

AUDITORS' REPORT
TO THE MEMBERS OF M/S. VIRUTCHAM MICROFINANCE LIMITED

1. We have audited the attached Balance Sheet of **M/S. VIRUTCHAM MICROFINANCE LIMITED** as at 31st March, 2012, Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. The preparation of these Financial Statements is the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our Audit.
2. We conducted our Audit in accordance with Auditing Standards generally accepted in India. Those standards require that, we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered necessary and according to information and explanation given to us, we state in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
- 4 Further to our comments in the annexure referred to in paragraph 4 above, We state 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 our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books maintained at the Head Office and all the branches of the company visited by us and proper returns adequate for the purpose of audit have been received from branches not visited by us.

- (c) The Balance sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act 1956.
- (e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, We report that none of the directors are disqualified as on 31st March, 2012 from being appointed as directors 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 accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
 - (ii) In the case of the Statement of Profit & Loss, of the **PROFIT** of the Company for the year ended on that date; and
 - (iii) In the case of Cash Flow Statement of cash flows of the Company for the year ended on that date.

For **A. JOHN MORIS & CO.**,
CHARTERED ACCOUNTANTS,
FRN. 0072205

PLACE : TRICHY
DATE : MAY 31, 2012

(P. GANESAN)
PARTNER.
M.No: 214065

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph (3) of our report of even date)
REPORT OF THE AUDITOR TO THE MEMBERS IN ACCORDANCE WITH THE
COMPANIES (AUDITORS' REPORT) ORDER 2003

We state that,

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable looking to the size of the company and the nature of its business.
3. As per the information and explanation given to us on our enquiries, the disposal of assets during the year was not substantial and would not have an impact on the operations of the company.
4. Being a Non-Banking Finance Company, the matters in connection with verification, reporting and all other related matters on inventory are not applicable.
5. As informed to us, the company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii) (b)(c)(d)(f) and (g) of the order are not applicable to the company.

6. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control system.
7. According to the information and explanations given to us, the company has not entered in to any contract or arrangement referred to in section 301 of the Act.
8. As the company has not entered into any transactions, no comments have been given in respect of clause 4(v) of the Companies (Auditor's Report) Order, 2003.
9. During the year, the Company has not accepted any deposits from the public. As such the compliance with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules framed there under are not applicable.
10. In our opinion, the company has an internal audit system, the scope and coverage of which is fairly adequate, commensurate with the size and nature of the business of the Company.
11. According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, for any the activities of the company.
12. According to the records of the Company, it is regular in depositing with appropriate authorities the undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other applicable statutory dues.

13. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income-tax, Sales-Tax, Wealth Tax, Custom Duty, Excise Duty & Cess as at the year end, for a period more than six months from the date they became payable.
14. According to the information and explanation given to us, there are no dues of disputed Income Tax, Service Tax and Cess that have not been deposited with the appropriate authorities.
15. The Company has neither accumulated losses till the immediately preceding Financial Year nor incurred any loss during the current Financial Year under this Report.
16. According to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions and Banks
17. Based on our examination of documents and records maintained by the Company, we are of the opinion that the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
18. In our opinion and according to the information and explanations give to us, the nature of the activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
19. In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in shares, securities, debentures and other investments.
20. According to the information and explanations given to us and on the basis of records examined by us, the company has not given any guarantee for loans taken by others from Banks or Financial Institutions.

21. On the basis of review of utilisation of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company have been applied for the purposes for which they are obtained.
22. Based on the information and explanations given to us and on an overall examination of financial statements of the Company, in our opinion, short term funds have not been utilised for long term purposes.
23. According to the information and explanations given to us no preferential allotment of shares has been made by the company to companies, firm or other parties listed in the register maintained under section 301 of the company Act, 1956.
24. Neither any debentures were issued during the year, nor is any creation of security pending in respect of debentures raised in earlier years.
25. The Company has not raised money by public issues in the recent past and hence, we have no comments to offer in respect of clause 4(xx) for the Companies (Auditor's Report) Order, 2003.
26. During the year under review on the basis of our examination of books and records of the Company as per generally accepted auditing practices in India and based on the information and explanations given to us, no material frauds on or by the Company has been reported or noticed. There were some non material instances of fraud on the Company which were noticed by the company and proper mitigation steps were taken.

27. The company has complied with the prudential norms on the income recognition and provisioning against Standard/sub-standard/doubtful/loss assets, as per the provisions of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
28. Based on representations by management and our visit to borrowers and branches of the Company, we are of the opinion that the Company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers.

For **A. JOHN MORIS & CO.**,
CHARTERED ACCOUNTANTS,
FRN. 0072205

PLACE : CHENNAI
DATE : MAY 31, 2012

(P. GANESAN)
PARTNER.
M.No: 214065