extent the adjustments are allowable as deductions in determination of taxable income and they would reverse out in future periods.

7) Provisions

Necessary provisions are made for present obligations that arise out of events prior to the balance sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value Rs. In Million	Outstanding amounts carried in the Balance Sheet Rs. In Million
[a] Subsidiaries:			
Bajaj Allianz General Insurance Co. Ltd. (74 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity (81,568,165 shares of Rs. 10 each)	0.7	815.7
	Rent received	12.0	—
	Deposit received	—	11.8
Bajaj Allianz Life Insurance Co. Ltd. (74 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity (111,524,660 shares of Rs. 10 each)	2.5	1,115.2
	Services rendered	4.2	—
[b] Associates, Joint Ventures and investing parties:			
Bajaj Holdings & Investment Ltd. [BHIL] (Enterprise controlling Bajaj Finserv Limited)	Contribution made to Equity by BHIL [43,500,000 shares of Rs. 5 each]	217.5	217.5
	Preliminary expenses incurred by Bajaj Holdings & Investment Ltd.	5.4	—
	Transfer of Income from BHIL	0.2	268.7
Bajaj Auto Finance Ltd. (40.53 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity [14,831,976 shares of Rs. 10 each]	511.7	3,593.0
	Contribution to Debentures [2,178,490 Debentures of Rs. 500 each]	(1,089.2)	—
	Contribution to Warrants (2,178,490 warrants of Rs.48/- each)	104.6	104.6
	Warrants conversion (1,247,940 warrants of Rs.410 each) Rs.41 paid up.	(51.2)	—
	Dividend received	40.8	—
Bajaj Allianz Financial Distributors Ltd. (50 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity [1,200,000 shares of Rs. 10 each]	—	12.0
Allianz SE	Nil	—	—

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18 (Contd.)

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
[c] Directors & Relatives:			
Mr. Rahul Bajaj - Chairman	Sitting Fees (Rs. 20,000)	—	—
Mr. Madhur Bajaj - Non-executive Director	Sitting Fees (Rs. 20,000)	—	—
Mr. Rajiv Bajaj - Non-executive Director	Sitting Fees (Rs. 20,000)	—	—
Mr. Sanjiv Bajaj - Managing Director (Also key management personnel)	Nil	—	—
Mr. Manish Kejriwal - Non-executive Director	Nil	—	—
[d] Key Management Personnel:	Nil	—	—
[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:	Nil	—	—

Following is the list of related parties coming under (e) above, with whom Bajaj Finserv Ltd. does not have any transactions during the period 2007-08.

Anant Trading Co.
Bachhraj & Co. Pvt. Ltd.
Bachhraj Factories Pvt. Ltd.
Bachhraj Trading Co.
Bajaj Electricals Ltd.
Bajaj Hindusthan Ltd.
Bajaj International Pvt. Ltd.
Bajaj Sevashram Pvt. Ltd.
Bajaj Trading Co.

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18 (Contd.)

Following is the list of related parties coming under (e) above, with whom Bajaj Finserv Ltd. does not have any transactions during the period 2007-08. (Contd.)

Bajaj Ventures Ltd.

Baroda Industries Pvt. Ltd.

Catalyst Finance Ltd.

Conquest Investments & Finance Ltd.

Econium Investments & Finance Ltd.

Fusion Investments & Financial Services Ltd.

Hercules Hoists Ltd.

Hind Musafir Agency Ltd.

Hospet Steels Ltd.

Jamnalal Sons Pvt. Ltd.

Kamalnayan Investments & Trading Pvt. Ltd.

Lineage Investments Ltd.

Madhur Securities Pvt. Ltd.

Mukand Engineers Ltd.

Mukand International Ltd.

Mukand Ltd.

Niraj Holdings Pvt. Ltd.

Primus Investments & Finance Ltd.

Rahul Securities Pvt. Ltd.

Rishabh Trading Co.

Shekhar Holdings Pvt. Ltd.

Shishir Holdings Pvt. Ltd.

Segment wise Revenue, Results and Capital employed for the period ended March 31, 2008

Primary Segment : Business Segment

	Insurance *	Windmill	Retail Financing	Investments & Others	Consolidated
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Revenue					
External Sales and Other Income	121,223.5	347.7	—	682.5	122,253.7
Inter segment Sales and Other Income	—	—	—	—	—
Total Revenue	121,223.5	347.7	—	682.5	122,253.7
Segment Result	(459.8)	(26.5)	82.5	628.1	224.3
Interest Expense	—	—	—	—	—
Income Taxes	—	—	—	—	833.3
Net Profit	(459.8)	(26.5)	82.5	628.1	(609.0)
Segment Assets	167,254.5	942.3	4,327.0	8,569.7	181,093.5
Unallocated Corporate Assets	—	—	—	—	345.4
Total Assets	167,254.5	942.3	4,327.0	8,569.7	181,438.9
Segment Liabilities	154,524.5	—	—	16.5	154,541.0
Unallocated Corporate Liabilities	—	—	—	—	468.0
Total Liabilities	154,524.5	—	—	16.5	155,009.0
Capital Employed	12,730.0	942.3	4,327.0	8,553.2	26,429.9
Capital Expenditure	1,069.2	—	—	96.8	1,166.0
Depreciation	—	294.0	—	3.0	297.0
Non Cash Expenses other than Depreciation	—	—	—	—	—

* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business revenue accounts together with shareholders income in accordance with the reporting framework of IRDA amounting to a net deficit of Rs. 409.4 million for the year ended March 31, 2008 has been included in a manner consistent with the parent's reporting format.

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Insurance, Windmill, Retail Financing and Investments & others have been identified as the business segments.

All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

Statement showing particulars as prescribed in the amendment to Schedule VI to the Companies Act, 1956 vide Notification No.G.S.R.388 (E) dated 15 May 1995:

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (PART IV)

I REGISTRATION DETAILS		
Registration No.		U65923PN2007PLC130075
State Code		25
Balance Sheet date		31st March,2008
II CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH,2008		Rupees in Thousands
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement		—
Others		723,418
		<u>723,418</u>
III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st March,2008		
Total liabilities		14,918,956
Total assets		14,918,956
SOURCES OF FUNDS:		
Paid-up capital		723,418
Reserves and surplus		11,087,918
Secured loans		—
Unsecured loans		3,107,620
		<u>14,918,956</u>
APPLICATION OF FUNDS:		
Net Fixed Assets		998,500
Investments		13,469,637
Net Current Assets		424,629
Deferred Tax Adjustments		26,190
		<u>14,918,956</u>
IV PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31st March,2008		Rupees in Thousands
i) Turnover (sale of products and other income)		1,063,696
ii) Total Expenditure		413,790
iii) Profit before tax and extraordinary items		649,906
iv) Profit after tax		439,564
v) Expenses for earlier years		—
vi) Net Profit		439,564
vii) Earning per share Rs.(See Note 2)(Face Value Rs.5/-)		3.1
viii) Dividend Rate (%)		20%
V PRODUCTS OF THE COMPANY		
Item Code No.:		
(ITC Code)----->		Not applicable
Product Description:		Financial services and windpower
Notes:		
1.	The above particulars should be read along with the balance sheet as at 31st March, 2008, the profit and loss account for the year ended on that date and the schedules forming part thereof.	
2.	Earning per share is arrived at by dividing the Net Profit by weighted average number of shares.	

	Rahul Bajaj	Chairman
	Nanoo Pamnani	Vice Chairman
	Sanjiv Bajaj	Managing Director
	Madhur Bajaj	} Directors
	Rajiv Bajaj	
	D. J. Balaji Rao	
	S. H. Khan	
Pune: 21 May 2008	Sonal R. Tiwari	
	Company Secretary	

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

1 Name of the Subsidiary	Bajaj Allianz General Insurance Co.Ltd.	Bajaj Allianz Life Insurance Co.Ltd.
2 Financial year of the Subsidiary ended on	31st March,2008	31st March,2008
3 Holding Company's interest : Equity Share Capital	74%	74%
4 Profit or Loss for the current financial year so far as concern the Members of the Holding Company, not dealt with or provided for in the Accounts of the holding company	Profit Rs. 781.6 million	Loss Rs. 1,582.8 million
5 Net aggregate Profits or Losses for the previous financial years since becoming subsidiary so far as concern the Members of the Holding Company,not dealt with or provided for in the Accounts of the Holding Company	Profit Rs. 1,441.9 million	Loss Rs. 2,042.5 million
6 Net aggregate amounts received as dividends for previous financial years since becoming subsidiary dealt with in the accounts of the Holding Company in relevent years	Nil	Nil

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Pune: 21 May 2008

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur Bajaj
Rajiv Bajaj
D. J. Balaji Rao
S. H. Khan

Chairman
Vice Chairman
Managing Director

} Directors

Report of the Auditors on the Consolidated Financial Statements.

To the Board of Directors
Bajaj Finserv Limited

We have examined the attached Consolidated Balance Sheet of Bajaj Finserv Ltd. and its Subsidiaries, Associate and Joint Venture as at 31st March 2008, and the Consolidated Profit and Loss account for the year then ended.

These financial statements are the responsibility of Bajaj Finserv Limited's management.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 management, as well as evaluating the overall financial statement. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of Bajaj Allianz Life Insurance Company Limited, a subsidiary, whose financial statements for the year ended 31st March, 2008 reflect total assets of Rs. 136,287 million and the total revenues for the year of Rs. 795 million, have been audited by two independent firm of Chartered Accountants.

Our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based on their report.

Also, the financial statements of Bajaj Allianz General Insurance Company Limited, a subsidiary, whose financial statements for the year ended 31st March, 2008 reflects total assets of Rs. 5,747.80 million and the total revenues for the year of Rs. 1,715 million, have been audited by us and an independent firm of Chartered Accountants.

We have audited the Financial Statements of Bajaj Auto Finance Limited, an Associate company, which have been accounted in the Consolidated Financial Statements dealt with by this report, whose financial statements for the year ended 31st March, 2008 reflect total assets of Rs. 27,311.7 million and revenues of Rs. 5,027.5 million.

The financial statements of Bajaj Allianz Financial Distributors Limited for the period 16th March, 2007 to 31st March, 2008, a Joint Venture Company, which have been consolidated for the first time, which reflect total assets of Rs. 24 million and revenues of Rs. 14.77 million, have been audited by an independent firm of Chartered Accountants. Our opinion, in so far as it relates to the amount included in respect of this joint venture is based on their report.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards issued by the Institute of Chartered Accountants of India viz. Accounting

Report of the Auditors on the Consolidated Financial Statements. (Contd.)

Standard (AS) 21, Consolidated Financial Statements, (AS) 23 Accounting For Investments in Associates in Consolidated Financial Statements and (AS) 27 Financial Reporting of Interest in Joint Ventures, the Accounting Standard Interpretations and amendments issued thereto, to the extent applicable for the year ended 31st March 2008 and on the basis of the separate audited statements of Bajaj Finserv Limited, it's subsidiaries, associate and joint venture included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Bajaj Finserv Ltd. and it's aforesaid subsidiaries, associate and joint venture:

- a) The Consolidated Balance sheet read together with notes thereon, gives a true and fair view of the consolidated state

of affairs of Bajaj Finserv Ltd. and it's subsidiaries, associate and joint venture as at 31st March 2008; and

- b) The Consolidated Profit & Loss account read together with notes thereon, gives a true and fair view of the consolidated results of operations of Bajaj Finserv Ltd. and it's subsidiaries, associate and joint venture for the year then ended.

For and on behalf of
Dalal & Shah
Chartered Accountants

Anish Amin
Partner

Place: Pune
Date: 21 May 2008.

Membership No. 40451

Consolidated Balance Sheet as at 31 March, 2008

	Schedule	Rs. In Million	Rs. In Million
I. Sources of funds :			
1. Shareholders' Funds			
a) Share Capital	1	723.4	
b) Reserves & Surplus	2	19,489.1	
Fair value change account		(18.6)	
			20,193.9
2. Policy Liabilities			10,728.5
3. Provision for Linked Liabilities			109,541.7
4. Funds for future appropriation in Policyholders' Account	3		3,909.8
5. Minority Interest			3,368.5
6. Loan Funds:			
a) Secured Loans		—	
b) Unsecured Loans	4	3,107.6	
			3,107.6
7. Deferred Tax liability (net)			—
	Total		150,850.0
II. Application of Funds :			
1. Fixed Assets:			
a) Gross Block		6,130.0	
b) Less: Depreciation		3,645.1	
c) Net Block	5	2,484.9	
d) Capital Work in progress, expenditure to date		602.6	
			3,087.5
2. Goodwill on investments in associates			158.6
3. Investments	6		42,295.9
4. Policyholders' Investments			14,687.0
5. Assets held to cover linked liabilities			109,541.7
6. Deferred Tax Assets (net)		191.4	
Share of deferred tax assets (net) of joint ventures		—	
			191.4
7. Current Assets, Loans and Advances :	7		
a) Sundry Debtors		1.3	
b) Cash and Bank Balances		6,490.5	
c) Other Current Assets		3,306.7	
d) Loans and Advances		1,869.7	
		11,668.2	
Less: Current Liabilities and Provisions :	8		
a) Liabilities		20,861.8	
b) Provisions		9,918.5	
		30,780.3	
Net Current Assets			(19,112.1)
	Total		150,850.0
Notes forming part of the Accounts	12		

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Pune: 21 May 2008

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur Bajaj
Rajiv Bajaj
D. J. Balaji Rao
S. H. Khan

Chairman
Vice Chairman
Managing Director

Directors

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

	Schedule	Rs. In Million	Rs. In Million
Income:			
Income from Operations	9 A	2,267.5	
Other Income	9 B	20.6	
Operating result from insurance business	10	1,251.9	
Amount transferred from the Policyholders' Account		32.6	
Contribution to the policyholder fund		(2,951.8)	
			620.8
Expenditure:			
Other Expenses	11	182.1	
Depreciation		297.0	
			479.1
Profit for the year before income from associates and taxation			141.8
Income from associates after tax			82.5
Profit before Provision for Taxation			224.3
Provision for Taxation [including Rs. 5 million for Wealth tax]			
Current tax		946.7	
Deferred tax		(148.9)	
Fringe Benefit Tax		35.5	
			833.3
Profit / (Loss) for the year			(609.0)
Minority Interest			(281.5)
Profits / (Losses) attributable to consolidated group			(327.5)
Transfer to General Reserve			—
Proposed Dividend			144.7
Corporate Dividend Tax thereon			24.6
Balance Carried to Balance Sheet			(496.8)
Notes forming part of the Accounts	12		
Basis and diluted Earnings Per Share (Rs.)			(2.3)
Nominal value per share (Rs.)			5
<u>Net Profit (Rs. In Million)</u>			<u>(327.5)</u>
Weighted average number of shares (In Million)			139.6

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Pune: 21 May 2008

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur Bajaj
Rajiv Bajaj
D. J. Balaji Rao
S. H. Khan

Chairman
Vice Chairman
Managing Director

} Directors

Schedules No 1-12 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the financial year ended 31st March, 2008

Schedule 1 - Share Capital

	As at 31st March, 2008
	Rs. In Million
Authorised:	
150,000,000 Equity Shares of Rs. 5 each	750.0
Issued,Subscribed and Paid up:	
* 144,683,510 Equity Shares of Rs. 5 each	723.4
Total	723.4

Notes

Includes:

- 43,500,000 Equity Shares of Rs. 5 each were issued, subscribed and allotted to erstwhile Bajaj Auto Ltd. and its nominees, now known as Bajaj Holdings & Investment Ltd.
- 101,183,510 Equity Shares of Rs. 5 each are deemed to be issued, subscribed and fully paid up in terms of the scheme of arrangement, detailed in Note No. 1 in Schedule 11 to the Stand alone Financial Statements, becoming operative from 20th February 2008 (Effective Date), since allotted on 3rd April 2008.

1,805,071 Equity Shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date i.e. 25th March 2008 , in terms of scheme of arrangement.

Schedule 2 - Reserves and Surplus

	Rs. In Million	Rs. In Million	As at 31st March, 2008 Rs. In Million
Share premium			
As per last account (Share of share premium of subsidiary)		4,793.1	
Received during the year		4,283.6	
			9,076.7
General Reserve:			
As computed in terms of the scheme of arrangement		10,730.2	
Add: Share of accumulated reserves of associate		692.3	
Less: Diminution in the value of Fixed Income securities, Net of deferred tax		506.8	
Less: Transitional adjustments on revision to valuation of employees benefits		6.5	
Less: Debit balance in profit and loss account			
Profit / (loss) for the year	(489.3)		
Share of profit / (loss) of joint ventures for the year	(7.5)		
		(496.8)	
Total			10,412.4
			19,489.1

Schedule 3 - Policyholders Account

	As at 31st March, 2008
	Rs. In Million
PREMIUMS EARNED -Net	
(a) Premium	97,253.1
(b) Reinsurance ceded	(132.7)
(c) Reinsurance accepted	
SUB-TOTAL	97,120.4
INCOME FROM INVESTMENT	
(a) Interest, Dividend & Rent - Gross	1,958.6
(b) Profit on sale / redemption of investments	9,000.9
(c) Loss on sale / redemption of investments	(1,552.6)
(d) Transfer / Gain on revaluation / change in fair value	(3,008.4)
(e) Other investment income	603.5
Other Income	117.6
Contribution from the Shareholders' Account	2,951.8
SUB-TOTAL	10,071.4
TOTAL(A)	107,191.8
COMMISSION	14,968.6
Operating Expenses related to Insurance Business	20,043.4
Provision for doubtful receivables	—
Provision for FBT	93.3
TOTAL(B)	35,105.3
BENEFITS PAID (Net)	8,514.0
Interim Bonuses Paid	2.7
Change in valuation of liability against life policies in force	
(a) Gross	3,916.2
(b) Fund Reserve	57,673.3
(c) Amount ceded in Reinsurance	—
(d) Amount accepted in Reinsurance	—
TOTAL(C)	70,106.2
SURPLUS / (DEFICIT) (D) = (A) - (B) - (C)	1,980.3
Opening balance of Funds for future appropriation	2,029.8
Less: Transitional adjustments on revision to Valuation of employees benefits	67.6
Less: Transfer to Shareholders' account	32.7
Closing balance of Funds for future appropriation	3,909.8

Schedule 4 - Unsecured Loans

		As at 31st March, 2008
		Rs. In Million
Sales tax deferral incentive / loan liability representing incentive attached to the Wind Farm business assigned to and availed by Bajaj Auto Ltd. passed on to the Company under an arrangement		3,107.6
Total		3,107.6

Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block
	As at 1st April, 2007	Additions	Deductions and Adjustments	As at 31st March, 2008	Upto 1st April, 2007	Deductions and Adjustments	For the Year	Upto 31st March, 2008	As at 31st March, 2008
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Land Freehold	78.2	—	—	78.2	—	—	—	—	78.2
Land Leasehold	227.6	94.6	—	322.2	117.9	—	59.4	177.3	144.9
Buildings (b)	376.8	171.7	—	548.5	35.7	—	10.0	45.7	502.8
Lease hold Improvements	142.3	51.1	3.1	190.3	85.9	2.9	39.2	122.2	68.1
Free hold Improvements	5.4	5.1	—	10.5	4.3	—	1.6	5.9	4.6
Information Technology Equipment	737.2	534.6	5.8	1,266.0	486.1	3.9	240.5	722.7	543.3
Intangibles- Computer Softwares	100.2	62.2	—	162.4	79.5	—	24.9	104.4	58.0
Office Equipment	185.6	106.9	2.8	289.7	102.5	2.2	45.1	145.4	144.3
Furniture, Fixtures, Office equipment etc	268.8	120.6	5.0	384.4	136.8	2.9	72.8	206.7	177.7
Electric Fittings	4.1	0.6	—	4.7	1.4	—	0.4	1.8	2.9
Vehicles & Aircraft	23.1	18.6	5.8	35.9	9.5	5.0	5.6	10.1	25.8
Wind Energy Generators	2,837.2	—	—	2,837.2	1,809.6	—	293.3	2,102.9	734.3
Total	4,986.5	1,166.0	22.5	6,130.0	2,869.2	16.9	792.8	3,645.1	2,484.9
Share of fixed assets of joint ventures	—	—	—	—	—	—	—	—	—

(a) Refer Para 3(A) & (B) of Statement on Significant Accounting Policies annexed to the Stand alone Accounts.

(b) Includes office premises given on lease Rs 82.5 million. Accumulated depreciation Rs 10.3 million. Depreciation for the year Rs 1.3 million.

Schedule 6 - Investments, at Cost (Unless otherwise stated)

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
In Government and Trust Securities		17,359.8
In fully Paid Preference Shares		—
In Equity Shares		
Long Term: Associate Company	4,168.4	
Others	497.7	
		4,666.1
In Debentures, Bonds and Secured Premium Notes		5,509.4
In Bonds		12,627.0
In Mutual Fund Units	1,072.2	
Share of joint ventures	1.8	
		1,074.0
In Certificate of Deposits		189.1
In Warrants		104.5
In Fixed Deposits with banks		1,079.9
In Investment Properties - Real Estate		107.7
TOTAL		42,717.5
Less: Provision for diminution in value of Investments		722.6
		41,994.9
Add: Application Money for investment in Shares and Bonds		301.0
		42,295.9

Schedule 7 - Current Assets, Loans and Advances

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
(a) Sundry Debtors (Share of joint venture)		
Outstanding for a period exceeding six months :	—	
Others, Good	1.3	
		1.3
(b) Cash and Bank Balances:		
Cash on hand [including cheques on hand Rs. Nil]	1,256.3	
Bank Balances:		
With scheduled banks :		
In current accounts	3,757.6	
Share of current bank accounts of joint ventures	2.8	
In fixed deposits	1,471.3	
Share of fixed deposits of joint ventures	2.5	
	5,234.2	
With Other Banks:	—	
		6,490.5
Carried over		6,491.8

Schedule 7 - Current Assets, Loans and Advances (Contd.)

	As at 31st March, 2008		
	Rs. In Million	Rs. In Million	Rs. In Million
Brought over			6,491.8
(c) Other Current Assets, good: (Unless otherwise stated)			
Dividend and Interest receivable on Investments			
Good		1,094.4	
Outstanding Premiums		524.8	
Voluntary Emission Reduction receivable		77.0	
Credit receivable for Windpower generated		33.2	
Agent's Balances	29.0		
Less: Provision for Doubtful Recoveries	5.7		
		23.3	
Dues from other entities carrying on insurance business	1,555.5		
Less: Provision for doubtful amounts	1.5		
		1,554.0	
			3,306.7
(d) Loans and Advances, unsecured, good : (Unless otherwise stated)			
Advances Recoverable in Cash or in kind or for value to be received:			
Due from Subsidiaries	—		
@ Others, Good	1,064.6		
Share of advances recoverable of joint ventures	0.3		
		1,064.9	
Sundry Deposits		108.3	
Share of Deposits of joint venture		0.5	
Deposits with ceding companies		13.6	
Deposit pursuant to Section 7 of Insurance Act, 1938		254.7	
Tax paid in Advance		427.6	
Share of taxes paid in advance of joint ventures		0.1	
			1,869.7
Total			11,668.2

@ Includes amount due from an Officer of the Company Rs. Nil

Maximum balance outstanding during the year Rs. Nil

Includes Rs. 458.7 million due from Bajaj Auto Ltd. and Bajaj Holdings and Investment Ltd. being net result of business carried on in trust

Schedule 8 - Current Liabilities and Provisions

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
(a) Liabilities:		
Sundry Creditors:		
Other than small scale industrial undertakings	7,919.7	
Share of other creditors of joint ventures	4.5	
		7,924.2
Temporary overdraft with bank as per books	409.9	
Agent's Balances	1,904.3	
Balances due to other insurance companies	383.8	
Premiums received in advance	558.0	
Unallocated Premiums	525.6	
Claims Outstanding	7,386.8	
Solatium Fund	29.4	
Premium & Other Deposits	1,739.8	
		12,937.6
		20,861.8
(b) Provisions:		
Provision for employee benefits	288.8	
Share of provision for employee benefits of joint ventures	0.3	
Provision for Taxation	303.1	
Share of provision for taxation of joint ventures	-	
Proposed Dividend	144.7	
Share of proposed dividend of joint ventures	-	
Corporate Dividend Tax thereon	24.6	
Reserve for unexpired risk	9,157.0	
Subtotal		9,918.5
Total		30,780.3

Schedule 9 - Other Income

	Rs. In Million	Rs. In Million	Rs. In Million
A. Income from operations			
Wind Farm business:			
Income from power generation		270.7	
Voluntary emission reduction credits		77.0	
			347.7
Investments Activity:			
Interest			
On Government Securities	427.2		
On Debentures and Bonds	149.1		
Other	1,108.3		
	1,684.6		
Less: Amortisation of premium / discount on acquisition of fixed income securities	2.8		
Less: Share of amortisation of premium / securities of joint venture	—		
		1,681.8	
Profit on Sale of Investments, net		230.7	
Share of Profit on Sale of Investments, net, of joint venture		0.2	
Surplus on redemption of securities		0.4	
			1,913.1
Share of Brokerage of joint venture			6.7
			2,267.5
B. Other Income			
Lease Rent (Rs. 3,000)		—	
Miscellaneous Receipts		12.6	
Provisions no longer required		8.0	
			20.6
			2,288.1

Schedule 10 - Revenue Account

		Rs. In Million
Premiums earned - (Net)	1	14,154.4
Profit / Loss on sale / redemption of Investments (Net)		377.1
Other Income - miscellaneous income		92.8
Provision no longer required written back		–
Amortisation of discount / (premium)		23.4
Exchange rate difference gain		–
Interest, Dividend & Rent-Gross		1,029.2
	2	1,522.5
	(1)+(2)	15,676.9
Claims incurred (Net)		9,457.0
Contribution to Solatium Fund		15.6
Commission		(187.6)
Change in Premium Deficiency		(38.7)
Operating Expenses related to Insurance Business		5,178.7
	(3)	14,425.0
OPERATING PROFIT / (LOSS) from Insurance Business	(1)+(2)-(3)	1,251.9
Balance carried to Profit and Loss Account		1,251.9

Schedule 11 - Other Expenses

	Rs. In Million	Rs. In Million
Share of sub-brokerage and fees of joint venture		3.9
Repairs:		
Buildings and Roads	0.7	
Windmill	73.2	
Other	0.1	
		74.0
Employees' Emoluments:		
Salaries,wages,bonus etc.	17.4	
Share of salaries, wages, bonus etc. of joint ventures	10.0	
Contribution to Provident and other funds and schemes	2.8	
Share of contribution to funds and schemes of joint ventures	0.4	
Welfare expenses	0.4	
		31.0
Share of rent of joint venture		0.3
Rates and taxes		1.6
Share of rates and taxes of joint ventures		0.1
Insurance		3.8
Auditors' Remuneration		1.0
Share of auditors' remuneration of joint ventures		0.1
Directors' fees and travelling expenses		0.1
Miscellaneous expenses		58.8
Share of miscellaneous expenses of joint ventures		0.1
Loss on assets sold,demolished,discarded and scrapped		0.4
Preliminary expenses written off		6.9
Total		182.1

Schedule 12 - Notes forming part of the Consolidated Accounts.

- 1 (a) The Consolidated Financial Statements include results of all the Subsidiaries, Associates and Joint Ventures of Bajaj Finserv Ltd.

Name of the Company	Country of incorporation	% Shareholding of Bajaj Finserv Ltd.	Consolidated as
Bajaj Allianz General Insurance Company Limited	India	74%	Subsidiary
Bajaj Allianz Life Insurance Company Limited	India	74%	Subsidiary
Bajaj Allianz Financial Distributors Limited	India	50%	Joint Venture
Bajaj Auto Finance Limited	India	40.53%	Associate

- (b) Considering that the accounts of the two Insurance companies have been prepared in accordance with and in the manner prescribed by the regulations of the Insurance Regulatory & Development Authority and the lack of homogeneity of the business, the financial statements of the insurance companies have been consolidated, to the extent possible in the format as adopted by the parent, as required by Accounting Standard AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
2. Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures.
3. No adjustments have been made to the financial statements of the two insurance subsidiaries on account of diverse accounting policies as the same, being insurance companies, have been prepared under a regulated environment in contrast to those of Bajaj Finserv Ltd. and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.
4. **Significant Accounting Policies followed by Subsidiaries, Joint Ventures and Associates, to the extent, different and unique from the parent. (The accounting policies of the parent are best viewed in its independent financial statements, Note no 2 of schedule 10).**

A) Bajaj Allianz Life Insurance Company Limited

Significant Accounting Policies followed by the Company

Basis of Preparation

The accompanying financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in compliance with the accounting standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable, and in accordance with the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations'), Insurance Regulatory and Development Authority Act, 1999, various circulars issued by IRDA and the Companies Act, 1956 to the extent applicable and the practices prevailing in the insurance industry. The accounting policies have been consistently applied by the company and except for changes in accounting policy discussed below are consistent with those used in the previous year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Change in Accounting Policies

Adoption of Accounting Standard AS15 (Revised) Employee Benefits

Till 31st March 2007, the Company was providing for gratuity based on actuarial valuation as per Life Insurance Corporation of India (LIC) certificate and leave encashment based on an independent actuarial valuation. In the

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

current year, the Company has adopted the Accounting Standard 15 (Revised) on Employee Benefits issued by the Institute of Chartered Accountants of India, which is mandatory from accounting periods commencing on or after from 7th December 2006. Accordingly, the Company has provided for gratuity and leave encashment based on actuarial valuation done as per projected unit credit method. Further, in accordance with the transitional provision in the revised accounting standard, the opening impact of Rs.67.6 million has been adjusted to the opening Funds for Future Appropriations. The opening balance of Fund for Future Appropriations of Rs.603.4 million is after adjustment of this opening impact of Rs. 67.6 million.

a) Revenue Recognition

Revenues are recognised as under. However recognition is postponed where ultimate collectibility lacks reasonable certainty.

Premium Income

Premium (net of service tax), is recognised as income when due. For linked business, premium is recognised when the associated units are allotted.

Premium on lapsed policies is recognised as income when such policies are reinstated.

In case of linked business, top up premiums paid by policyholders are unitised and considered as single premium. This premium is recognised when associated units are allotted.

Commission received on reinsurance ceded is recognised as income in the period in which reinsurance premium is ceded.

Income earned on investments

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive dividend is established.

Premium or discount on acquisition, as the case may be, in respect of fixed income securities, pertaining to non-linked investments is amortised on constant yield to maturity basis over the period of maturity / holding and offset against interest income.

Profit / loss on sale / redemption of securities other than linked investments is recognised on trade / redemption date and includes effects of accumulated fair value changes, as applicable previously recognised, for specific investments sold / redeemed during the year. Cost of security is determined on first in first out cost basis.

The realised gains or losses on the debt securities for other than linked business is the difference between the net sale consideration and the amortised cost in the books of the Company as on date of sale.

The realised gains or losses on equity shares and mutual fund units for other than linked business is the difference between the net sale consideration and the cost in the books of the Company.

The realised gains or losses on securities held for linked business is the difference between the net sale consideration and the weighted average cost as on the date of sale.

Fund Management Charges, Fund Administration Charges and Cost of Insurance are accounted for on accrual basis in accordance with terms and conditions described in the issued policies.

Rent income earned from real estate is recognised on an accrual basis.

b) Reinsurance premium

Reinsurance premium ceded is accounted in accordance with the treaty with reinsurers.

c) Benefits Paid (Including Claims)

Death and surrender claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Reinsurance recoveries are accounted for in the same period as the related claims and netted off against the claim expense incurred.

Repudiated claims disputed before judicial authorities are provided for based on the best judgment of the management considering the facts and evidence in respect of each such claim.

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

Withdrawals under unit linked policies are accounted in respective schemes when the associated units are cancelled.

d) Acquisition Costs

Acquisition costs such as commission, policy issue expenses etc are costs that vary with and are primarily relatable to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred. Accounting for additional first year commission is done on an accrual basis, after considering estimated lapsations. Claw back of the first year commission paid, in future, if any, will be accounted for in the year in which it is recovered.

e) Liability for life policies

- (i) The Company provides for liabilities in respect of all "in force" policies and "lapsed policies" that are likely to be revived in future, based on actuarial valuation done by the Appointed Actuary as per gross premium method in accordance with accepted actuarial practices, requirements of IRDA and Actuarial Society of India.
- (ii) Liabilities in respect of unit linked policies which have lapsed and are not likely to be revived, are shown as a separate item under the head "funds for future appropriations", until expiry of the revival period. This is as per IRDA Circular No. 041/IRDA/ACTL/MAR-2006 dated 29th March 2006.
- (iii) Linked liabilities comprise of unit liability representing the fund value of policies and non-unit liability for meeting insurance claims etc. which is based on actuarial valuation done by the Appointed Actuary.

Actuarial policies and assumptions are given in Note 5. A) 1. below.

f) Investments

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, as amended and circulars / notifications issued by IRDA from time to time.

Investments are recorded on trade date at cost, which includes brokerage and related taxes, if any and excludes pre-acquisition interest, if any.

i) Classification

Investments maturing within twelve months from the Balance Sheet date and investments made with the specific intention to dispose of within twelve months from Balance Sheet date are classified as short-term. Investments other than short term are classified as long-term investments.

Investments are specifically procured and held for policyholders and shareholders independently and the income relating to these investments is recognised in the Revenue Account and Profit and Loss Account respectively.

ii) Valuation – Shareholders' investments and non-linked policyholders' investments

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortisation of premium or accretion of discount on constant yield to maturity basis over the period held to maturity / sale.

Listed equity shares and mutual fund units are stated at fair value, in accordance with IRDA Investment (Amendment) Regulations 2001. Fair value for listed equity shares is the lowest last quoted closing price on the National Stock Exchange (NSE) and The Stock Exchange, Mumbai (BSE). Fair value for mutual fund units is the net asset value on the Balance Sheet date. Unrealised gains / losses on changes in fair values of listed equity shares and mutual funds are taken to the Fair Value Change Account and carried forward in the Balance Sheet.

Investment in real estate properties is valued at cost, subject to revaluation once in three years.

iii) Valuation – linked business

Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE.

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

Government securities are valued at prices obtained from Credit Rating Information Services of India Ltd. (CRISIL).

Corporate bonds and debentures are valued on the basis of CRISIL Bond Valuer.

Treasury bills, certificate of deposits and commercial papers are valued at cost plus accretion at constant yield to maturity.

Mutual fund units have been valued at the last available Net Asset Value declared by the respective mutual fund.

iv) Transfer of investments

Transfer of investments from Shareholders' Fund to the Policyholders' Fund is at book value or market price whichever is lower.

Transfer of debt securities is at lower of amortised cost or market price.

Inter fund transfer of Treasury Bills, Certificate of Deposits and Commercial Papers between unit linked funds is done at cost plus accretion. All other transfer of investments between unit linked funds is done at market price.

g) Loans

Loans are stated at historical cost, subject to provision for impairment, if any.

h) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition includes incidental expenses relating to acquisition and installation. In respect of liabilities incurred in acquisition of fixed assets in foreign exchange, the net gain or loss arising on conversion / settlement is charged to Revenue Account.

Intangible assets comprising software are stated at cost less amortisation.

Depreciation / amortisation is provided on Straight Line Method (SLM) with reference to the management's assessment of the estimated useful life of the assets or the rates and in the manner specified by the Schedule XIV of the Companies Act, 1956, whichever is higher.

Depreciation / amortisation is provided at the following rates:

Asset Class	Rate of Depreciation / amortisation
Intangibles - Computer Software	33.33% p.a.
Leasehold Improvements	Over the balance period of Lease
Buildings	2.00% p.a.
Electrical Fittings	6.33% p.a.
Furniture & Fittings	6.33% p.a.
Information Technology Equipment	33.33% p.a.
Air Conditioner	10.00% p.a.
Vehicles	20.00% p.a.
Office Equipment	25.00% p.a.

The Company provides pro rata depreciation from the month in which the asset is acquired / first put to use and upto the month in which the asset is sold / discarded.

Assets costing individually less than Rs. 5,000 are charged off as revenue expenses. Assets costing Rs, 5,000 and above, upto Rs. 20,000, are fully depreciated in the year of acquisition.

Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognised if such recoverable amount of the asset is less than its carrying amount. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

i) Provisions and Contingent liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

j) Service Tax

Service Tax liability on taxable premium is setoff against available service tax credits from service tax payments made for Insurance Auxiliary and other eligible services. Unutilised credits, if any, are carried forward under "Advances and other Assets" for adjustments / setoff in subsequent periods, after creating a provision based on estimated realisation of the unutilised credit.

B) Bajaj Allianz General Insurance Company Limited

a. Basis of preparation of financial statements

The financial statements are prepared and presented in accordance with the Generally Accepted Accounting Principles followed in India under the historical cost convention and accrual basis of accounting and in accordance with the statutory requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (IRDA) (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('The Regulations') and orders and directions issued by the IRDA in this behalf, the Companies Act, 1956 ('The Act') to the extent applicable and comply with the notified accounting standards issued by Companies Accounting Standard Rules, 2006 (to the extent applicable) and current practices prevailing in the Insurance industry.

b. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent liabilities. The estimates and assumptions used in accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

c. Change in accounting estimates

i. Adoption of Accounting Standard-AS 15 –Employee Benefits

The Company has, during the year, complied with the revisions to the Accounting Standard on "Employee Benefits" AS-15, which are mandatory from accounting periods commencing after 7th December 2006. Accordingly the Company's leave encashment actuarial liability as at the commencement of the year was recomputed, adopting the "projected unit credit method" mandated by the standard, by an actuary appointed for the purpose. As a consequence the opening accrued liability, also determined by an appointed actuary, resulted in an increase by Rs. 8.8 million (Gross amount Rs. 13.3 million less deferred tax Rs. 4.5 million) which as per the transitional provisions of the revised accounting standard, has been adjusted to the reserves represented by retained profits carried forward from the previous accounting year.

ii. Revision in useful life of leasehold improvement

Until 31st March 2007, the Company was providing depreciation on leasehold improvements at a rate that would have amortised the cost of acquisition less estimated salvage value, including subsequent additions and improvements over the balance period of the lease, computed from the month of acquisition. With effect from 1st April 2007, the depreciation rate in respect of leasehold improvements has been changed to 33.33%. Had the Company continued to use the earlier basis of providing

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

depreciation, the charge to the Profit and Loss Account after taxation for the current year would have been lower by Rs. 3.6 million and the net block of fixed assets would correspondingly have been higher by Rs.5.4 million. The net depreciation charge of Rs. 3.6 million (after adjusting deferred tax asset of Rs. 1.8 million) arising out of retrospective re-computation has been recognised in the current period profit and loss account.

d. Revenue recognition

Premium

Premium (net of service tax), including reinstatement premium, on direct business and reinsurance accepted, is recognised as income over the contract period or the period of risk whichever is appropriate on a gross basis. Any subsequent revisions to or cancellations of premiums are recognised in the year in which they occur.

Interest / dividend income

Interest income is recognised on accrual basis and dividend income is recognised when the right to receive the dividend is established.

Premium / discount on purchase of investments

Premium or discount on acquisition, as the case may be, in respect of fixed income securities, is amortised / accreted on constant yield to maturity basis over the period of maturity / holding.

Profit / loss on sale of securities

Profit or loss on sale / redemption of securities is recognised on trade date basis and includes effects of accumulated fair value changes, previously recognised and credited to Fair Value Reserve, for specific investments sold / redeemed during the year.

Commission on Reinsurance Ceded

Commission received on reinsurance ceded is recognised as income in the period in which reinsurance premium is ceded. Profit commission under re-insurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by Reinsurer.

e. Reinsurance ceded

Reinsurance cost, in respect of proportional reinsurance ceded, is accrued at policy inception. Non-proportional reinsurance cost is recognised when incurred and due. Any subsequent revision to, refunds or cancellations of premiums are recognised in the year in which they occur.

f. Reinsurance Accepted

Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.

g. Acquisition costs

Acquisition costs, defined as costs that vary with, and are primarily related to, the acquisition of new and renewal insurance contracts viz., commission, policy issue expenses etc., are expensed in the year in which they are incurred.

h. Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the balance sheet date.

i. Reserve for unexpired risk

Represents that part of the net premium (i.e., premium, net of reinsurance ceded) which is attributable to, and set aside for subsequent risks to be borne by the Company under contractual obligations on contract period basis or risk period basis, whichever is appropriate, subject to a minimum of 100% in case of Marine Hull business and 50% in case of other businesses based on net premium written during the year as required by Section 64 V(1)(ii)(b) of the Insurance Act, 1938. (Also refer note p).

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

j. Premium Deficiency

Premium deficiency is recognised if the ultimate amount of expected net claim costs, related expenses and maintenance costs exceeds the sum of related premium carried forward to the subsequent accounting period as the reserve for unexpired risk. Premium deficiency is calculated by line of business. The Company considers maintenance costs as relevant direct costs incurred for ensuring claim handling operations.

k. Claims incurred

Claims are recognised as and when reported. Claims paid (net of recoveries including salvage retained by the insured and includes interest paid towards claims) are charged to the respective revenue account when approved for payment. Where salvage is retained by the Company, the recoveries from sale of salvage are recognised at the time of sale. Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in light of past experience and modified for changes, as appropriate. Amounts received / receivable from the re-insurers, under the terms of the reinsurance arrangement, are recognised together with the recognition of the claim.

Amounts received / receivable from the coinsurers, under the terms of the coinsurance arrangements, are also recognised together with the recognition of the claim.

l. IBNR and IBNER (Claims Incurred but not reported and claims incurred but not enough reported):

IBNR represents that amount of all claims that may have been incurred prior to the end of the current accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims incurred but not enough reported (IBNER). The said liability is determined based on actuarial principles by the Appointed Actuary. The methodology and assumptions on the basis of which the liability has been determined has also been certified by the Actuary to be appropriate, in accordance with guidelines and norms issued by the Actuarial Society of India in concurrence with the IRDA and accordingly liability determined certified as adequate by the Actuary

m. Income from investments and other income

Income earned from investments and fixed deposits with banks and other income is allocated to the revenue accounts and the profit and loss account on the basis of funds available from insurance operations and shareholders funds and are further allocated to the lines of business in proportion of their respective Gross Written Premium.

n. Fixed assets and depreciation / amortisation

Fixed assets are stated at cost (including incidental expenses relating to acquisition and installation) less accumulated depreciation. Assets costing up to Rs. 20,000 are depreciated fully in the year of acquisition.

Depreciation on other assets are provided on Straight Line Method (SLM) with reference to the management's assessment of the estimated useful life of the assets or at the rates and in the manner specified by the Schedule XIV of The Companies Act, 1956 whichever is higher, as follows:

	Depreciation rates as per books(SLM)	Depreciation rates as per Sch XIV(SLM)
Information technology equipment	33.33%	16.21%
Computer software (Intangibles)	33.33%	16.21%
Vehicles	20.00%	7.07%
Office equipment	25.00%	4.75%
Furniture & fixtures	6.33%	6.33%
Building	2.00%	1.63%
Air conditioner (part of office equipments)	10.00%	4.75%
Electrical fittings (part of office equipments)	33.33%	6.75%
Leasehold improvements	33.33%	—
Free Hold Improvements on Investment properties leased out	33.33%	—

The Company provides pro rata depreciation from / to the month in which the asset is acquired or put to use / disposed, as appropriate. (Refer Note c (ii))

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

Impairment of assets

- (i) The carrying amounts of all assets are reviewed by the Company at each balance sheet date. If there is any indication of impairment based on internal / external factors, an impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets, net selling price and value in use. In assessing value in use the estimated future cash flows are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the asset, as determined by the management.
- (ii) After impairment depreciation is provided on the revised carrying amount of the assets over its remaining useful life, if any.

o. Investments

Investments are recorded on trade date at cost. Cost includes brokerage, transfer charges, transaction taxes as applicable, etc. and excludes pre-acquisition interest, if any.

Classification:

Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose off within twelve months from balance sheet date are classified as short-term investments. Investments other than short term investments are classified as long-term investments.

Valuation:

Debt Securities

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortisation of premium or accretion of discount on constant yield to maturity basis in the revenue accounts and profit & loss account over the period held to maturity / holding.

The realised gain or loss on the securities is the difference between the sale consideration and the amortised cost in the books of the Company as on the date of sale determined on first in first out cost basis.

Equities (Listed & Actively Traded):

Listed and actively traded securities are stated at the lower of the last quoted closing prices on The National Stock Exchange of India Limited or The Bombay Stock Exchange Limited. Unrealised gains or losses are credited / debited to the fair value change account.

The realised gain or loss on the listed & actively traded equities is the difference between the sale consideration and the cost as on the date of sale, determined on a first in first out basis and includes the accumulated changes in the fair value previously taken to the fair value change account, in respect of the particular security; such gain or loss is transferred to revenue on the trade date.

Mutual Fund Units

Mutual fund units are stated at their Net Asset Value ('NAV') at the balance sheet date. Unrealised gains or losses are credited / debited to the fair value change account.

The realised gain or loss on the mutual fund units is the difference between the sale consideration and the cost as on the date of sale, determined on a first in first out basis and includes the accumulated changes in the fair value previously taken to the fair value change account, in respect of the particular security; such gain or loss is transferred to revenue on the trade date.

Fair Value Change Account

Fair value change account represents unrealised gains or losses in respect of investments in equity securities, derivative instruments and mutual fund units outstanding at the close of the year. The balance in the account is considered as a component of shareholders' funds and not available for distribution as dividend.

Unrealised loss on listed and actively traded investments held for long term are not considered to be a part permanent nature and hence not considered as impaired. However the company, at each balance sheet date, assesses investments for any impairment and necessary provisions are made for the same where required.

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

Real Estate – Investment Property

Investment Property is measured at historical cost less accumulated depreciation and impairment loss, if any.

p. Contributions to Terrorism and Third Party Insurance Pools

i) Terrorism pool

In accordance with the requirements of IRDA, the Company, together with other insurance companies, participates in the Terrorism Pool. This pool is managed by the General Insurance Corporation of India (GIC). Amounts collected as terrorism premium in accordance with the requirements of the Tariff Advisory Committee (TAC) are ceded at 100% of the terrorism premium collected to the Terrorism Pool, subject to conditions and an overall limit of Rs 6 billion per location / compound.

In accordance with the terms of the agreement, GIC retro cedes, to the Company, terrorism premium to the extent of the share agreed to be borne by the Company in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only upto 31st December 2007. The entire amount of reinsurance accepted for the current year on this account, net of claims and expenses, upto the above date, has been carried forward to the subsequent accounting period as 'Unexpired Risk Reserve' for subsequent risks, if any, to be borne by the Company.

ii) The Indian Motor Third Party Insurance Pool (IMTPIP)

In accordance with the directions of IRDA, the Company, together with other direct general insurance companies, participates in the Indian Motor Third Party Insurance Pool (IMTPIP). The IMTPIP is administered by the General Insurance Corporation of India (GIC). The IMTPIP covers reinsurance of the entire third party risks of specified commercial motor vehicles (specified risks). Amounts collected as premium in respect of specified risks are ceded at 100% of such premium, to the IMTPIP. The terms of the IMTPIP are covered by the provisions of a multi lateral reinsurance arrangement, executed by all direct insurers licensed to carry on motor insurance business with effect from 1st April 2007.

As per the directions of the IRDA and the terms of the agreement between participant companies:

- a) The General Insurance Corporation of India (GIC) participates in the pooled business at such percentage of the motor business that is ceded to it by all insurers as statutory reinsurance cessions under Sec 101A of the Insurance Act, 1938. For the financial year ended 31st March 2008, the share of GIC was fixed at 15% by the Insurance Regulatory Development Authority (IRDA)
- b) The business remaining after such cession to GIC is shared among all general insurers writing motor insurance business in the proportion that their gross direct general insurance premium in India from all classes of general insurance underwritten by them in that financial year bears to the aggregate gross direct general insurance premium from all classes of general insurance business written by all participant companies. Such share of business is computed by GIC and is applicable to all insurance companies, who are members of the IMTPIP.

The Company's share of premiums, claims, reinsurance commissions and expenses of the pool is recorded as inward reinsurance business, based on the returns submitted by GIC, under the respective heads of income or expense as the case may be and included within the Motor Third Party sub-segment of the Miscellaneous Revenue Account. Accordingly, such share has been recorded by the Company, only up to 29th February 2008, the date up to which the return is submitted by GIC. Unexpired risks reserve is provided for at 50% of net premiums of such inward reinsurance business, being the minimum rate specified in Section 64V(1)(ii) of the Insurance Act, 1938. IBNR and IBNER determined by GIC is subject to clearance from IRDA. Pending such clearance, IBNR /IBNER has been recorded based on GIC's determination.

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

q. Contributions to Funds

The Company provides for contribution to Solatium and Environment Relief funds as per the requirement of regulations / circulars.

r. Service Tax

Service tax collected is considered as a liability against which service tax paid for eligible input services, to the extent claimable, is adjusted and the net liability is remitted to the appropriate authority as stipulated. Unutilised credits, if any, are carried forward under "Advances and other Assets" for adjustments in subsequent periods. Service tax paid for eligible input services not recoverable by way of credits are recognised in the revenue account as expenses forming as separate line item in schedule 4.

s. Provisions and Contingent liabilities

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

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

C) Bajaj Allianz Financial Distributors Limited

Background

Bajaj Allianz Financial Distributors Limited is a 50:50 Joint Venture between Bajaj Finserv Limited and Allianz SE incorporated on 16th March 2007 with an objective to engage in the business of distribution of variety of financial products and services such as Mutual Funds, Personal loans, Credit Cards and home loans.

Significant Accounting Policies followed by the Company

Basis of Preparation

The accompanying financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in compliance with the accounting standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and the Companies Act, 1956. The first financial year of the company is for the period from the date of incorporation i.e. 16th March 2007 to 31st March 2008.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Revenue Recognition

1. Income from operations primarily includes brokerage and commission on sale of mutual fund units and personal loans which is recognised when due, on completion of transaction. However recognition is postponed where ultimate collectibility lacks reasonable certainty.
2. Interest income is recognised on an accrual basis.

Investments

Long term Investments are stated at cost, less any provision for permanent diminution in value. Current Investments are stated at lower of the cost and fair value.

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

Provisions and Contingent Liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

D) Bajaj Auto Finance Limited

Significant accounting policies followed by the Company

Fixed Assets, Depreciation and Amortisation:

- I) (i) Fixed Assets are carried at cost of acquisition.
- (ii) Depreciation
 - (a) On assets relating to Leasing Business:
 - (i) Depreciation on Assets relating to Leasing Business is being provided at the rates worked on Straight Line Method over the primary period of Lease as stated in the lease agreement or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher.

Assets	Rates on Straight Line Method	
	Over the Primary Period of lease %	As specified in Schedule XIV %
Plant and Machinery:		
Electrostatic precipitation system	10.00	5.28
Boiler	14.29	5.28
Furnace	16.67	5.28
Computers		
Primary Period 3 Years	33.33	16.21
Primary Period 5 Years	20.00	16.21
Primary Period 6 Years	16.67	16.21
Primary Period 7 Years	14.29	16.21
Others	20.00	4.75

- (ii) Depreciation on additions to Assets relating to Leasing Business is being provided for as above, on pro-rata basis with reference to the month of commencement of the Lease Period.
 - iii) Depreciation on Assets relating to Leasing Business, sold during the year, is being provided for at their respective rates upto the month in which such asset is sold.
- (b) On other Assets :
- (i) Depreciation on other assets is being provided on "WDV method" at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions during the year, from this year onwards, is being provided for on a pro-rata basis with reference to the month of addition. Refer Note No. 5. C) 2. with regards to change in the policy.
 - (ii) Depreciation on assets sold during the year is being provided for, at their respective rates up to the month in which such asset is sold.
- II) On Intangible Assets and Amortisation thereof:
- Intangible assets, representing Specialised Software, is recognised consistent with the criteria specified in Accounting Standard (AS) 26 "Intangible Assets". The same is amortised over a period of 60 months, being the estimated useful life of the software.

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

5. Notes pertaining to Subsidiaries, joint ventures and associates, to the extent required to fairly present the needed disclosures. The figures disclosed in this note are at full value and not the proportionate share of the parent company.

A) Bajaj Allianz Life Insurance Company Limited

1. Actuarial Valuation

Liabilities for life insurance policies are determined by the Appointed Actuary in accordance with IRDA regulations and relevant guidance notes of Institute of Actuaries of India.

Non-linked business is reserved using a prospective gross premium method of valuation. The non-linked business is predominantly participating and reserves are established having regard to assumptions as to future experience, including the interest that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business is reserved using an interest rate of 7.50% per annum that is same as that used in valuation as at 31st March 2007.

Single premium participating business is reserved using a rate of 6.25% per annum which is same as used in valuation as at 31st March 2007. The rate is determined after having regard to the yield being obtained on relevant matching assets. Assumptions as to future bonus rates are set to be consistent with the interest rate assumptions. Provision has been made for a bonus distribution in respect of business in force at the valuation date on a basis considered appropriate by the appointed actuary having taken into account the reasonable expectations of policyholders.

Linked business is reserved using the per unit net asset value of units plus a non unit reserve to allow for costs of insurance and any expenses and commissions in excess of future charges.

Mortality assumptions are based on the published IALM (1994-1996) Ultimate Mortality Table with adjustment to reflect expected experience and with an allowance for adverse deviation.

Assumptions for morbidity and for the incidence of accidental death are based on terms available from reinsurers and the standard morbidity rate table CIBT(94-96).

The reserve is sufficient to allow for any adverse lapse experience. The reserve is always sufficient to meet minimum statutory surrender value.

Commission has been allowed for at the Company's table rates with an allowance for service tax. Maintenance expenses have been allowed for in accordance with business plan assumptions and product filing with the IRDA. An additional reserve has been included to allow for possible adverse deviations in experience in excess of offsetting adjustments in bonus rates and to allow for the contingency of closure to new business as is required by guidance notes(GN1) issued by the Institute of Actuaries of India.

There is a small amount of Group Term Business at the valuation date, reserves for which have been calculated having regard to the unearned gross premium and expenses already incurred.

Provision has been made for the possible revival of policies, which have lapsed before the valuation date, having regard to the experience of the Company. As per IRDA circular No: 041/IRDA/ACTL/MAR-2006 dated 29th March 2006, a reserve for lapsed unit linked policies not likely to be revived is held as a separate item under the head "Funds for Future Appropriations".

The Appointed Actuary is satisfied that the nature and extent of reinsurance arrangements require no additional reserve to be set aside. All reserves have been calculated using gross exposure and gross office premiums.

The Appointed Actuary confirms, as is required by the IRDA, that the reserve is sufficient to provide for adverse "free look" experience based on assumptions and experience.

2. Expenses directly attributable to shareholders are charged to the Shareholders' Account.
3. During the year the shareholders transferred funds to Policyholders' Account, to make good the deficit, which existed in the Policyholders' Account and transfer to reserve. The transfer by the shareholders is irreversible in nature and shall not be recouped by the shareholders in the future. The necessary

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

approvals of the shareholders for the said transfer has been taken at the Extra Ordinary General Meeting of the shareholders held on 12th May 2008.

4. Reinsurance is in place on lives where cover is in excess of the Company's retention limit and this has been reflected in the Accounts.

B) Bajaj Allianz General Insurance Company Limited

1. The appointed actuary has certified to the Company that actuarial estimates for IBNR (including IBNER) are in compliance with the guidelines prescribed by the Institute of Actuaries of India and in conformity with the IRDA regulations.

Where sufficient data is available, the actuary has chosen to adopt the chain ladder method. The chain ladder method has accordingly been applied to motor, fire, marine, engineering, personal accident, workmen's compensation and health. These constitute over 97% (Previous year – 93 %) of the Company's total business.

For other lines such as aviation, liability and rural, the expected ultimate loss ratio method has been used to arrive at the estimate of IBNR.

Net IBNR reserves have been arrived at on the basis of actuarial work on net of reinsurance data thereby making allowances for reinsurance recoveries by the company.

2. Contribution to Environment Fund
An amount of Rs. 7.4 million collected towards Environment Fund from public liability policies has been disclosed under the head current liabilities and the same has been invested as per IRDA regulations.

C) Bajaj Auto Finance Limited

1. The company had issued 3,006,540 warrants, to promoters on which are convertible into one fully paid equity share of the face value of Rs. 10/- each on payment of an aggregate price of Rs. 410/- per share as per the terms and conditions mentioned in the offer letter. The company had received 10% of the issue price in terms of the SEBI guidelines in the previous year. 1,247,940 warrants were exercised and converted into fully paid equity shares realising an aggregate sum of Rs 460.5 million, which has been utilised for general corporate purposes and augmenting long term resources.

During the financial year 2006 – 2007, the company made a simultaneous but unlinked issue of 12,596,076 equity shares of Rs. 10 each at a premium of Rs. 315/- per equity share aggregating to Rs 4,093.7 million to the shareholders on rights basis in the ratio of 6 equity shares for every 10 equity shares held on the record date i.e November 20th 2006 and 5,248,365 non convertible debentures (NCD's) of Rs 500 each aggregating to Rs 2,624.2 million with detachable warrants in the ratio of 1 NCD for every 4 equity shares held on the record date. For allotment of every NCD being offered, one detachable warrant would be issued. This warrant can be freely and separately traded. The warrant holder will be entitled to exercise his right to apply for one equity share of Rs. 10/- each at the warrant exercise price of Rs 500/-. Warrant exercise period shall be the period commencing after 12 months from the date of allotment of debentures upto the end of 35 months from the date of allotment, i.e. upto January 8, 2010. Outstanding warrants at the close of the year are 5,248,365.

The Company, between March 24 and March 26, 2008, has repurchased 2,186,380 Debentures of the Face Value of Rs. 500/- each aggregating Rs. 1,093.2 million for a consideration of Rs. 1,018.7 million, resulting into a gain of Rs. 74.5 million on repurchase. As these debentures can be reissued, the gain on repurchase is recognised as income equally over the balance period to maturity i.e. 22 months. Accordingly, no gain has been recognised in the Profit and Loss Account for the year.

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

The utilisation of the issue proceeds net of calls in arrears as against the stated objectives in the prospectus is tabulated as under:-

Particulars	Rs. In Million		
	As stated in the prospectus	As actually used	Balance being Calls in Arrears
Strengthen capital base, augment long term resources to leverage growing business and prepay certain short term working capital loans	6182.9	6175.9	7.0
Invest in information technology systems, office infrastructure and for other general corporate purposes	500.0	500.0	—
Estimated issue expenses	35.0	35.1	(0.1)
Total	6717.9	6711.0	6.9

- The company from this year onwards consistent with the requirements of Schedule XIV of the Companies Act, 1956, provides for depreciation on additions to assets other than those given on lease on a pro-rata basis with reference to the month of addition as against the past practice of providing depreciation for the entire year irrespective of the month of addition. As a result of the change the charge for depreciation for the year is lower by Rs. 18.7 million and the profit for the year being higher by an equivalent amount.
- Debenture Redemption Reserve has been created in accordance with the Circular No.9/2002 dated 18th April, 2002, issued by Department of Company Affairs, Ministry of Law, Justice & Company Affairs, Government of India & Section 117 C of Companies Act.
- Consolidated Contingent Liability:

Particulars	As at
	31st March, 2008
Rs. In Million	
(i) Claims against the Company not acknowledged as debts	51.5
(ii) Taxes, duties and other sums due	213.4
(iii) Claims, under policies, not acknowledged as debts	70.7

7.

Particulars	As at
	31st March, 2008
Rs. In Million	
Capital Commitments to the extent not provided for, net of advances (including Rs. 4.2 million being share of associate)	729.4

Schedule 12 - Notes forming part of the Consolidated Accounts. (Contd.)

8. Deferred Taxes

Particulars	As at 31st March, 2008
	Rs. In Million
Liabilities	266.7
Assets	458.1
Net	(191.4)

9. Consequent to conversion of warrants into equity shares in July 2007, Bajaj Finserv Limited's holding stood increased thereafter. Consequently the share of profits of associates are proportionate to holdings during the year. Impact of such increases in holding has been given effect to in the consolidated general reserves, goodwill and investments.
10. This being the first financial year since incorporation, no statement of consolidated cash flows has been drawn up under the indirect method adopted by the company.
11. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the respective companies.
12. Statement of additional financial information, directed to be disclosed as a condition put forth by the ministry of company affairs for grant of exemption from the applicability of section 212(1) of the Companies Act, 1956, is attached hereto.
13. This being the first financial year of the company, previous years figures have not been disclosed.

Signature to Schedules "1" to "12"

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451
Pune: 21 May 2008

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur Bajaj
Rajiv Bajaj
D. J. Balaji Rao
S. H. Khan

Chairman
Vice Chairman
Managing Director

} Directors

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

		2007-08	
Name of related party and Nature of relationship	Nature of transaction	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
[a] Subsidiaries:			
Since consolidated financial statements present information about the holding and its subsidiaries as a single reporting enterprise, it is unnecessary to disclose intra-group transactions.			
[b] Associates and Joint Ventures and investing parties:			
Bajaj Holdings & Investment Ltd. [BHIL] (Enterprise controlling Bajaj Finserv Ltd.)	Contribution to Equity by BHIL [43,500,000 Shares of Rs. 5 each] Preliminary Expenses incurred by Bajaj Holdings & Investment Ltd. Transfer of Income from BHIL	217.5 — 5.4 0.2	— — — 268.7
Bajaj Auto Finance Ltd. (40.53 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity [14,831,976 shares of Rs. 10 each] Repurchase of Debentures [2,178,490 Debentures of Rs. 500 each] Contribution to Warrants (2,178,490 warrants of Rs.48/- each) Warrants conversion (1,247,940 warrants of Rs.410 each) Rs.41 paid up. Dividend received Support charges for insurance business Insurance premia paid Insurance claims received	511.7 (1,089.2) 104.6 (51.2) 40.8 48.6 10.4 1.8	3,593.0 — 104.6 — — — — —
Bajaj Allianz Financial Distributors Ltd. (50 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity [1,200,000 shares of Rs. 10 each] Reimbursement of revenue expenditure paid to Bajaj Allianz Life Insurance Co. Ltd.	— 3.4	12.0 3.1
Allianz SE	Contribution to equity of BALICL including premium Contribution to equity of BAGICL including premium Licence fees for Opus Pre-Paid Licence fees for Opus Billable expenses incurred on behalf of Allianz AG Software Consultancy Fees	5,098.8 690.9 105.8 (7.5) 3.1 24.1	10,991.3 1,952.7 1.2 — (3.1) —
Allianz Global Corporate & Speciality	Reinsurance premium paid / payable Commission on reinsurance received / receivable Claims recovery on reinsurance	92.3 8.8 0.1	31.6 — —
Allianz CP General Ins Co. Ltd.	Reinsurance premium received / receivable Commission on reinsurance paid / payable Software Consultancy Fees Deposits with the ceding company Claims recovery on reinsurance	35.3 0.5 4.6 13.6 —	(9.8) — (5.1) (13.6) —

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
Allianz SE Reinsurance, branch Asia Pacific	Reinsurance premium paid / payable	673.9	4.7
	Commission on reinsurance received / receivable	178.7	3.0
	Claims recovery on reinsurance	239.4	7.1
	No claim Bonus on XOL premium	9.8	—
	Portfolio Premium withdrawal	118.4	—
	Portfolio Claims withdrawal	189.5	—
	Portfolio Premium Entry	157.6	—
	Portfolio Claims Entry	252.7	—
Assurances Generales de France (M/s AGF)	Reinsurance premium paid / payable	31.0	—
	Commission on reinsurance received / receivable	1.3	—
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid / payable	0.1	(0.1)
	Commission on reinsurance received / receivable	—	—
	Claims recovery on reinsurance	0.8	—
Allianz Insurance Management Asia Pacific Pte.	Billable expenses incurred	7.1	—
	Reimbursement received of revenue expenditure	2.7	1.0
Allianz Hongkong- Name changed from Allianz China	Reinsurance premium paid / payable	0.1	—
	Commission on reinsurance received / receivable	0.1	—
Allianz Ost-West Allianz, Moscow	Income from Software Consultancy	4.2	(0.9)
Allianz Ins Co of Singapore - PTE	Reinsurance premium paid / payable	(1.5)	0.5
Allianz Cornhill Ins - PLC	Reinsurance premium paid / payable	—	—
	Commission on reinsurance received / receivable	—	—
Allianz Elementar Versicherungs	Reinsurance premium paid / payable	(0.6)	—
	Commission on reinsurance received / receivable	0.1	—
AGF IART - France	Reinsurance premium paid / payable	38.1	2.7
	Commission on reinsurance received / receivable	3.3	—
Euler Hermes Cr Insurance (S) Ltd.	Reinsurance premium paid / payable	(61.5)	24.5
	Commission on reinsurance received / receivable	7.9	—
	Claims recovery on reinsurance	(2.9)	—
	Billable expenses incurred on behalf of Euler Hermes	11.8	(11.8)
	Income from Software Consultancy	—	—

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
Allianz SE India Liaison Office	Expenditure incurred on behalf of Allianz Liaison Office	0.1	1.5
	Deposits for rent premises	1.5	—
Allianz Life Insurance Malaysia Berhad	Reimbursement made of revenue expenditure	0.1	(0.1)
Bajaj Electricals Ltd.	Insurance Claims paid	8.2	—
	Insurance premia received	14.6	—
	Unallocated premium	—	0.4
Hind Musafir Agency Pvt. Ltd.	Support charges for insurance business	0.3	1.2
	Unallocated premium	—	0.1
Bajaj Hindustan Ltd.	Insurance Claims paid	—	—
	Insurance premia received	—	—
Mukand Engineers Ltd.	Insurance Claims paid	—	—
	Insurance premia received	1.3	—
Mukand Ltd.	Insurance Claims paid	3.2	—
	Insurance premia received	22.1	—
[c] Directors & Relatives:			
Mr. Rahul Bajaj - Chairman	Sitting Fees (Rs. 20,000)	—	—
Mr. Madhur Bajaj - Non-executive Director	Sitting Fees (Rs. 20,000)	—	—
Mr. Rajiv Bajaj - Non-executive Director	Sitting Fees (Rs. 20,000)	—	—
Mr. Sanjiv Bajaj - Managing Director (Also key management personnel)	Nil	—	—
Mr. Manish Kejriwal	Nil	—	—

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
[d] Key Management Personnel:			
Mr. Sam Ghosh (CEO - BALICL)	Remuneration Upto 30.9.2007	3.7	—
Mr. Kamesh Goyal (CEO - BALICL)	Remuneration Upto 30.9.2007	3.2	—
	Remuneration from 1.10.2007	5.6	—
Mr. Swaraj Krishnan (CEO - BAGICL)	Remuneration from 1.10.2007	4.0	—
Mr. Dipal Poddar (Managing Director - BAFL)	Remuneration	3.7	1.2
Mr. Nanoo Pamnani (Vice Chairman - BAFL)	Commission	2.3	2.3
	Others	0.1	—
Mr. Rajeev Jain (CEO - BAFL)	Remuneration	5.5	—
	Staff loan recovery	0.1	1.1

[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:

Following is the list of related parties coming under (e) above, with whom Bajaj Finserv Ltd. does not have any transactions during the period 2007-08.

Anant Trading Co.
 Bachhraj & Co. Pvt. Ltd.
 Bachhraj Factories Pvt. Ltd.
 Bachhraj Trading Co.
 Bajaj Electricals Ltd.
 Bajaj Hindusthan Ltd.
 Bajaj International Pvt. Ltd.
 Bajaj Sevashram Pvt. Ltd.
 Bajaj Trading Co.
 Bajaj Ventures Ltd.

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value Rs. In Million	Outstanding amounts carried in the Balance Sheet Rs. In Million

Following is the list of related parties coming under (e) above, with whom Bajaj Finserv Ltd. does not have any transactions during the period 2007-08. (Contd.)

Baroda Industries Pvt. Ltd.
Catalyst Finance Ltd.
Conquest Investments & Finance Ltd.
Econium Investments & Finance Ltd.
Fusion Investments & Financial Services Ltd.
Hercules Hoists Ltd.
Hospet Steels Ltd.
Jamnalal Sons Pvt. Ltd.
Kamalnayan Investments & Trading Pvt. Ltd.
Lineage Investments Ltd.
Madhur Securities Pvt. Ltd.
Mukand Engineers Ltd.
Mukand International Ltd.
Mukand Ltd.
Niraj Holdings Pvt. Ltd.
Primus Investments & Finance Ltd.
Rahul Securities Pvt. Ltd.
Rishabh Trading Co.
Shekhar Holdings Pvt. Ltd.
Shishir Holdings Pvt. Ltd.

Financial information of Subsidiaries for the period ended March 31, 2008

Particulars	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.
	Rs. In Million	Rs. In Million
(a) Paid -Up Share Capital	1,102.3	1,507.1
(b) Share Premium	1,666.2	10,599.5
(c) Other reserves	2,979.3	(4,898.9)
(d) Total Liabilities	5,747.8	136,286.8
(e) Total Assets	5,747.8	136,286.8
(f) Investments*	18,632.3	11,458.9
(g) Turnover/Operating result	1,715.0	795.0
(h) Profit Before Taxation	1,679.0	(2,138.8)
(i) Provision for Taxation	622.8	0.1
(j) Profit After Taxation	1,056.2	(2,138.9)
(k) Proposed Dividend	—	—

* For details of investments refer schedule 6 of the consolidated financial statements