

STEP TWO CORPORATION LIMITED

NOTICE

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General meeting of the Members of Step Two Corporation Limited will be held at 21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata 700 001, on Saturday, the 27th day of September, 2008 at 10.00 A.M. to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2008 and Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Ashok Kumar Sharma, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Anup Fatehpuria, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint M/s. Agrawal Singhania & Co., Chartered Accountants, as statutory auditors in place of those retiring and to fix their remuneration.

NOTES

1. A Member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A Proxy need not be a Member of the Company. Proxy Forms duly completed should be deposited at the Company's Registered Office at least 48 hours before the commencement of the meeting.
2. The Register of Members & Share Transfer Books of the Company will remain closed from 22nd day of September 2008 to 27th day of September 2008 (Both days inclusive).
3. All requests for transfer of shares and allied matters along with the relevant transfer deeds and/or share certificates should be sent to the Company's Registrar and Share Transfer Agents, viz., Niche Technologies Pvt. Ltd.
4. The Company's shares are enlisted with NSDL and CDSL for participation into Electronic Depository System operated by them. Its shares are compulsorily to be traded in Electronic Form and the security bears code no. INE623D01015.
5. Members are requested to notify immediately any change in their address to the Registrar and Share Transfer Agents of the Company quoting their folio numbers, to ensure prompt service.
6. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant Share Certificates to the Registrar and Share Transfer Agents of the Company.

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7. Members are requested to produce the enclosed Attendance Slip at the entrance of the Office and bring their copies of Annual Report to the meeting, as extra copies will not be supplied.
8. Re-appointment / Appointment of Directors: Pursuant to clause 49 of the listing agreement with the Stock Exchanges, the information in respect of Directors being re-appointment has been provided in the section of Corporate Governance incorporated elsewhere in the Annual Report.

Registered Office:
21, Hemanta Basu Sarani,
5th Floor, Suite No.507,
Kolkata 700 001
Dated: 18th August, 2008

By Order of the Board
Raj Kumar Agarwal
Director

STEP TWO CORPORATION LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourteenth Annual report on the business and operations of the Company together with Audited statements of accounts for the year ended 31st March, 2008.

FINANCIAL HIGHLIGHTS:

The summarised financial results of the Company are given here under.

	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
Profit before Interest, Depreciation & taxes	74,47,052		44,57,314	
Less: Finance Charges	(90,42,357)		(38,91,092)	
Profit/(Loss) before Depreciation & Taxes	(15,95,305)		5,66,222	
Less: Depreciation	(1,26,175)		(1,01,242)	
Profit/(Loss) Before Provision & Taxes	(1,721,480)		4,64,979	
Provision for Loss on Equity Stock/Index Future	—		91,284	
Current Tax	53,903		32,600	
Add : Deferred Tax	(2,134)		(5,354)	
Income Tax for the previous year	1,376		—	
Profit/(Loss) after Tax	(1,774,625)		3,46,450	
Transfer to Reserve Fund	—		69,290	
Balance brought forward from last year	1,142,394		8,65,234	
Balance Carried to Balance Sheet	(632,231)		11,42,394	

DIVIDEND

In view of the loss for the year, your Directors do not recommend any dividend.

OPERATING PERFORMANCE

During the financial year, the company was operating mainly in the capital market. The year witnessed the BSE sensex & the Nifty touching an all time high, followed soon by the American financial market crisis, which cumulated into sentiment turning bearish for the capital markets. During the last quarter of the financial year, the capital market, after 4 record years of upswing, showed signs of fatigue. Since January' 2008, the Indian Capital Markets has been passing through a turbulent times. Outlook for the capital markets have turned negative. The bearish trend continued during the first quarter of the current financial year. With the growth story of the Indian economy waning out, and with the Indian economy showing sign of cooling down, the outlook for the current financial year appears negative.

After recording satisfactory results for the first 3 quarters, the company suffered huge losses from capital market operation during the last quarter. With most analysts predicting that the BSE Sensex may touch 12000 the outlook for the current year appears bleak.

During the year, your Directors continued to focus on new opportunities to improve profitability. Your company successfully assisted a U.S. based, blank cheque company, in acquiring a minority stake in a Indian financial service conglomerate. Your Directors would endeavor to put more emphasis on non-fund based activities in years to come.

DIRECTORS

Shri Ashok Kumar Sharma, and Shri Anup Fatehpuria, retires from office by rotation, and being eligible offer themselves for reappointment. The particulars in respect of the retiring Directors are furnished in the Corporate Governance report forming part of the Annual Report.

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DIRECTORS RESPONSIBILITY STATEMENT

Your Directors confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- ii) Your directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the company for that period.
- iii) Your 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, and
- iv) Your directors have prepared the accompanying Annual Accounts on a going concern basis.

AUDITORS

M/s.B.P.Agarwal & Associates, Chartered Accountants, Kolkata, statutory Auditors of your Company retire at the ensuing Annual General Meeting. The retiring auditors have informed the company their unwillingness to be reappointed. The Board places on record their appreciation to the valuable contribution made by the retiring auditors to the growth of the company.

The company has received a notice from a shareholder proposing the name of M/s Agrarwal Singhanian & Co, Chartered Accountant, as statutory auditors of the company. The Company has received a letter from them to the effect that their reappointment, if made, would be within the limits prescribed under section 224(1C) of the Companies Act, 1956. The Board recommends their appointment as statutory auditors of the company.

PERSONNEL

During the year, the company continued to maintain cordial relationship with all its employees at all level. There was no employee in receipt of remuneration of or in excess of the amount prescribed under section 217(2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

Your Company has been practicing corporate governance and has been complying with all the mandatory requirement pertaining to Corporate Governance. A detailed report on the corporate governance together with a certificate from the Statutory Auditors, in compliance with clause 49 of the Listing Agreement, is attached as part of this report

INFORMATION AS PER SEC 217(1)(e) OF THE COMPANIES ACT 1956

Your company has no activity relating to conservation of energy or technology absorption. During the financial year expenditure in foreign currencies amounted to Rs.153379.67 on account of traveling. Foreign currency earning amounted to Rs.62243026.50

ACKNOWLEDGEMENT

Your Directors wish to convey their gratitude to the Company's clients, Bankers, Business Associates, Shareholders, well wishers and employees, for their valued and timely support and advise to your company during the year & look forward to their continued support.

For and on behalf of the Board

Raj Kumar Agarwal
Ashok Kumar Sharma
Directors

Place : Kolkata

Dated : 18th day of August, 2008

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MANAGEMENT DISCUSSION AND ANALYSIS

Economic Scenario

The Indian Economy registered a growth of 9% during 2007-08, slightly lower than the 9.4% achieved in 2006-07, but topping the 9% mark for the third year in succession. However, some early signs of slowing momentum started to emerge towards the latter part of the financial year. Industrial growth estimated at 8.1% is significantly lower than the 10.6% achieved in 2006-07, with growth in the manufacturing sector at 8.8% being sharply lower than the 12.1% recorded in previous year. Growth in the services sector is also estimated to have dropped to 10.7% as against 11.2% in 2006-07, worryingly manufacturing growth dropped to 5.8% in the last quarter of the year. Inflation remains an area of genuine concern. Inflation, based on the wholesale price index (WPI) stood at 7.4% at end-March 2008 as compared with 5.9% at the end of the previous year and has since crossed 8%. The fiscal deficit has been estimated at 3.10% of GDP, lower than the budgeted level of 3.30%, helped mainly by buoyancy in tax revenues.

The Indian Capital Market recorded it's all time peak during the financial year. However, during the last quarter of the financial year the Capital Market corrected sharply, led by downturn in Global Economy and severe financial crisis in U.S. financial sector. Foreign Institutional Investors pressed distress sales in the Indian Capital Market, further sharpening the fall in prices.

Business Outlook

While the outlook for the Indian economy continues to remain positive, the growth trajectory is likely to moderate. Rising food and commodity prices across the world, volatile financial markets and a diminished risk appetite among international investors are bound to have their impact on the Indian economy. The recent developments in the stock markets have also dampened the earlier buoyancy and optimism in the economy. With inflation hovering around the 8% mark, liquidity is likely to be constrained and interest rates are unlikely to ease. With the outlook of the capital market not too rosy for the current financial year, the performance of the company is likely to be muted from capital market operation. Your Company's strategy would be to focus more on non fund based and advisory services. A good beginning has been made & the management would thrive to take it forward by setting up a full pledged advisory desk.

Analysis of performance for the year

The detailed highlights of the performance are produced elsewhere in the Director's Report.

Opportunities and Threats

Over the years, your Company has achieved an appropriate balance between risk and returns by setting up an efficient risk mitigation system to meet various forms of financial and other risks. The Primary risks that the company is exposed to are market risk and operational risk.

STCL has in place suitable mechanisms to effectively reduce such risks. All these risks are continuously analyzed and reviewed at various levels of management through an effective information system. STCL recognizes the importance of risk management on account of market volatility in Capital Market business.

Internal control system and their adequacy

STCL has adequate internal control systems commensurate with its size and nature of business to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance of laws and regulations. The Audit Committee of the Board reviews the internal control systems and the adequacy and effectiveness of internal controls.

Development in human resources

During the period under review, your Company maintained healthy, cordial and harmonious relations at all levels of management. The company's culture promotes high performance and high professional standards. Your Directors record their appreciation for this hard work and efficiency of the employees & senior management team..

Conclusion

Statements in this "Management Discussion and Analysis" describing the company's objectives, projections, estimates, expectation or predictions are to be viewed with caution and judicious understanding as the Company's operations involve inbuilt risk due to uncertain economic conditions and unforeseen events beyond the company's control.

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CORPORATE GOVERNANCE

Step Two Corporation Limited has been practicing code of Corporate Governance since inception. The strong edifice of the Company, built in 1994, is supported by the pillars of investor Faith. The Company has been growing over the past one decade on the foundations of dedicated investor service, fair business practices, and efficient, safe and trusted financial policies. It continues to maintain the highest standards of integrity through excellence in service to all stakeholders.

The Company follows the "Know Your Customer" (KYC) guidelines, "fair-practices code", which lays down detailed guidelines for dealing with customers, including an appropriate dispute resolution mechanism

1. BOARD OF DIRECTORS

All the members of the Board are eminent persons with considerable expertise and experience in the field of Corporate & Taxation Law, Capital Markets, Investment Banking, Capital Structuring and Construction & Infrastructure developments activities. The Company is immensely benefited by the range of experience and skills that the directors bring to the Board.

The Board comprises four Non-Executive Directors. The Promoter Non-executive Director is Sri Raj Kumar Agarwal. Independent Non-executive Directors are Sri Sanjay Agarwal, Sri Ashok Kumar Sharma and Sri Anup Fatehpuria. The composition of the Board is in conformity with the listing requirements.

2. BOARD MEETINGS

The Board of Directors formulates the business and operational policies and decides on strategic issues concerning the Company. The Board generally meets every quarter to review the business performance.

During the year under review, 6 meetings of the Board of Directors were held on:

30/04/2007 31/07/2007 24/09/2007 31/10/2007
24/12/2007 31/01/2008

The composition of the Board of Directors, attendance of the Directors at the Board Meetings during the year and at the last Annual General Meeting as also the number of other directorships are as follows.

Name of Director	Type	Executive/ Non-executive	Number of meetings attended	Number of other Directorships*	Whether attended last AGM
Mr. Raj Kumar Agarwal	Promoter	Non-executive	5	Nil	Yes
Mr. Sanjay Agarwal	Independent	Non-executive	6	Nil	Yes
Mr. Ashok Kumar Sharma	Independent	Non-executive	6	Nil	Yes
Mr. Anup Fatehpuria	Independent	Non-executive	6	Nil	Yes

* Directorship held in Public Limited Company.

3. INFORMATION ON DIRECTORS' RE-APPOINTMENT / APPOINTMENT

Shri Ashok Kumar Sharma is retiring by rotation in the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment. His brief particulars are as under:

Shri Ashok Kumar Sharma, 39 years, is a Chartered Accountant by profession. He possesses immense knowledge in the field of Corporate & Taxation Law, Capital Markets & Investment banking. His rich experience in the field of Capital Market & Investment Banking would benefit the company.

Shri Anup Fatehpuria is retiring by rotation in the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

His brief particulars are as under:

Shri Anup Fatehpuria (39 years) is a member of the Institute of Chartered Accountant of India. He possesses immense knowledge in the fields of Investing, Banking & retail financing, beside Construction & Infrastructure development. His rich experience in the corporate world is an asset for the Company.

4. AUDIT COMMITTEE

The Audit Committee reviewed the financial accounting policies, adequacy of internal control systems and systems audit and interacted with the statutory auditors. Senior Executives are invitees to the committee meetings. Besides, the Committee reviews the audit plans, interim and annual financial results, management discussion and analysis of financial condition and results of operations, related party transactions, and observations of the management and internal/external auditors on internal control weaknesses and follow-up reports of the management.

During the year, the Committee met four times on 30th April 2007, 31st July 2007, 31st October 2007, and 31st January 2008.

Composition of the Committee and attendance of the members are as follows:

Name of the Director	No. of Meetings Attended
Shri Raj Kumar Agarwal	3
Shri Sanjay Agarwal	4
Shri Ashok Kumar Sharma	4
Shri Anup Fatehpuria	4

5. SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE

The Share Transfer and Investor Relations Committee

- i) Approves and monitors transfers, transmission, splits and consolidation of shares of the Company,
- ii) Reviews & redresses complaints from shareholders relating to transfer of shares, non-receipt of Annual Report, etc.,
- iii) Reviews the compliances with various statutory and regulatory requirements.

During the year, the Committee did not held any meeting as there was no Investor Complaint or transfer / transmission of shares.

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Composition of the Committee and the attendance of the members are as follows:

Name of the Director	Type
Shri Raj Kumar Agarwal	Member
Shri Sanjay Agarwal	Chairman
Shri Ashok Kumar Sharma	Member
Shri Anup Fatehpuria	Member

No investor compliant was received during the year and none was pending unresolved as on 31st March, 2008.

6. REMUNERATION COMMITTEE

There are no whole time directors on the Board of Directors of the Company and the non-executive directors do not draw any remuneration from the Company and hence there is no need to constitute a remuneration committee.

7. GENERAL BODY MEETINGS

Time and location of last three Annual General Meetings

Year	Date	Time	Location
2005	30.08.2005	11:00 A.M.	17, Ganesh Chandra Avenue, 6th Floor, Room No.601, Kolkata 700 013
2006	27.09.2006	10:00 A.M.	21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata 700 001
2007	24.09.2007	10:00 A.M.	21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata 700 001

Postal Ballot

No special resolution is proposed to be passed through postal ballot at the ensuing AGM.

8. DISCLOSURE

- i) There were no materially significant transactions with related parties, i.e., promoters, directors or the management and their relatives conflicting with the Company's interest. All related parties transaction are disclosed in the notes to the accounts, forming part of the Annual Report.
- ii) The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to capital markets. However, trading has been temporarily suspended for alleged non-compliance of certain clauses of the listing agreement by The Stock Exchange, Mumbai (BSE). Your Directors are liasoning with the BSE on a continuous basis and hope that trading would resume on the BSE very soon.
- iii) No person has been denied access to the Chairman or members of the Audit Committee.

9. MEANS OF COMMUNICATION

The Unaudited Quarterly results of the Company are regularly submitted to the Stock Exchanges and published in newspapers in accordance with the Listing Agreement.

10. GENERAL SHAREHOLDER INFORMATION

A. Annual General Meeting

Date 27th September, 2008

Time - 10:00 A.M. Venue - 21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata - 700 001

B. Financial Calender 1st April to 31st March (Provisional) : Will be published during
Result for Quarter ending June 30, 2008 : On or before 31st July, 2008
Result for Quarter ending September 30, 2008 : On or before 31st October, 2008
Result for Quarter ending December 31, 2008 : On or before 31st January, 2009
Result for Quarter ending March 31, 2009 : On or before 30th April, 2009

C. Book Closure

The Register of members and Share Transfer Book will remain closed from 22nd day of September, 2008 to 27th day of September, 2008 (both days inclusive) on account of Annual General Meeting.

D. Dividend

No dividend is recommended for the year.

E. Listing at Stock Exchange

- | | |
|--|--------------------|
| (i) The Calcutta Stock Exchange Association Ltd. | (Stock Code 29182) |
| (ii) The Stock Exchange, Mumbai | (Stock Code 31509) |
| (iii) The Stock Exchange, Ahmedabad | (Stock Code 56708) |
| (iii) The Jaipur Stock Exchange Ltd. | (Stock Code 758) |

The Company has paid the Listing Fees for the year 2007-08 to all the stock exchanges.

F. ISIN Number : INE623D01015

G. Depository Connectivity : NSDL and CDSL

H. STOCK MARKET DATA

The shares of the Company are very thinly traded in the market and no data regarding the same is available with the Company.

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11. REGISTRAR & TRANSFER AGENTS

<u>Name</u>	<u>Address</u>
Niche Technologies (P) Ltd. (For Physical and Demat Shares)	D-511, Bagree Market, 71 B.R.B. Road, Kolkata - 700001 Tel No.(033)2235-7171/70/3070 Fax No.(033)2215-6823 E-mail: nichetechpl@nichetechpl.com

12. COMPLIANCE OFFICER

Shri Bholu Nath Manna is presently acting as the compliance officer in accordance with the provisions of the Listing Agreement. His brief particulars are as under:

Address: 21, Hemant Basu Sarani, 5th Floor, R.No.507, Kolkata - 700 001

Tel No.: 033-22318207/08

E-mail: admin@steptwo.in

13. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2008

<u>No. of Equity Shares Held</u>	<u>No. of Share holders</u>	<u>% of Shares holders</u>	<u>No. of Shares held</u>	<u>% of Shares holding</u>
Upto 500	458	24.9864	159100	3.1492
501 to 1000	1059	57.7741	739800	14.6434
1001 to 5000	233	12.7114	518100	10.2551
5001 to 10000	20	1.0911	169900	3.3630
10001 to 50000	57	3.1097	1273100	25.1994
50001 to 100000	3	0.1637	214500	4.2458
100001 and above	3	0.1637	1977600	39.1441
Totals	1833	100.000	5052100	100.000

14. SHAREHOLDING PATTERN AS ON 31.03.2008

<u>Category</u>	<u>No. of Share held</u>	<u>% of Share holding</u>
Indian Promoters	2050600	40.59
Indian Public including corporate bodies	3001500	59.41
	5052100	100.00

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15. DEMATERIALIZATION OF SHARES

2477136 shares have been dematerialised up to 31.03.2008 which is 49.03% of the total shares of the Company.

16. BREAK-UP OF SHARES IN PHYSICAL AND DEMAT SEGMENT (As on 31.03.2008)

Segment	No. of Shareholders	% to total Shareholders	No. of Shares held	% to total Shares
Physical	1709	93.2351	2574964	50.9682
Demat	124	6.7649	2477136	49.0318
Total	1833	100.00	5052100	100.00

17. OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

Not applicable as the Company has not issued any such instruments.

18. ADDRESS FOR CORRESPONDENCE

REGISTERED OFFICE:

Step Two Corporation Limited
21, Hemanta Basu Sarani,
5th Floor, Suite No.507,
Kolkata - 700001

STEP TWO CORPORATION LIMITED

CERTIFICATE ON CORPORATE GOVERNANCE

TO
THE MEMBERS OF
STEP TWO CORPORATION LIMITED

We have examined the compliance of conditions of Corporate Governance by Step Two Corporation Limited for the year ended March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

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

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

On the basis of representation received from the Share Transfer Agent, we state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

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

For **B.PAGARWAL & ASSOCIATES**
Chartered Accountants

Place : Kolkata
Date : The 30th Day of June, 2008

(CA VISHAKHA KEJRIWAL)
(Partner)

**DECLARATION ON COMPLIANCE OF THE
COMPANY'S CODE OF CONDUCT**

To the Members of Step Two Corporation Limited

The Company has framed specific code of conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchange to further strengthen corporate governance practices in the Company. All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said code of conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended March 31, 2008.

Place: Kolkata

Raj Kumar Agarwal

Date: August 18, 2008.

Director

AUDITOR'S REPORT

TO
THE SHAREHOLDERS OF
M/S. STEP TWO CORPORATION LIMITED

We have audited the attached Balance Sheet of **M/s. Step Two Corporation Limited**, as at 31st March, 2008, and the Profit and Loss Account of the company for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Act and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

We further report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of the company.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts of the company.
4. In our opinion the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the directors, as on 31st March, 2008, and taken on record by the Board of directors, we report that none of the directors are disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & the Profit & Loss Accounts read together with and subject to the Notes thereon and Schedules annexed thereto give the information required by the

STEP TWO CORPORATION LIMITED

Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2008,
- b) In the case of the Profit and Loss Account, of the loss of the company for the year ended on that date,
- c) In the case of cash flow statement, of the cash flows for the year ended on that date.

As required by the "Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998", we further state that we have submitted a Report to the Board of Directors of the Company containing a statement on the matters of supervisory concern to the Reserve Bank of India as specified in the said directors, namely the following :-

- i). The company, incorporated prior to January 9, 1997, has applied for registration as provided in section 45IA of the Reserve Bank of India Act, 1934 (2 of 1934). The Company has been granted certificate of registration as NBFC by the Reserve Bank of India & the Registration No. is 05.02614 dated 04.06.1998.
- ii). The Board of Directors of the Company has passed a Resolution for non-acceptance of any public deposits.
- iii). The Company has not accepted any public deposits during the year under reference.
- iv). The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning of bad doubtful debts as applicable to it.

For B.P. AGARWAL & ASSOCIATES

Chartered Accountants

Place : Kolkata

(CA Vishakha Kejriwal)

Date : 30.06.2008

Partner

ANNEXURE TO AUDITORS' REPORT

- 1). a. The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
b. The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year. No material discrepancies were noticed on such verification.
c. There was no substantial disposal of fixed assets during the year.
- 2). The nature of the business of the company is dealing in shares and securities and financing activities. In view of the said nature of business Accounting Standard 2-"Valuation of Inventories" is not applicable to the company.
Accordingly, clauses (ii)(a), (ii)(b) and (ii)(c) of paragraph 4 of the 'Order' are not applicable.
- 3). a. According to the information and explanations given to us the Company has not granted loans to any person covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly clauses (iii)(a), (iii)(b), (iii)(c), (iii)(d) of paragraph 4 of the 'Order' are not applicable to the Company.
b. The Company has not taken any loans secured or unsecured from companies, firms & other parties covered in the register maintained u/s 301 of the Companies Act, 1956, Accordingly clauses (iii)(f) and (iii)(g) of paragraph 4 of the 'Order' are not applicable to the Company.
- 4). In our opinion, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to the purchase and sale of inventories and fixed assets.
- 5). a. In our opinion and according to the information and explanations given to us, no contracts or arrangements as referred to in section 301 of the Act have been entered into by the Company. Accordingly clauses (v)(a) and (v)(b) of paragraph 4 of the 'Order' are not applicable to the Company.
b. The register, required to be maintained under section 301 of the Companies Act, 1956 has been properly maintained.
- 6). The Company has not accepted any deposits under the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.
- 7). According to the information and explanations given to us, the company does not have an internal audit system commensurate with its size and nature of its business.
- 8). No cost record has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
- 9). a. The Company is regular in depositing undisputed statutory dues in respect of Income tax, cess and any other statutory dues with the appropriate authorities. Provisions of the Employee's

STEP TWO CORPORATION LIMITED

Provident Fund, Miscellaneous Provisions Act, Employee's State Insurance Act, Sales Tax, Wealth Tax, Service Tax, Custom Duty and Excise Duty are not applicable to the Company.

- b. According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues, which have not been deposited on account of any dispute.
- 10) The Company has been registered for a period of more than five years and it has accumulated losses of Rs. 6,32,231.12/- at the end of the financial year, it has incurred cash loss of Rs. 15,95,305.64/- in the current financial year but it has not incurred any cash loss in the immediately preceding financial year.
- 11) The company does not have dues to a financial institution or bank or debenture holders.
- 12) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit funds / nidhi / mutual benefit funds / societies are not applicable to it.
- 14) In our opinion, the company has maintained proper records of transactions and contracts in respect of trading in shares & other investments and timely entries have been made therein and the shares, securities, debentures and other securities have been held by the company, in its own name.
- 15) The company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
- 16) The Company has not taken any term loans during the year under reference.
- 17) The Company has not raised any funds on short-term basis, which have been used for long term investment.
- 18) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- 19) The Company has not raised any money by issue of debentures.
- 20) The Company has not raised any money by public issue during the year.
- 21) As per the information and explanations given to us and on the basis of examination of records, no material fraud on or by the Company was noticed or reported during the year.

STEP TWO CORPORATION LIMITED**BALANCE SHEET AS ON 31ST MARCH 2008**

SOURCES OF FUNDS	SCHEDULE	As on 31.03.2008 Rs. P.	As on 31.03.2007 Rs. P.
Shareholders' Fund			
Share Capital	1	45,922,536.00	45,922,536.00
Reserves & Surplus	2	223,312.14	1,997,937.62
Loan Funds			
Secured Loans	3	28,177,417.02	17,800,250.63
Unsecured Loans	4	-	20,000,000.00
Deferred Tax Liability		43,665.00	45,799.00
Total:		74,366,930.16	85,766,523.27
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		1,544,605.00	1,513,045.00
Less : Depreciation		1,139,384.84	1,013,210.00
Net Block		405,220.16	499,835.00
Investments	6	3,461,853.60	9,844,915.60
Current Assets, Loans & Advances			
Current Assets			
Inventories	7	46,572,316.00	50,418,062.69
Cash & Bank Balances	8	2,686,885.39	6,204,535.92
Loans & Advances	9	22,821,111.38	26,906,511.15
		72,080,312.77	83,529,109.76
Less : Current Liabilities & Provisions			
Current Liabilities	10	1,493,953.37	7,977,392.09
Provisions	11	86,503.00	129,945.00
		1,580,456.37	8,107,337.09
Net Current Assets		70,499,856.40	75,421,772.67
Total :		74,366,930.16	85,766,523.27
Significant Accounting Policies & Notes on Accounts	16		

The schedules referred to above form an integral part of the Balance Sheet as per report of even date attached. For **B.P. AGARWAL & ASSOCIATES** Chartered Accountants
(CA Vishakha Kejriwal)
Partner
Place : Kolkata
Date : 30.06.2008

For and on behalf of the Board
Sd/-

Raj Kumar Agarwal
Ashok Kumar Agarwal
Directors

STEP TWO CORPORATION LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	SCHEDULE	Year ended 31.03.2008 Rs. P	Year ended 31.03.2007 Rs. P
INCOME			
Sale of Shares		514,161,881.39	236,196,531.41
Interest & Other Income	12	23,156,592.39	21,623,848.14
Profit / (Loss) on Sale of Investments		125,542.50	1,133,040.54
Accretion / (Decretion) of Stock	13	(3,845,746.69)	(40,769,406.88)
	Total :	<u>533,598,269.59</u>	<u>218,184,013.21</u>
EXPENDITURE			
Purchase of Shares		520,824,329.92	210,131,498.09
Administrative & Other Expenses	14	1,991,749.86	2,201,964.68
Share Transaction Expenses		3,335,138.30	1,393,236.34
Depreciation written off		126,174.84	101,242.13
Finance Charges	15	9,042,357.15	3,891,092.48
	Total :	<u>535,319,750.07</u>	<u>217,719,033.72</u>
Profit (Loss) before Tax		(1,721,480.48)	464,979.49
Provision for Loss on Equity Stock/Index Futures		-	91,284.00
Tax Expense			
Current Tax		18,772.00	-
Deferred Tax		(2,134.00)	(5,354.73)
Fringe Benefit tax		35,131.00	32,600.00
Income Tax for the Previous Year		1,376.00	-
Profit (Loss) after Tax		(1,774,625.48)	346,450.22
Transfer to Reserve Fund		-	69,290.20
Balance brought forward			
From the last year		<u>1,142,394.36</u>	<u>865,234.34</u>
Balance carried to Balance Sheet		<u>(632,231.12)</u>	<u>1,142,394.36</u>
Basic & Diluted Earning per Share	16	(0.35)	0.07

Significant Accounting Policies
& Notes on Accounts

The schedules referred to above form
an integral part of the Profit & Loss Account

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

As per report of even date attached.

For **B.P. AGARWAL & ASSOCIATES**
Chartered Accountants

(CA Vishakha Kejriwal)
Partner

Place : Kolkata
Date : 30.06.2008

For and on behalf of the Board

Sd/-
Raj Kumar Agarwal
Ashok Kumar Agarwal
Directors

STEP TWO CORPORATION LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

			As on 31.03.2008 Rs. P.	As on 31.03.2007 Rs. P.
SCHEDULE - 1				
SHARE CAPITAL				
Authorised				
53,50,000 Equity Shares of Rs. 10/- each			53,500,000.00	53,500,000.00
			<u>53,500,000.00</u>	<u>53,500,000.00</u>
Issued, Subscribed & Paid up				
50,52,100 Equity Shares of Rs. 10/- each			50,521,000.00	50,521,000.00
Fully called up in cash				
Less : Calls in arrear			4,598,464.00	4,598,464.00
			<u>45,922,536.00</u>	<u>45,922,536.00</u>
SCHEDULE - 2				
RESERVES & SURPLUS				
Profit & Loss Account			(632,231.12)	1,142,394.36
Reserve Fund			855,543.26	855,543.26
			<u>223,312.14</u>	<u>1,997,937.62</u>
SCHEDULE - 3				
SECURED LOANS				
Fortis Finvest Ltd.			-	17,800,250.65
Religare Finvest Ltd.			28,177,417.02	-
(Secured by way of pledge over securities Held as investments & inventories)			<u>28,177,417.02</u>	<u>17,800,250.65</u>
SCHEDULE 4				
UNSECURED LOANS				
From body corporates			-	20,000,000.00
			-	<u>20,000,000.00</u>
SCHEDULE - 6				
	No. of Shares	No. of Shares	As on 31.03.2008 Rs. P	As on 31.03.2007 Rs. P
INVESTMENTS				
Other Investments				
(Long Term, at cost)				
Quoted				
(Equity Shares of Rs. 10/- each fully paid up)				
LKP Merchant Finance Ltd.	NIL	15000		1,447,787.00
Clutch Auto Ltd.	25000	25000	3,461,853.60	3,461,853.60
Diana Tea Ltd.	NIL	282500		4,935,275.00
			<u>3,461,853.60</u>	<u>9,844,915.60</u>
TOTAL			<u>3,461,853.60</u>	<u>9,844,915.60</u>
Aggregate Market Value of Quoted Shares.			<u>1,551,250.00</u>	<u>5,535,650.00</u>

STEP TWO CORPORATION LIMITED

**SCHEDULE 5
FIXED ASSETS**

AMOUNT (Rs)

Particulars	GROSS BLOCK				DEPRECIATION NET BLOCK			WDV as on 31.03.2008	WDV as on 31.03.2007
	Balance as on 01.04.2007	Additions during the year	Sales during the year	Total	As on 01.04.2007	Depreciation for the year	As on 31.03.2008		
Computer	449,782.00	14,560.00	-	464,342.00	270,141.00	32,484.00	302,625.00	161,717.00	179,641.00
Furniture & Fixture	28,300.00	-	-	28,300.00	20,535.00	1,791.00	22,326.00	5,974.00	7,765.00
Office Equipment	80,997.00	-	-	80,997.00	42,023.00	3,847.84	45,870.84	35,126.16	38,974.00
Elec. Installation	44,000.00	-	-	44,000.00	24,191.00	2,090.00	26,281.00	17,719.00	19,809.00
Vehicles	894,966.00	-	-	894,966.00	656,066.00	85,022.00	741,088.00	153,878.00	238,900.00
Mobile Phones	15,000.00	17,000.00	-	32,000.00	254.00	940.00	1,194.00	30,806.00	14,746.00
Total	1,513,045.00	31,560.00	-	1,544,605.00	1,013,210.00	136,174.84	1,139,384.84	405,226.16	499,835.00
Previous year	1,324,623.00	188,422.00	-	1,513,045.00	911,967.87	101,242.13	1,013,210.00	499,835.00	-

STEP TWO CORPORATION LIMITED

	As on 31.03.2008 Rs. P.	As on 31.03.2007 Rs. P.
SCHEDULE - 7		
INVENTORIES		
(As certified by the management)		
(Valued at lower of cost or market price)		
Stock of Shares / Securities	46,572,316.00	50,418,062.69
(As per Annexure - 1)	<u>46,572,316.00</u>	<u>50,418,062.69</u>
SCHEDULE - 8		
CASH & BANK BALANCES		
Cash in hand	89,770.86	165,580.86
(As certified by the management)		
Cheques in hand	-	3,500,000.00
Balances with Scheduled banks		
In Current Accounts	2,597,114.53	2,538,955.06
	<u>2,686,885.39</u>	<u>6,204,535.92</u>
SCHEDULE - 9		
LOANS & ADVANCES (Unsecured considered good)		
Loans	13,116,651.95	25,882,755.95
Advances recoverable in cash or in	9,448,459.43	717,755.20
Kind or for value to be received		
Security Deposits	256,000.00	306,000.00
	<u>22,821,111.38</u>	<u>26,906,511.15</u>
Mark to Market Margin Equity Index		
Stock Futures A/c	-	91,284.00
Less : Provision for Loss on E I S	-	91,284.00
	<u>22,821,111.38</u>	<u>26,906,511.15</u>
SCHEDULE - 10		
CURRENT LIABILITIES		
Sundry Creditors	2,231.13	7,524,462.33
Other Liabilities	1,491,722.24	452,929.76
	<u>1,493,953.37</u>	<u>7,977,392.09</u>
SCHEDULE - 11		
PROVISIONS		
Provision for Taxation	18,772.00	97,345.00
Provision for Fringe Benefit Tax	67,731.00	32,600.00
	<u>86,503.00</u>	<u>129,945.00</u>

STEP TWO CORPORATION LIMITED

	As on 31.03.2008 Rs. P	As on 31.03.2007 Rs. P
SCHEDULE - 12		
INTEREST & OTHER INCOME		
Dividend	1,009,553.97	487,064.08
Interest Income (TDS Rs. 85,316/- Previous Year Rs. 72,612/-)	414,135.00	525,281.00
Consultancy Fees	62,243,026.50	
Share Speculation	2,036,489.08	(492,709.02)
Loss from Derivatives	(42,553,682.16)	(44,294,962.09)
Income from Commodities		65,369,237.17
Interest on I.T. Refund	7,070.00	29,937.00
	<u>23,156,592.39</u>	<u>21,623,848.14</u>
SCHEDULE - 13		
ACCRETION / (DECRETION) OF STOCK		
Closing Stock	46,572,316.00	50,418,062.69
Less : Opening Stock	50,418,062.69	91,187,469.57
	<u>(3,845,746.69)</u>	<u>(40,769,406.88)</u>
SCHEDULE - 14		
ADMINISTRATIVE & OTHER EXPENSES		
Personnel Cost	420,000.00	426,500.00
Advertisement Expenses	13,433.00	15,488.02
Seminar Fees	7,000.00	
Tour & Travelling Expenses	1,026,827.67	1,130,222.41
Rent	96,000.00	204,000.00
Rates & Taxes	90,655.00	127,027.00
Legal & Professional Charges	30,000.00	35,000.00
Auditor's Remuneration	16,855.00	13,483.00
Bank Charges	518.54	2,444.80
Conveyance Expenses	14,985.00	20,485.00
General Expenses	25,215.00	35,489.73
Communication Cost	147,820.15	107,166.22
Website Development Charges		8,000.00
Printing & Stationery	25,558.50	31,494.50
Custodial Fees	42,696.00	43,029.00
Repair & Maintenance & Electricity	31,186.00	37,135.00
Donation & Subscription	3,000.00	
	<u>1,991,749.86</u>	<u>2,236,964.68</u>
SCHEDULE 15		
FINANCE CHARGES		
Interest Paid	9,042,357.15	3,891,092.48
	<u>9,042,357.15</u>	<u>3,891,092.48</u>

SCHEDULE - 16

(Notes annexed to & forming part of the accounts for the year ended 31st March, 2008)

Significant Accounting Policies & Notes on Accounts

1. Significant Accounting Policies

1.1 Accounting Convention

The accounts have been prepared on historical cost convention under accrual method of accounting and under the going concern concept & in accordance with the applicable accounting standards.

1.2 Basis of Accounting

The Company prepares its financial statement in accordance with generally accepted Accounting practices and also in accordance with the requirement of the Companies Act, 1956.

1.3 Inventories

Stock of all quoted shares and securities has been valued at cost or market price whichever is lower.

1.4 Investments

Investments are stated at their cost of acquisition.

1.5 Income & Expenditure

Income & Expenditure are accounted for on accrual basis except dividend income which is accounted on receipt basis.

1.6 Fixed Assets

Fixed assets are stated at their original cost of acquisition (which includes expenditure incurred for the acquisition and/or installation if any) as reduced by accumulated depreciation thereon.

Depreciation on Fixed Assets has been provided on straight line basis at rates prescribed under Schedule XIV of the Companies Act, 1956.

1.7 Taxation

Provision for income tax is made on the assessable income at the tax rate applicable for the relevant assessment year.

Deferred tax is recognized, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are not recognized unless there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Provision for Fringe Benefit tax has been made in accordance with the provision of the Chapter XII-H of the Income Tax Act, 1961.

STEP TWO CORPORATION LIMITED

2. Notes of Accounts

2.1 Particulars in respect of opening stock, purchases, sales & closing stock of shares, etc.

	Quantity as at 31.03.2008	Quantity as at 31.03.2007
Opening Stock	9,64,998	16,47,765
Purchases	79,81,956	30,83,363
Sales	83,51,469	37,66,130
Closing Stock	5,95,485	9,64,998

2.2 In terms of the Reserve Bank of India guidelines issued to Non-Banking Financial Companies, all investments in securities are bifurcated into current investments & long term investments. Investments which are acquired with the intention of short term holding are considered as Stock-in-trade and classified as current assets and others are considered as long term investments. Long term investments are valued at cost, whereas current investments are valued as cost or market price whichever is lower.

2.3 Details of the foreign currency transaction entered into by the company during the year.

	2007-2008 Amount (Rs.)	2006-2007 Amount (Rs.)
1. Earning in Foreign Exchange on F.O.B. basis	6,22,43,026.50/-	Nil
2. Expenditure in Foreign Currency :- For Tour & Traveling Expenses	1,53,379.67/-	Nil

2.4 Auditor's Remuneration

	2007-2008 Amount (Rs.)	2006-2007 Amount (Rs.)
Statutory Audit Fees	5,618.00	5,618.00
Tax Audit Fees	2,247.00	2,247.00
Other matters	8,990.00	5,618.00
Total	16,855.00	13,483.00

2.5 During the financial year 1997-98, a sum of Rs. 25,00,000/- (Rupees Twenty Five Lacs only) had been fraudulently withdrawn from Punjab & Sind Bank Ltd., New Targri Road Branch, Kolkata. The matter is under litigation. The closing balance of this account as appearing in the balance sheet under the head "cash & bank balances" is Rs. 25,02,195/-.

STEP TWO CORPORATION LIMITED

2.6 Related party disclosures as per Accounting Standard-18 are given below :

Name	Relation	Nature of Transaction	Amount (in Rs.)
Raj Kumar Agarwal	Key Managerial Person	Sale of Shares	2,63,750.00
M/s. Raj Bhavna & Associates	Associates of Key Managerial Person	Legal & Professional Fees	18,000.00
M/s. Asra Abasan Pvt. Ltd.	Associates of Key Managerial Person	Rent	96,000.00
M/s. Asra Abasan Pvt. Ltd.	Associates of Key Managerial Person	Maintenance & Electric Charges	31,186.00
Raj Kumar Agarwal (HUF)	Relatives of Key Managerial Person	Sale of Shares	2,63,750.00
Rajendra Kumar Agarwal	Relatives of Key Managerial Person	Sale of Shares	2,63,750.00
Rajendra Kumar Agarwal (HUF)	Relatives of Key Managerial Person	Sale of Shares	2,63,750.00
Ravi Shankar Agarwal	Relatives of Key Managerial Person	Sale of Shares	2,63,750.00
Ravi Shankar Agarwal (HUF)	Relatives of Key Managerial Person	Sale of Shares	2,63,750.00
Sapna Agarwal	Relatives of Key Managerial Person	Sale of Shares	1,99,395.00
Surbhi Agarwal	Relatives of Key Managerial Person	Sale of Shares	2,63,750.00
Kavita Agarwal	Relatives of Key Managerial Person	Sale of Shares	2,63,750.00

2.7 Deferred Tax

	31.03.2008 Deferred Tax		31.03.2007 Deferred Tax	
	Asset	Liability	Asset	Liability
Opening Balance	NIL	45,799.00	NIL	51,154.00
Less : Deferred tax liability reversed during the year	NIL	2,134.00	NIL	5,355.00
Closing Balance	NIL	43,665.00	NIL	45,799.00

2.8 Earnings per share - The numerators and denominators used to calculate Basic/Diluted

	(Amount in Rs.)	
	2007-2008	2006-2007
(a) Amount used as the numerator		
Profit after tax (A) (Rs.)	17,74,625.48	3,46,450.22
(b) Basic/weighted average number of equity Shares used as denominator (B)	50,52,100	50,52,100
(c) Nominal value of equity shares (Rs.)	10.00	10.00
(d) Basic/diluted Earnings per share (A/B)	(0.35)	0.07

2.9 No employee is eligible for gratuity benefits, hence, the same has not been provided in the books.

2.10 There is no outstanding amount payable to small scale industrial undertaking which is outstanding for more than 30 days.

2.11 As per provisions of Macro Small and Medium Enterprises Development Act, 2006, there are no such enterprises to whom the company owes which are outstanding for more than 45 days at the Balance Sheet date to the extent such enterprises have been identified on the basis of information available with the company.

2.12 There are no open interests relating to Equity Stock/Index Futures entered contracts as on 31.03.2008.

2.13 Previous years figures have been re-grouped & re-arranged wherever considered necessary.

STEP TWO CORPORATION LIMITED

3. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31ST MARCH 2008.

I. REGISTRATION DETAIL

Registration No.	21-66080	State Code	21
Balance Sheet Date	31.03.2008		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. '000)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT RS. '000)

Total Liabilities	74367	Total Assets	74367
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SOURCES OF FUNDS

Paid-up Capital	45923	Reserve & Surplus	223
Secured Loans	28177	Unsecured Loans	0
Deferred Tax Liability	44		

APPLICATION OF FUNDS

Net Fixed Assets	405	Investment	3,462
Net Current Assets	70500	Misc. Expenditure	NIL

IV. PERFORMANCE OF COMPANY (Amount in Rs. '000)

Turnover / Total Income	533598	Total Expenditure	535320
Profit before tax	(1721)	Profit after tax	(1775)
Basic E.P.S. in Rs.	(0.35)	Dividend Rate %	NIL

V. GENERIC NAMES OF THREE PRODUCTS/SERVICES OF COMPANY

(as per monetary terms)

Products/Service Description	Item Code No.
1. Dealing in Shares & Securities	Not Applicable
2. Finance Activities	Not Applicable

For **B. P. AGARWAL & ASSOCIATES**
Chartered Accountants

Place : Kolkata
Date : 30.06.2008

(CA Vishakha Kejriwal)
Partner

STEP TWO CORPORATION LIMITED

Annexure-1

INVENTORIES

(Equity shares fully paid up)

SR. No.	Name of company	No. of Shares as on 31.03.2008	No. of Shares as on 31.03.2007	Value as on 31.03.2008	Value as on 31.03.2007
Quoted Shares					
1	ABC Bearing Ltd.		5,500		652,470.78
2	ABG Heavy Inds Ltd		1,000		186,950.00
3	Adhunik Metals Ltd		11,000		380,600.00
4	Aegis Chemicals Ltd		2,500		295,000.00
5	Aftek Infosys Ltd	105,000	32,500	4,525,500.00	2,132,000.00
6	Accurate Transfor	200	-	19,700.00	-
7	Arihant Foundation	5,500	-	1,682,450.00	-
8	Asian Oilfld	5,000	-	738,000.00	-
9	Atlanta Ltd.	200	-	42,490.00	-
10	Ansal Hsg & Const Ltd		500		116,325.00
11	Archies Ltd		3,500		393,488.03
12	Bajaj Hindustan Ltd		1,000		195,000.00
13	Bhagyanagar Metals Ltd	200	200	2,844.00	2,844.00
14	Bipinind Ltd	800	800	14,400.00	14,400.00
15	Caim India Ltd		2,000		264,300.00
16	Cerebra Integrated Ltd		244,900		2,410,650.00
17	Clutch Auto Ltd	20,285	30,000	1,258,684.25	3,246,000.00
18	Confidence Petroleum Ltd	10,000	-	125,000.00	-
19	Donear Industries Ltd	168,908	113,908	10,514,523.00	19,291,319.00
20	Finolex Industries Ltd		75		5,152.50
21	Glory Polyfilms Ltd	122,236	-	8,061,464.20	-
22	Gujrat NRE Coke Ltd		1,000		39,850.00
23	Hindalco Industries Ltd (Partly paid up)	1,036	3,236	49,728.00	260,983.40
24	Hindustan Petroleum Ltd		450		111,510.00
25	India Bulls Finance Ltd	100		41,680.00	
26	India Bulls Securities Ltd.	100			
27	Kohinoor Foods Ltd.	500		54,625.00	
28	LIC Housing Finance Ltd.		6,350		875,982.50
29	LT Overseas Ltd.		250,971		12,376,607.26

STEP TWO CORPORATION LIMITED

30	Lumax Industries Ltd.	12,978	-	2,292,563.70	-
31	Mascon Global Ltd	-	100,000	-	930,000.00
32	Magnum Ventures Ltd.	8,000	-	107,200.00	-
33	Micro Techno Ltd	-	2,000	-	384,282.34
34	National Aluminium Ltd	-	2,000	-	467,300.00
35	NRB Bearings Ltd	-	500	-	49,500.00
36	Orient Abrasive Ltd	-	10,500	-	191,625.00
37	Pal Credit & Capital Ltd.	1,000	-	6,140.00	-
38	Paragon Finance Ltd	-	14,436	-	89,696.79
39	Parekh Aluminex Ltd.	500	-	89,925.00	-
40	Parker Agrochem Ex Ltd	-	3,000	-	50,700.00
41	Parsvanath Developers Ltd	500	500	105,075.00	129,500.00
42	Petron Engineering Ltd	-	500	-	74,500.00
43	Pitti Laminations Ltd	3,000	7,500	133,200.00	465,000.00
44	Priyadarshini Cement (Rain Commodities Ltd)	500	500	25,000.00	20,375.00
45	Rallis India Ltd	-	500	-	132,875.00
46	Rohit Ferro Tech Ltd	-	85,000	-	2,290,750.00
47	Saregama India Ltd	-	3,010	-	213,625.00
48	Sea Mec Ltd	162	162	19,042.94	19,042.94
49	Shipping Corporation Ltd	-	2,500	-	395,968.15
50	SPL Industries Ltd	-	4,200	-	110,250.00
51	Srei International Ltd	-	3,000	-	50,550.00
52	Stenly Credit Capital Ltd	3,400	3,400	245,650.00	245,650.00
53	Tata Sponge Iron Ltd	-	1,000	-	94,950.00
54	Tata Teleservices Ltd	-	2,000	-	37,660.00
55	Tricom Finance Ltd	124,830	3,400	16,393,549.41	264,180.00
56	Unichem Laboratories Ltd	-	500	-	125,975.00
57	Universal Cables Ltd	-	1,500	-	132,675.00
58	Vasparr Securities Ltd	500	-	22,975.00	-
59	Visesh Infosystems	49	-	906.50	-
	Total (A)	595,484	962,998	46,572,316.00	50,218,063.00
	Unquoted Shares				
1	Yatharath Exports Pvt. Ltd.	-	2,000	-	200,000.00
	Total (B)	-	2,000	-	200,000.00
	Total (A) + (B)	595,484	964,998.00	46,572,316.00	50,418,062.69

Note :- In this Financial Year India Bulls Finance Ltd. Has been demerged and the reporting company has received 100 shares of India Bulls Securities Ltd.

STEP TWO CORPORATION LIMITED**Cash Flow Statement for the Year Ended 31st March 2007**

	2007-2008	2006-2007
	Amount (Rs.)	Amount (Rs.)
A. <u>Net Cash from Operational Activities</u>		
Net Profit before Taxes	(1,721,480.48)	464,979.49
<u>Adjustments</u>		
Profit from sale of Investments	(125,542.50)	(1,133,040.54)
Depreciation & Amortisation	126,174.84	101,242.13
Provision for Taxation	(53,903.00)	(32,600.00)
Operating Profit before change in Working Capital	(1,774,751.14)	(599,418.92)
Increase/Decrease in trade & other receivable		
Increase/Decrease in Inventories	3,845,746.69	40,769,406.88
Increase/Decrease in Loans & Advances	4,085,399.77	3,562,957.49
Increase/Decrease in trade & other payable	(6,483,438.72)	(6,126,036.67)
Increase/Decrease in Provision	(43,442.00)	14,340.00
Income Tax for the Previous Year paid	(1,376.00)	-
Net Cash from Operating Activities	A (371,861.40)	37,621,248.78
B. <u>Cash Flow from Investing Activities</u>		
Profit from sale of Investment	125,542.50	1,133,040.54
Purchase/Sale of Fixed Assets	(31,560.00)	(188,422.00)
Purchase/Sale of Investments	6,383,062.00	10,048,221.79
Cash Flow from Investing Activities	B 6,477,044.50	10,992,840.33
C. <u>Cash Flow from Financing Activities</u>		
Loan Taken	28,177,417.02	
Loan Repaid	(37,800,250.65)	(47,999,027.78)
Cash Flow from Financing Activities	C (9,622,833.63)	(47,999,027.78)
Net Increase in cash & Cash Requirement	Total (A+B+C) (3,517,650.53)	615,061.33
Cash & Cash Equivalent (Opening Balance)	6,204,535.92	5,589,474.59
Cash & Cash Equivalent (Closing Balance)	2,686,885.39	6,204,535.92

STEP TWO CORPORATION LIMITED

Notes to the Cash Flow Statement:

1 Cash & Cash Equivalent comprises of:

	As on 31.03.2008 Amount (Rs.)	As on 31.03.2007 Amount (Rs.)
Cash in hand	89,770.86	165,580.86
Cheques in Hand		3,500,000.00
Balances with Scheduled banks in Current Accounts	2,597,114.53	2,538,955.06
	<u>2,686,885.39</u>	<u>6,204,535.92</u>

2 The opening as well as the closing balance of Cash & Cash Equivalents as shown in the Cash Flow Statement include an amount of Rs. 25,00,000/- which was fraudulently withdrawn from the Punjab & Sind Bank in the financial year 1996-97. The closing Balance of this account as appearing in Balance Sheet under the head "Cash & Bank Balances" is Rs. 25,02,195/- as on 31.03.2008. The entire amount is not available for use by the Company.

3 The Cash Flow Statement has been prepared using 'Indirect Method' set out in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

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

For **B.P. AGARWAL & ASSOCIATES**
Chartered Accountants

(CA Vishakha Kejriwal)
Partner

Place : Kolkata
Date : 30.06.2008

For and on behalf of the Board
Sd/-

STEP TWO CORPORATION LIMITED

Schedule to the Balance Sheet of Non-Banking Financial Company

(as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998)

Particulars	(Rs. in Thousands)	
Liabilities side :		
(1) Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures : Secured	NIL	NIL
: Unsecured	NIL	NIL
(other than falling within the Meaning of Public deposits*)		
(b) Deferred Credits	NIL	NIL
(c) Term Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	28,177	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits*	NIL	NIL
(g) Other Loans (specify nature)	NIL	NIL
* Please see Note 1 below		
(2) Break-up of (1)(f) above (outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured Debentures	NIL	NIL
(b) In the form of partly secured debentures i.e. Debentures where there is a shortfall in the value of security	NIL	NIL
(c) Other public deposits	NIL	NIL
* Please see Note 1 below		
Assets side:		
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
(a) Secured		NIL
(b) Unsecured		22,821
(4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
(i) Lease assets including lease rentals under sundry debtors:		
(a) Financial lease		NIL
(b) Operating lease		NIL
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire		NIL
(b) Repossessed Assets		NIL

STEP TWO CORPORATION LIMITED

(iii) Hypothecation loans counting towards EL/HP activities:

- (a) Loans where assets have been repossessed NIL
- (b) Loans other than (a) above NIL

(5) Break-up of Investments :

Current Investments :

1. Quoted :

- (i) Shares: (a) Equity NIL
- (b) Preference NIL
- (ii) Debentures and Bonds NIL
- (iii) Units of mutual funds NIL
- (iv) Government Securities NIL
- (v) Others (please specify) NIL

2. Unquoted :

- (i) Shares: (a) Equity NIL
- (b) Preference NIL
- (ii) Debentures and Bonds NIL
- (iii) Units of mutual funds NIL
- (iv) Government Securities NIL
- (v) Others (please specify) NIL

Long Term Investments :

1. Quoted :

- (i) Shares: (a) Equity 3,462
- (b) Preference NIL
- (ii) Debentures and Bonds NIL
- (iii) Units of mutual funds NIL
- (iv) Government Securities NIL
- (v) Others (please specify) NIL

2. Unquoted :

- (i) Shares: (a) Equity NIL
- (b) Preference NIL
- (ii) Debentures and Bonds NIL
- (iii) Units of mutual funds NIL
- (iv) Government Securities NIL
- (v) Others (please specify) NIL

(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :

Please see Note 2 below

Category

Amount net of previous

	Secured	Unsecured	Total
1. Related Parties**			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil

STEP TWO CORPORATION LIMITED

(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	22,821	22,821
Total	Nil	22,821	22,821

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

Please see note 3 below

Category	Market Value/Break Up or fair value NAV	Book Value (Net of Provisions)
1. Related Parties**		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group	Nil	Nil
(c) Other related parties	Nil	Nil
2. Other than related parties	1,551	3,462
Total	1,551	3,462

** As per Accounting Standard of ICAI (Please see Note 3)

(8) Other Information

Particulars	Amount
(i) Gross Non-Performing Assets	NIL
(a) Related Parties	NIL
(b) Other than related parties	NIL
(ii) Net Non-Performing Assets	NIL
(a) Related Parties	NIL
(b) Other than related parties	NIL
(iii) Assets acquired in satisfaction of debt	NIL

Notes:

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

STEP TWO CORPORATION LIMITED

Regd. Office : 21, Hemant Basu Sarani, 5th Floor, Room No. 507, Kolkata-700 001

Folio
No. of Shares

PROXY

I/WE.....being a member/
Members of the abovenamed company, hereby appoint.....
of.....or failing him.....of.....as
my/our proxy absence to attend and vote for me/us and my/our behalf at Fourteenth Annual
General Meeting of the Company, to be held at 21, Hemant Basu Sarani, 5th Floor, Room No. 507,
Kolkata-700 001 on 27th September, 2008 at 10 A.M. or at any adjournment thereof. AS
WITNESS my/our hand/hands this.....day of.....2008.

Signed by the said



Note : The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

STEP TWO CORPORATION LIMITED

Regd. Office : 21, Hemant Basu Sarani, 5th Floor, Room No. 507, Kolkata-700 001

ADMISSION SLIP

I/WE hereby record my/our presence at the Fourteenth Annual General Meeting of the Company, to be held at 21, Hemant Basu Sarani, 5th Floor, Room No. 507, Kolkata-700 001 on 27th September, 2008 at 10 A.M.

Name (s).....

Folio No.....

Signature(s) of Shareholders/Proxy attending the meeting.

- NOTES: (1) A Member Proxy/Representative wishing to attend the meeting must complete this Admission Slip and hand it over at the entrance.
- (2) Name of the Proxy/Representative in Block Letters (in case of Proxy/Representative attends the meeting).