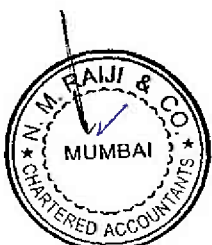


**N. M. RAIJI & CO.**  
*Chartered Accountants*  
Universal Insurance Building,  
Pherozeshah Mehta Road,  
Mumbai-400 001. INDIA  
Telephone: 2287 0068  
2287 3463  
2283 7482  
Telefax : 91 (22) 2282 8646  
91 (22) 2265 0578  
E-mail : nmr.ho@nmraiji.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF IL&FS SOLAR POWER LIMITED**

1. We have audited the attached Balance Sheet of IL&FS SOLAR POWER LIMITED as at 31<sup>st</sup> March, 2011, and the annexed Profit and Loss Account and Cash Flow Statement for the period from August 26, 2010 to March 31, 2011, annexed thereto, which are in agreement with the books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) (Amendment) Order, 2004, (CARO) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the 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;



**N. M. RAIJI & CO.**

- c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement, referred to in this report, are in agreement with the books of account;
- d) In our opinion the Balance Sheet, Profit and Loss Account and the Cash Flow Statement, dealt with by this report, comply with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable.
- e) On the basis of written representations received from the directors as on March 31, 2011, and other information and explanations obtained, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
  - ii) in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date ; and
  - ii) in the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date..

For N.M.Raiji & Co.  
Chartered Accountants  
Firm Registration No: 108296 W

  
Vinay D. Balse  
Partner  
Membership No. 39434



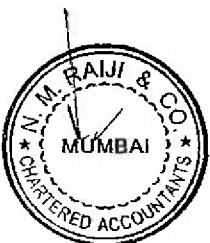
Place : Mumbai

Date : May 27, 2011

**ANNEXURE TO THE AUDITORS' REPORT OF IL&FS SOLAR POWER LIMITED**

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

1. The Company does not have any fixed assets. Accordingly, sub-clauses (b) & (c) of clause 1 of paragraph 4 of the Order are not applicable.
2. The Company does not have any inventory. Accordingly, sub-clauses (b) & (c) of clause 2 of paragraph 4 of the Order are not applicable..
3. (a) Based on our examination of the books of account and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clauses (b), (c), & (d) of clause 3 of paragraph 4 of the Order are not applicable.  
  
(b) Based on our examination of the books of account and according to the information and explanations given to us, 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. Accordingly, sub-clauses (f) & (g) of clause 3 of paragraph 4 of the Order are not applicable.
4. Since the Company has not conducted any business during the period under audit and consequently not acquired any fixed asset or purchased any inventory, reporting under clause 5 of paragraph 4 of the Order is not required.
5. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has, during the period, not entered into any contracts or arrangements, which needed to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
7. As the Company has not conducted any business during the period, internal audit has not been carried out.



8. According to information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, for any of the products manufactured by the Company.
9. (a) Based on our examination of the books of account and according to the information and explanations given to us, the Company has been regular in depositing with the appropriate authorities the relevant undisputed statutory dues, including Income-tax, service tax, cess and other statutory dues, wherever applicable. There were no undisputed dues as at March 31, 2011, that were outstanding for a period of more than six months from the date they became payable.  
  
(b) According to the information and explanations given to us and based on the examination of records, there are no dues in respect of Income-tax, service tax, and cess, which have not been deposited with the appropriate authorities on account of any dispute with the related authorities.
10. The Company has incurred cash losses during the period. This being the first accounting period, it does not have accumulated losses from past periods as at March 31, 2011.
11. In our opinion and according to the information and explanations given to us the Company has not defaulted in the repayment of dues to banks or financial institutions. The Company does not have any outstanding debentures.
12. Based on our examination of the books of account and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. To the best of our knowledge and belief and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. To the best of our knowledge and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Order are not applicable to the Company.



**N. M. RAIJI & CO.**

15. To the best of our knowledge and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the Company has not availed of any term loans during the period.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, there are no funds raised on a short-term basis which have been used for long-term investments.
18. To the best of our knowledge and according to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not raised any monies by way of issue of debentures. As such, reporting under this clause of the Order is not required.
20. The Company has not raised any monies by way of public issues during the period.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

For N.M.Raiji & Co.  
Chartered Accountants  
Firm Registration No - 108296W

  
Vinay D. Balse  
Partner  
Membership No: 39434



Place: Mumbai  
Date: May 27, 2011

**IL&FS SOLAR POWER LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2011**

Amount in Rupees

	Schedule	As at March 31, 2011	As at March 31, 2011
<b><u>SOURCES OF FUNDS</u></b>			
<u>SHARE HOLDERS' FUNDS</u>			
Share Capital	A		500,000
<b>TOTAL</b>			<b>500,000</b>
<b><u>APPLICATION OF FUNDS</u></b>			
<u>CURRENT ASSETS, LOANS &amp; ADVANCES</u>			
Cash and Bank Balances	B	497,888	
		497,888	
<u>LESS: CURRENT LIABILITIES &amp; PROVISIONS</u>			
Current Liabilities	C	48,361	
Provision		-	
		48,361	
NET CURRENT ASSETS			449,527
PROFIT AND LOSS ACCOUNT			50,473
<b>TOTAL</b>			<b>500,000</b>
Significant Accounting Policies	E		
Notes forming part of the Accounts	F		

Schedules A to F annexed hereto form part of the Balance Sheet and the Profit and Loss Account

As per our report of even date attached.

**For N.M.Raiji & Co.**

Chartered Accountants

Firm Registration No. 108296W

**Vinay D. Balse**

Partner

Membership Number : 39434

Place: Mumbai

Date: **27 MAY 2011**



For and on behalf of the Board

*Arun*

Director

*Dr. Dhaneel*

Director

Manager

**IL & FS SOLAR POWER Limited**  
**PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM August 26,2010 TO MARCH 31 ,2011**

Amount in Rupees

	Schedule	For the period from August 26,2010 to March 31,2011
<b>INCOME</b>		-
<b>EXPENSES</b>		-
Administrative and Operating Expenses		50,473
		50,473
<b>Profit before tax</b>		(50,473)
Current Tax Expense		-
<b>Profit after tax</b>		(50,473)
<b>Balance of Profit/(Loss) brought forward</b>		
<b>Balance carried forward to Balance Sheet</b>		<b>(50,473)</b>
Earnings per share (EPS) (Refer note 7 of Schedule J ) (Equity shares face value Rs.10/- each)		
Basic and Diluted EPS		(1.39)
Significant Accounting Policies Notes forming part of the Accounts	E F	

Schedules A to J annexed hereto form part of the Balance Sheet and the Profit and Loss Account

As per our report of even date attached.

**For N.M.Raiji & Co.**  
Chartered Accountants  
Firm Registration No. 108296W

*Vinay D. Balse*  
**Vinay D. Balse**  
Partner  
Membership Number : 39434  
Place: Mumbai  
Date: **27 MAY 2011**



For and on behalf of the Board

*Aman*  
**Aman** Director  
*Ek Dhany*  
**Ek Dhany** Director

Manager

**IL&FS RENEWABLE ENERGY LIMITED**

**CASH FLOW STATEMENT FOR THE PERIOD FROM AUGUST 26, 2010 TO MARCH 31, 2011**

		For the period from August 26, 2010 to March 31, 2011
A	<b>Cash Flow from Operating Activities</b>	
	Profit Before Tax	(50,473)
	<b>Adjustments for :-</b>	
	Operating Profit before Working Capital Changes	(50,473)
	<b>Adjustments for :-</b>	
	Increase/(Decrease) in Current Liabilities	48,361
	Net changes in working capital	48,361
	Payment of taxes	
	<b>Net Cash Used from Operating Activities</b>	<b>(2,112)</b>
B	<b>Cash flow from Investing Activities</b>	-
	<b>Net Cash used in Investing Activities (B)</b>	-
C	<b>Cash flow from financing Activities</b>	
	Proceeds from issue of equity Shares	500,000
	<b>Net Cash generated from Financing Activities (C)</b>	<b>500,000</b>
	<b>Net Increase in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>497,888</b>
	Cash and Cash Equivalents at the beginning of the year	-
	Cash and Cash Equivalents at the end of the year (See Schedule E)	497,888
		<b>497,888</b>

Significant accounting policies E  
 Notes forming part of the Accounts F  
 Schedules A to F annexed hereto form part of the Balance sheet and the Profit and Loss Account

In terms of our report attached.

**For N.M.Raiji & Co.**  
 Chartered Accountants  
 Firm Registration No. 108296W

*Vinay B. Balse*  
 Partner  
 Membership Number : 39434  
 Place: Mumbai  
 Date: **27 MAY 2011**



For and on behalf of the Board

*Aman* *Ek Dhany*  
 Director Director

Manager



**IL&FS SOLAR POWER LIMITED**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**

**SCHEDULE A : SHARE CAPITAL**

	As at March 31, 2011
<p><b>Authorised :</b> 125,000,000 Equity Shares of Rs. 10/- each</p>	
<p><b>Issued, Subscribed and Paid - up :</b> 50,000 Equity Shares of Rs. 10/- each fully paid up</p>	500,000
<b>Total</b>	<b>500,000</b>
<p>Note : Of the above 49,930 equity shares are held by Infrastructure Leasing &amp; Financial Services Limited - the Holding Company</p>	



IL&FS SOLAR POWER LIMITED

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

SCHEDULE B: CURRENT ASSETS, LOANS & ADVANCES

	As at March 31, 2011
(a) <u>Cash and Bank balances</u>	
Cash in Hand	8,042
Balance in Current Accounts with Scheduled Bank	489,846
	<b>497,888</b>
	<b>497,888</b>

SCHEDULE C: CURRENT LIABILITIES AND PROVISIONS

	As at March 31, 2011
(A) <u>Current Liabilities</u>	
Sundry Creditors	
- Dues to Micro, Small and Medium Enterprises	-
- other than Micro, Small and Medium Enterprises	43,525
Other Liabilities	4,836
	<b>48,361</b>
	<b>48,361</b>



SCHEDULE D : ADMINISTRATIVE & OPERATING EXPENSES

	For the period from August 26,2010 to March 31,2011
Audit Fees	25,000
Rates & Taxes	25,069
Miscellaneous Expenses	404
<b>Total</b>	<b>50,473</b>



## IL&FS SOLAR POWER LIMITED

### SCHEDULE E: SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis for preparation of Financial Statements

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted applicable Accounting Principles in India including the applicable Accounting Standards issued pursuant to the Companies (Accounting Standards) Rules, 2006. All income and expenditure having a material bearing on the Financial Statements are recognised on an accrual basis.

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

#### 2. Revenue Recognition

The Company has not commenced any business in the period from August 26, 2010 ended March 31, 2011. Accordingly no revenue has been booked in the current period.

#### 3. Provisions, Contingent Liabilities and Contingent Assets

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

#### 4. Taxation

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

Deferred Tax Assets and Liabilities are recognised for the future tax consequences of timing differences between the book profit and the tax profit. Deferred Tax Assets and Liabilities other than carry forward losses and unabsorbed depreciation under tax laws are recognised when it is reasonably certain that there will be future taxable income. Deferred Tax Asset on carry forward losses and unabsorbed depreciation, if any, are



recognised when it is virtually certain that there will be future taxable profit. Deferred Tax Assets and Liabilities are measured using substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of substantive enactment of the change.

## 5. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit after tax for the year attributable to equity shareholder of the Company by the weighted Average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit after tax for the year attributable to equity shareholder of the Company by the weighted Average number of shares outstanding during the year adjusted for the effects of all dilutive potential equity shares

For N.M.Raiji & Co.  
Chartered Accountants  
Firm Registration No: 108296 W



Vinay D. Balse  
Partner

Membership No. 39464



For and on behalf of the Board



Director



Director

Manager

Place: Mumbai

Date: 27 MAY 2011

**IL&FS SOLAR POWER LIMITED**

**SCHEDULE J: NOTES FORMING PART OF THE ACCOUNTS**

1. The Company was incorporated under the Companies Act, 1956 on August 26, 2010 vide Registration No U40300MH2010PLC207073 with the primary objective to manufacture, import, export, lease, licence, buy, sell, give consultancy and deal in components, modules, cells, accessories and other materials relating to the field of renewable and non conventional energy sources and also to carry on business in India and abroad to design, engineer, manufacture, fabricate, sell, give on Lease, maintain and service products of all kind of renewable energy products such as solar, wind, tidal, bio-mass, bagasse, municipal waste all kinds of electrical and electronic goods, biotech equipment, product apparatus, materials, components, parts and things.

2. Segmental Reporting

The Company is operating into one business segment of Renewable Energy Projects and related services. As such there is no separate reportable business or geographical segments as per Accounting Standard 17 on "Segmental Reporting".

3. Related Party Disclosures

a) As per the Accounting Standard 18 on "Related Party Disclosures", the related parties are as follows:-

**ULTIMATE HOLDING COMPANY:**

Infrastructure Leasing & Financial Services Limited (IL&FS)

**HOLDING COMPANY:**

IL&FS Renewable Energy limited (From October 25,2011)

**FELLOW SUBSIDIARIES: (with whom Company has transactions during the period)**

NIL

**KEY MANAGEMENT PERSONNEL**

**Mr Vinod Dhanuka**

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



(Amount in Rupees)

Nature of Company	Nature of Transaction	Transaction for the year	Balance as at year end
Infrastructure Leasing & Financial Services Limited	Sundry Creditors		21,025

Reimbursement of cost is not included in above

4. Other information required pursuant to provision in Schedule VI to the Companies Act 1956, to the extent applicable.

(Amount in Rupees)

		For the Year Ended
S.N	Payments made to Auditors	March 31, 2011
o.		
1.	Audit Fees	25,000

\*Excluding service tax when service tax credit has been taken

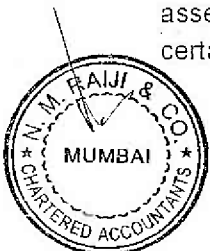
5. Earnings Per Share (EPS)

In accordance with the Accounting Standard 20 on "Earnings Per Share", the Basic and Diluted EPS has been computed by dividing the Profit/(Loss) After Tax by the weighted average number of equity shares outstanding for the period as under:

(Amount in Rupees)

	For the year ended March 31, 2011
Net (Loss) / Profit after tax	(50,473)
Weighted average number of Equity Shares in calculating Basic EPS	36,239
Basic and Diluted Earning per Share	(1.39)

6. In accordance with the Accounting Standard 22 on "Accounting for Taxes on Income", deferred tax assets and liability should be recognised for all timing differences in accordance with the said standard. However considering the present financial position and requirement of the said Accounting Standard 22 regarding certainty/virtual certainty, the carried forward losses is not provided for as an asset. However the same will be re-assessed at subsequent Balance Sheet date and will be accounted for in the year of certainty/virtual certainty in accordance with the aforesaid Accounting StandardTax



Provision has been made in accordance with the requirements under the Accounting Standard - 22 "Accounting for taxes on income".

7. On the basis of the information available with the Company, there are no suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, information as required by the said Act is not given
8. These being the first year after incorporation of the Company the accounts have been prepared from the date of incorporation (i.e. August 26, 2010 to March 31, 2011) and hence previous year figures are not available.

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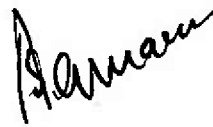
Schedules A to F annexed hereto form part of the Balance Sheet and the Profit And Loss Account

For N.M.Raiji & Co.  
Chartered Accountants  
Firm Registration No: 108296 W

For and on behalf of the Board

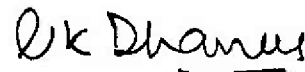


Vinay D. Balse  
Partner  
Membership No. 39464



Director

Manager



Director

Place : Mumbai

Date : **27 MAY 2011**