



AUDITORS' REPORT

TO THE MEMBERS OF M/S. VIRUTCHAM MICROFINANCE LIMITED

We have audited the attached Balance Sheet of **M/S. VIRUTCHAM MICROFINANCE LIMITED** as at 31st March, 2010, Profit and Loss Account 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.

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.

1. As required by the Companies (Auditors' Report) order, 2003 issued by the Central Government of India 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.
2. Further to our comments in the annexure referred to in paragraph 1 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.





A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS

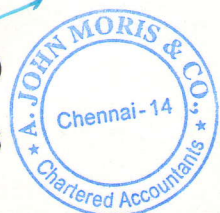
- (b) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of the books maintained by the company at the Head office and all the branches of the company, visited by us.
- (c) The Balance sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (d) In our opinion the Profit and Loss account and Balance sheet 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, 2010 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 2010;
- (ii) In the case of Profit & Loss Account, of the **LOSS** of the company for the year ended on that date; and
- (iii) In the case of Cash Flow Statement of Cash Flow for the year ended on that date.

PLACE : TRICHY
DATE : APRIL 21, 2010

For A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS

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





ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) 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. The same are in the process of being updated.
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.





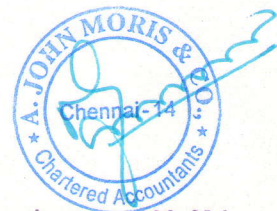
6. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. There are no purchase of inventory and sale of goods. Further, on the basis of our examination of the 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 undisputed statutory dues including Provident Fund, Investor Education and Protection Funds, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other applicable statutory dues.





A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS

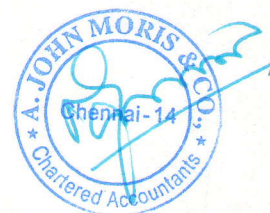
13. According to the information and explanations given to us, there are no undisputed amounts payables in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-Tax, Wealth Tax, Custom Duty, Excise Duty & Cess as at the year end, for a period more than six months from the date they became payable.
14. The Company has neither accumulated losses till the immediately preceding Financial Year nor incurred any loss during the current Financial Year under this Report.
15. According to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions and Banks.
16. 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 advance on the basis of security by way of pledge of shares, debentures and other securities.
17. 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.
18. 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.
19. 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.
20. 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.





A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS

21. 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 utilized for long term purposes.
22. 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.
23. Neither any debentures were issued during the year, nor is any creation of security pending in respect of debentures raised in earlier years.
24. The Company has not raised money by public issues in the recent past and hence, we have no comments to offer in respect of clauses 4(xx) for the Companies (Auditor's Report) Order, 2003.
25. On the basis of our examination of the books of account and other relevant records and information made available to us, prima facie we have not noticed any fraud on or by the company, during the year. Further, the management has represented to us that no fraud on or by the company has been reported during the year.
26. The company has complied with the prudential norms on the income recognition and provisioning against 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.





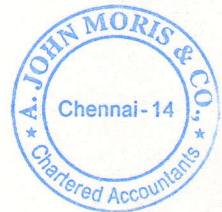
A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS

27. Based on representations by management and our visit to borrowers and all 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.

Place : TIRUCHY
Date : APRIL 21, 2010

For A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS


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





A. JOHN MORIS & CO.,

CHARTERED ACCOUNTANTS

Assessee's Name :	M/S. VIRUTCHAM MICROFINANCE LTD.,	Status :	PUBLIC LIMITED COMPANY
Date of Incorporation :	08.07.2008	Asst. Year :	2010-11
Date of Commencement:	12.11.2008	P.A.No :	AACCV9529Q
Nature of Business :	MICROFINANCE	G.I.R.No :	
Address :	No.19 Balaji Avenue, 5th Cross, Melachinthamani, Old Karur Road, Trichy - 620 002.	I.T.Juri :	
		Year Ending :	31.03.2010

Ref: AJM/V-18/076/2010-11

21st April, 2010

STATEMENT OF TOTAL INCOME

INCOME FROM BUSINESS

Net Profit as per Profit & Loss A/c.		(1,566,465)
ADD: INADMISSIBLE EXPENSES:		
Provision for Loan Loss	-	
Depreciation as per Companies Act	113,598	113,598
		(1,452,867)
LESS: ADMISSIBLE EXPENSES/INCOME NOT CHARAGEABLE		
Depreciation as per Income Tax Act	411,995	
		411,995
		(1,864,861)
LESS: Unabsorbed Loss and allowance brought forward from preceding Assessment year		
Business Loss U/s. 72		
Depreciation Loss U/s. 32(2)		
		-
Total Income		(1,864,861)
		(or)
Rounded off		(1,864,860)



17/9, Lakshmiapuram Main Street, (Near Spencer's Daily), Lloyds Road, Royapettah, Chennai - 600 014.

Tele Fax : + 91-44-2811 6003 / 04 E-mail : ajohnmoris@hotmail.com / ganesan73@rediffmail.com

Branches : * NAGERCOIL * BANGALORE * NEW DELHI * MUMBAI * TRICHY



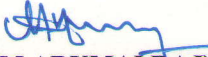
STATEMENT OF BOOK PROFIT

Net profit as per Schedule VI Part II and Part III		(1,658,664.68)
Add : Income Tax	-	
Deferred Tax	92,200.00	
Statutory Reserve	-	
		92,200.00
		(1,566,464.68)
Less: Recovered Provision for Doubtful Debts		
Brought forward loss or unabsorbed depreciaion whichecker is less	-	-
		(1,566,464.68)
		(or)
Rounded off		(1,566,460.00)

STATEMENT OF TAXES

Tax due as per Book Profit U/s. 115-JB @ 10%	-
Tax due as per Income Tax Act.,	-
Total Tax payable	-
Add: Education Cess @ 3% on above	-
	-
Less: T.D.S.- Bank Interest	34,590.00
Balance Tax Payable	(34,590.00)
Add: Interest for :	
U/s. 234 - A	
U/s. 234 - B	-
U/s. 234 - C	-
Total Tax and Interest Payable	(34,590.00)
Less: Tax Paid U/s. 140-A	-
BALANCE TAX AND INTEREST PAYABLE/(REFUND DUE)	(34,590.00)

for M/S. VIRUTCHAM MICROFINANCE LTD.,


(M. ARUMAI RAJ)
Managing Director



for A. JOHN MORIS & CO.,
CHARTERED ACCOUNTANTS,


(P. GANESAN)
PARTNER
Membership No. 214065


SCHEDULE -C: DEPRECIATION AS PER IT ACT

PARTICULARS	RATE	GROSS BLOCK COST AS ON					DEPRECIATION		NET BLOCK	
		01.04.2009	ADDITION 1ST HALF	ADDITION 2ND HALF	(DELETION)	31.3.2010	UP TO 31.3.2009	UP TO 31.3.2010	AS ON 31.03.2010	AS ON 31.03.2009
Furniture and Fittings	10%	79,485.00	104,287.00	113,306.00	(16,545.00)	280,533.00	-	22,388.00	258,145.00	79,485.00
Computer	60%	136,940.00	198,922.00	58,300.00		394,162.00	-	219,007.20	175,154.80	136,940.00
Vehicle	15%	-	1,111,830.00	-		1,111,830.00	-	166,774.50	945,055.50	-
Air Conditioner	15%	-	25,500.00	-		25,500.00	-	3,825.00	21,675.00	-
Total		216,425.00	1,440,539.00	171,606.00		1,812,025.00	-	411,994.70	1,400,030.30	216,425.00
Previous Year		-	-	216,425.00	-	216,425.00	-	-	216,425.00	-





A. JOHN MORIS & CO., CHARTERED ACCOUNTANTS

M/S. VIRUTCHAM MICROFINANCE LTD.,

*No.19 Balaji Avenue, 5th Cross,
Melachinthamani, Old Karur Road, Trichy - 620 002.*

BALANCE SHEET AS ON 31.03.2010

PARTICULARS	SCH	As On 31.03.2010 (INR)	As On 31.03.2009 (INR)
<u>I. SOURCES OF FUNDS:</u>			
1. Shareholders Funds			
(a) Capital	A	22,081,700.00	3,842,000.00
2. Loan Funds			
(a) Secured Loans	B	701,479.00	-
(b) Unsecured Loans		-	-
3. Deferred Tax Liability		92,200.00	-
Total		22,875,379.00	3,842,000.00
<u>II. APPLICATION OF FUNDS:</u>			
1. Fixed Assets:			
(a) Gross Block	C	1,812,025.00	216,425.00
(b) Less: Depreciation		113,598.05	-
(c) Net Block		1,698,426.95	216,425.00
2. Investments		-	-
3. Current Assets, Loans & Advances			
a) Cash & Bank balance	D	1,280,577.37	3,173,230.00
b) Other current assets		553,720.00	75,400.00
c) Loans & advances		17,676,524.00	-
		19,510,821.37	3,248,630.00
Less: Current Liabilities & Provisions	E	252,134.00	286,949.86
Net Current Assets		19,258,687.37	2,961,680.14
4. Miscellaneous Expenditure	F	259,600.00	663,894.86
5. Profit and Loss a/c.	G	1,658,664.68	-
Total		22,875,379.00	3,842,000.00
Statement on significant accounting Policies and Notes to the Accounts	M		

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

For and on behalf of the Board of Directors

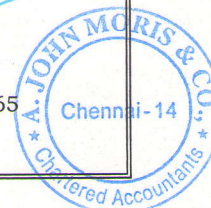
As per our separate report of even date
for **A. JOHN MORIS & CO.,**
Chartered Accountants

M. Jesudasan
(M. JESUDASAN)
Chairman

M. Arumai Raj
(M. ARUMAI RAJ),
Managing Director

P. Ganesan
(P. GANESAN)
Partner
Membership No. 214065

Place: Trichy
Date: April 21, 2010.



17/9, Lakshmipuram Main Street, (Near Spencer's Dairy), Lloyds Road, Royapettah, Chennai - 600 014.

Tele Fax : + 91-44-2811 6003 / 04 E-mail : ajohnmoris@hotmail.com / ganesan73@rediffmail.com

Branches : * NAGERCOIL * BANGALORE * NEW DELHI * MUMBAI * TRICHY



A. JOHN MORIS & CO., CHARTERED ACCOUNTANTS

M/S. VIRUTCHAM MICROFINANCE LTD.,

*No.19 Balaji Avenue, 5th Cross,
Melachinthamani, Old Karur Road, Trichy - 620 002.*

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

	Sch.No.	31.03.2010 (INR)	31.03.2009 (INR)
I. INCOME:			
Interest Income	H	1,556,884.00	-
Other Income	I	335,886.00	-
		1,892,770.00	-
II. EXPENDITURE:			
Finanical Cost	J	36,479.00	-
Establishment Expenses	K	1,110,913.00	-
Administration & Other Expenses	L	879,957.25	-
Preliminary Expenses Written off	F	64,900.00	-
Pre-operative Expenses Written off	F	1,253,387.38	-
		3,345,636.63	-
III. PROFIT BEFORE DEPRECIATION		(1,452,866.63)	-
Less: Depreciation	C	113,598.05	-
IV. PROFIT BEFORE TAXATION		(1,566,464.68)	-
Less: Taxation			
Provision for Fringe Benefit Tax		-	-
Net Deferred Tax		92,200.00	-
Provision for Income tax		-	-
V. PROFIT AFTER TAXATION		(1,658,664.68)	-
Less: Statutory Reserve as per RBI Act., @ 20% During the year		-	-
		(1,658,664.68)	-
Add: Previous year Balance		-	-
VII. BALANCE TRANSFERRED TO BALANCE SHEET		(1,658,664.68)	-
Statement on significant accounting Policies and Notes to the Accounts	M		

The Schedules referred to above form an integral part of the Profit and Loss Accounts.

For and on behalf of the Board of Directors

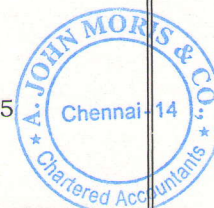
As per our separate report of even date
for **A. JOHN MORIS & CO.,**
Chartered Accountants

M. Jesudasan
(M. JESUDASAN)
Chairman

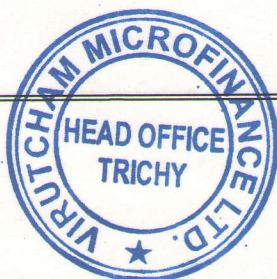
M. Arumai Raj
(M. ARUMAI RAJ)
Managing Director

P. Ganesan
(P. GANESAN)
Partner

Membership No. 214065



Place: Trichy
Date : April 21, 2010.



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M/S. VIRUTCHAM MICROFINANCE LTD.,

*No.19 Balaji Avenue, 5th Cross,
Melachinthamani, Old Karur Road, Trichy - 620 002.*

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

		For the Year ended 31.03.2010	For the Year ended 31.03.2009
A	Cash Flow from Operating Activities		
	Net Profit Before Tax and Extra Ordinary Items/Provisions	(1,566,464.68)	-
	Adjustments for:-		
	Depreciation on Fixed Assets	113,598.05	-
	Preliminary Expenses Written off	64,900.00	-
	Pre-operative Expenses Written off	339,394.86	-
	Operating Profit before Working Capital Changes:	(1,048,571.77)	-
	Adjustments for Working Capital Changes:-		
	Funds Advanced to Self Help Groups	(17,676,524.00)	-
	Other Operating Assets	(478,320.00)	(75,400.00)
	Borrowings from Banks & Financial Institutions	-	-
	Increase(Decrease) in Current Liabilities	(34,815.86)	286,949.86
	Cash Generated from Operations	(19,238,231.63)	211,549.86
	Taxes Paid	-	-
	Cash Flow before Extraordinary Items	(19,238,231.63)	211,549.86
	Extraordinary items		-
	Net Operating Profit	(19,238,231.63)	211,549.86
B	Cash Flow from Investing Activities		
	Purchase of Fixed Assets	(1,612,145.00)	(216,425.00)
	Sale of Fixed Assets	16,545.00	-
	Purchases of Investments	-	-
	Miscellaneous Expenditure		(663,894.86)
		(1,595,600.00)	(880,319.86)
c	Cash Flow from Financing Activities		
	Issue of Equity Shares	18,239,700.00	3,842,000.00
	Borrowings from Banks & Financial Institutions	701,479.00	
	Net Cash used in Financing Activities	18,941,179.00	3,842,000.00
	Net Increase (Decrease) in cash & Cash Equivalents	(1,892,652.63)	3,173,230.00
	Cash & Cash Equivalents at the beginning of year	3,173,230.00	-
	Cash & Cash Equivalents at the end of year	1,280,577.37	3,173,230.00

For and on behalf of the Board of Directors.

As per our separate report of even date

For A. JOHN MORIS & CO.,
Chartered Accountants

M. Jesudasan
(M. JESUDASAN)

Chairman

M. Arumai Raj
(M. ARUMAI RAJ)

Managing Director

(P. GANESAN)

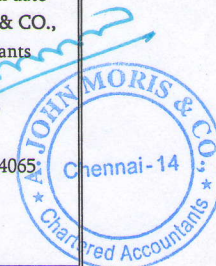
Partner.

Membership No. 214065

Chennai-14

Place : Trichy

Date : April 21, 2010

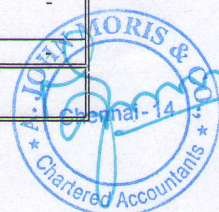


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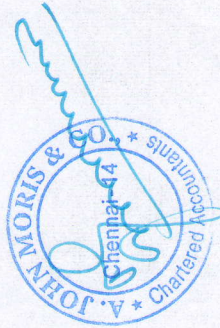
SCHEDULE TO BALANCE SHEET AS ON 31.03.2010

	As On 31.03.2010	As On 31.03.2009
<u>SCHEDULE - A: SHARE CAPITAL</u>		
Authorized:		
30,00,000 equity shares of Rs.10/- each	30,000,000.00	30,000,000.00
Issued Subscribed and paid up:		
22,08,170 equity shares of Rs.10/- each	22,081,700.00	3,731,000.00
Add: Share Application Money Pending Allotment	-	111,000.00
	22,081,700.00	3,842,000.00
<u>SCHEDULE - B: SECURED LOAN</u>		
Vehicle Loan from Bank of India, Trichy	701,479.00	-
	701,479.00	-
<u>SCHEDULE - D: CURRENT ASSETS, LOANS AND ADVANCES:</u>		
<u>a) Cash & Bank Balances</u>		
Cash in hand	16,806.37	1,280.00
Cash at Bank		
Bank of India - Trichy	32,217.00	271,950.00
Indian Bank - Trichy	209,866.00	-
Indian Bank - Jayamkondam	877,445.00	-
Indian Bank - Porur	106,804.00	-
Indian Bank - Thiruvallur	11,353.00	-
Indian Bank - Tiruchendur	26,086.00	-
Fixed Deposits		
Unencumbered	-	2,900,000.00
Pledged	-	-
Total	1,280,577.37	3,173,230.00
<u>b) Other Current Assets:</u>		
Rent Advance	157,500.00	50,000.00
Interest receivable on F.D in Bank Of India	-	22,340.00
Stamps on Hands	320.00	-
Staff Advance	357,750.00	-
TDS on FD Interest	37,150.00	2,560.00
Telephone Deposit	1,000.00	500.00
Total	553,720.00	75,400.00
<u>c) Loans & Advances (Owned & Managed)</u>		
Loans - Owned	17,676,524.00	-
Less: Portfolio Assigned to Banks	-	-
Total	17,676,524.00	



SCHEDULE -C: DEPRECIATION AS PER COMPANIES ACT

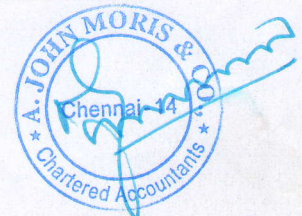
PARTICULARS	RATE	GROSS BLOCK COST AS ON			DEPRECIATION		NET BLOCK			
		01.04.2009	ADDITION	(DELETION)	31.3.2010	UP TO 31.3.2009	DURING THE YEAR	UP TO 31.3.2010	AS ON 31.03.2010	AS ON 31.03.2009
Furniture and Fittings	6.33%	79,485.00	217,593.00	(16,545.00)	280,533.00	-	10,703.00	10,703.00	269,830.00	79,485.00
Computer	16.21%	136,940.00	257,222.00	-	394,162.00	-	42,889.13	42,889.13	351,272.87	136,940.00
Vehicle	9.50%	-	1,111,830.00	-	1,111,830.00	-	59,033.60	59,033.60	1,052,796.40	-
Air Conditioner	4.75%	-	25,500.00	-	25,500.00	-	972.32	972.32	24,527.68	-
Total		216,425.00	1,612,145.00	(16,545.00)	1,812,025.00	-	113,598.05	113,598.05	1,698,426.95	216,425.00
Previous Year		-	216,425.00	-	216,425.00	-	-	-	216,425.00	-



SCHEDULE - E: CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors		
Mr.Fr.Denzil Raja	-	213,973.86
Mr.Fr. Joseph Fernard Rosario	-	16,545.00
G.L Associates	39,710.00	7,000.00
Golden Net Computers	3,904.00	120.00
Professional Fees Payable	147,960.00	-
Software Solution	25,000.00	-
Provisions		
Provisions For Income Tax	-	-
Provisions For FBT	-	3,710.00
Provisions - Rent & Electricity Charges	10,500.00	5,000.00
Provisions - Telephone Charges	3,000.00	3,541.00
Provision - Salary, Allowances & Bonus	-	15,000.00
Provisions- Audit Fees	22,060.00	22,060.00
Total	252,134.00	286,949.86
SCHEDULE - F: MISCELLANEOUS EXPENDITURE		
Preliminary Expenses:		
Opening Balance as on 01.04.2009	324,500.00	-
Add: During the year	-	324,500.00
Less: Written off during the year	64,900.00	-
	259,600.00	324,500.00
Pre-operative Expenses:		
Opening Balance as on 01.04.2009	339,394.86	-
Add: During the year - Annexure I	913,992.52	339,394.86
	1,253,387.38	339,394.86
Less: Written off during the year	1,253,387.38	-
	-	339,394.86
Total	259,600.00	663,894.86
SCHEDULE - G: PROFIT AND LOSS ACCOUNTS		
Opening Balance as on 01.04.2009	-	-
Add : Transferred from Profit and Loss account	1,658,664.68	-
	1,658,664.68	-
SCHEDULE - H: INCOME FROM OPERATIONS:		
Interest on Income Generation Loans	1,416,134.00	-
Group Mentoring & Monitoring Charges	140,750.00	-
Total	1,556,884.00	-



<u>SCHEDULE -I: OTHER INCOME</u>		
Interest on Fixed Deposits	335,839.00	-
Miscellaneous Income	47.00	-
Total	335,886.00	-
<u>SCHEDULE-J: FINANCIAL COSTS</u>		
Interest On Vehicle Loan	36,479.00	-
Total	36,479.00	-
<u>SCHEDULE -K: ESTABLISHMENT CHARGES:</u>		
Directors Remuneration	240,000.00	-
Salary & Allowance	850,883.00	-
Staff Welfare Expenses	20,030.00	-
Total	1,110,913.00	-
<u>SCHEDULE -L: ADMINISTRATION AND OTHER EXPENSES:</u>		
<u>(i) Administrative Expenses</u>		
Auditors Remuneration:		
- Audit Fees	39,708.00	-
- Taxation and Company Law Matters	13,236.00	-
Bank Charges	7,149.00	-
Travelling and Conveyance	146,814.50	-
Legal & Professional Charges	51,060.00	-
Meeting & Training Expenses	6,356.25	-
Miscellaneous Expenses	11,995.50	-
Postage & Courier Charges	6,645.00	-
Printing & Stationary	82,988.50	-
Rates & Taxes	4,084.00	-
CRISIL Grading fees	175,050.00	-
Rent & Electricity Charges	79,733.00	-
Secretarial Fees	5,000.00	-
Telephone & Internet charges	43,163.00	-
Insurance Charges	13,346.00	-
Books And Periodicals	2,145.00	-
R.O.C. Fees	13,000.00	-
Service charges paid	137,583.00	-
	839,056.75	-
<u>(ii) Repairs & Maintenance</u>		
For Office	5,038.00	-
For Computer	1,225.00	-
For Vehicle	34,637.50	-
	40,900.50	-
Total (i+ii)	879,957.25	-



ANNEXURE - I: PRE-OPERATIVE EXPENSES		
Salaries & Allowances	432,934.00	43,000.00
Rent & Electricity Charges	12,500.00	5,000.00
Printing & Stationary	81,045.25	40,866.30
Postage & Telegram	2,543.00	675.00
Telephone Charges	6,845.00	4,041.00
Travelling & Conveyance	96,891.27	223,980.56
Bank Charges	1,479.00	1,493.00
Professional charges	273,956.00	-
Audit Fees	-	22,060.00
Meeting Expenses	-	16,689.00
Fringe Benefit Tax	-	3,710.00
Books & Periodicals	194.00	-
Miscellaneous Expenses	1,354.00	2,780.00
Computer Maintenance	200.00	-
Staff Welfare Expenses	2,301.00	-
Office Maintenance	1,750.00	-
TOTAL	913,992.52	364,294.86
Less : Interest Accrued on Fixed Deposit	-	24,900.00
	913,992.52	339,394.86



Schedule - M - SIGNIFICANT ACCOUNTING POLICIES

Schedules to form part of the Audited Financial Statements for the Year ended March 31, 2010

I SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of Preparation of Financial Statements

- 1.1.1 The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956. It is in compliance with the accounting standards issued by the Institute of Chartered Accountants of India from time to time. The company is maintaining consistency in the accounting policies applied in the last year with those in the year under consideration.

1.2 Revenue Recognition:

- 1.2.1 Interest on loans is recognized on accrual basis.
- 1.2.2 Income on non performing assets is recognized only when realized and no interest, which has remained overdue for more than six months at the end of the accounting period, is treated as income.
- 1.2.3 Dividend income is recognised only on actual receipt or when the company has a reason to believe that a right is established for its receipt in the period under consideration

1.3 Fixed Assets:

- 1.3.1 These are stated at cost.
- 1.3.2 Depreciation is provided on the Straight- Line Method at the following rates as prescribed under the Companies Act, 1956.

Category of Asset	Rate of depreciation
Furniture and Fittings	6.33%
Computer	16.21%
Vehicle	9.50%
Air Conditioner	4.75%

- 1.3.3 In respect of addition of assets the depreciation is provided prorata from the date the assets are put into use.

1.4 Loans and Advances & Loan Loss Provision

- 1.4.1 Apart from the Staff loans and Staff Vehicle loans, the company is not providing any kind of loans to its employees and Directors. On the Staff loans and Staff vehicle loans, the company is charging a rate of interest at 12% and the duration of the loan

1.4.2 Provisioning Norms

Asset Classification	Period of overdues	Provision Policy of the Company	Provision as per RBI Prudential Norms
Standard Assets	Less than 12 weeks	Nil	Nil
Sub Standard Assets	Over 12 - 25 weeks	10	Nil
Sub Standard Assets	Over 25 - 50 weeks	50	10
Doubtful Assets	Over 50 weeks past due	100	100
Loss Assets	As estimated	100	100



1.4.3 Asset Classification

	Nature of Asset	Loan outstanding without Provision			Provision		
		Amount	Totals	%	Rate	Amount	Totals
1	Standard						
	a) Regular	17,676,524.00	17,676,524.00	100	Nil	-	-
2	Sub standard						
	a) Three months to Six Months	-	-	0	10%	-	-
	b) Above Six Months	-	-	0	50%	-	-
3	Doubtful	NIL	NIL				-
4	Additional Provision	As provided by the Management			0.00%		-
	Totals		17,676,524	100			-
5	Add: Staff Loans		-				
	Total Portfolio		17,676,524				
6	Less: Managed Loans		-				
	Net Portfolio		17,676,524				

1.5 Write-Off Policy:

1.5.1 Loans are written off when the management has exhausted all options for recovery of Principal and interest on the loan which are overdue for a period of more than 3 years. There are no loans written off during the year under consideration.

1.6 Accounting for Taxes on Income:

1.6.1 Taxes on income have been accounted in accordance with Accounting Standards-22 of the ICAI. Deferred Tax assets are recognised only to the extent that there is a reasonable certainty about the availability of the future incomes which will aid for the realisation of such deferred tax assets. The carrying amounts of all deferred tax assets are reviewed at each balance sheet date.

1.7 Going Concern Assumption

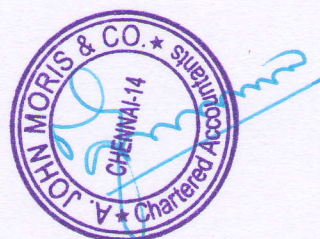
1.7.1 The financial statements are prepared under the going concern concept where it is assumed by the management, that the organization will continue its operations in the foreseeable future with neither the intention nor the necessity to discontinue its operations under any circumstances.

1.8 Preliminary Expenses

1.8.1 Preliminary expenses are written off in five year from commencement of commercial operation

1.9 Pre-operative Expenses

1.9.1 Pre-operative expenses are written off fully in the year /period of commencement of commercial operation



II NOTES ON ACCOUNTS:

2.1 Notes on Operations

- 2.1.1 The Company is engaged in micro finance activities with the ultimate objective of benefiting the poor and downtrodden, mostly women (organized in the form of Self Help Groups) for enhancement of their livelihoods in a financially viable manner.
- 2.1.2 The operations of the Company is mostly concentrated within the State of Tamilnadu.
- 2.1.3 The company provides only Financial Services and does not have any other segment of business. So the segmental reporting regulations are not applicable to the Company.

2.2 SHARE CAPITAL:

2.2.1 Categories of Capital

SHARE CAPITAL:	31-Mar-10	31-Mar-09
Authorized:		
Equity Shares:		
30,00,000 (Nos.) Equity Shares of Rs.10/- each	30,000,000	30,000,000
Total	30,000,000	30,000,000
Issued Subscribed and Paid up:		
22,08,170 (Nos.) Equity shares of Rs.10/- each fully paid up in Cash	22,081,700.00	3,731,000
(Previous Year: (Nos.) 3,73,100 Shares)		
Share Application Money	0.00	111,000.00
Total	22,081,700	3,842,000

2.2.2 Share holding Pattern

Equity Shares of Rs 10 each		31-Mar-10			31-Mar-09		
SL. No	Shareholder's Name	No's	Rs.	%	No.'s	Rs.	%
1	Individuals	1,362,700	13,627,000	61.71	373,100	3,731,000	100
2	Mutual Benefit Trust	845,470	8,454,700	38.29	-	-	-
	Total	2,208,170	22,081,700	100	373,100	3,731,000	100

2.2.3 CASH AND BANK BALANCES:

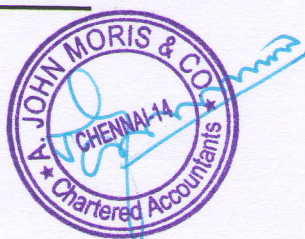
Particulars	31-Mar-10	31-Mar-09
Cash in hand	16,806	1,280
Cash at Bank		
Current Accounts	1,263,771	4,044,079
Fixed Deposits:-		
Unencumbered	-	2,900,000
Encumbered	-	-
Total	1,280,577	6,945,359

III SUPPLEMENTARY INFORMATION:

3.1 Auditors' remuneration:

This includes:

Particulars	31-Mar-10	31-Mar-09
Audit Fees	39,708.00	-
Taxation & Company Law Matters	13,236.00	-
Total	52,944	-



3.2 Managerial Remuneration:

	31-Mar-10	31-Mar-09
a) Salaries	240,000	-
b) Expenses Reimbursed	-	-
c) EPF Employers contribution	-	-
Total	240,000	-

3.3 Earnings Per Share

Particulars	31-Mar-10	31-Mar-09
Net Profit attributable to equity Shareholders (Amount Rs.) (A1)	(1,658,664.68)	-
Net Profit attributable to equity Shareholders and all dilutive potential equity shareholders(Amount Rs.) (A1)	(1,658,664.68)	-
Weighted Average Equity Shares outstanding during the year.(Nos.) (B1)	1,971,397.50	-
Basic earnings per share Rs. (A1/B1)	(0.84)	-
Convertible Equity Warrants issued (C1)	-	-
Weighted Average Equity Shares outstanding for Diluted Earnings per Share.(Nos.) (D1= B1+C1))	1,971,397.50	-
Diluted earnings per share Rs. (A2/D1)	(0.84)	-
Nominal Value per share Rs.	10.00	-

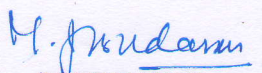
3.4 Capital to Risk Assets Ratio (CRAR)

As a prudent practice Company is maintaining a CRAR/CAR is 103.22% which is more than the RBI requirement of 12% for NBFCs even though it is not applicable to NBFC's with asset size is less


3.5 Miscellaneous:

- 1 No amount is due to any small-scale industrial undertaking by the Company.
- 2 The Company was not able to identify any small, medium and micro enterprises, covered by the Micro, Small and Medium Enterprises Development Act, 2006, as most of the suppliers of products and services have not registered with appropriate authority.
- 3 Earnings and Outgo in Foreign Currency is Nil.
- 4 Balance sheet abstract and Company's general business profile, pursuant to Part IV to Schedule VI is separately attached
- 5 Additional information pursuant to paragraph 4-C and 4-D of Part B to Schedule VI of the Companies Act, 1956 – None other than stated above.
- 6 All loans are rupee denominated and no currency mismatches are expected out of any transactions.
- 7 Previous Year figures have been regrouped and rearranged wherever necessary

for VIRUTCHAM MICROFINANCE LTD.,


(M. JESUDASAN)

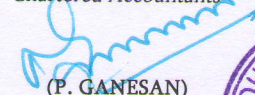
Chairman

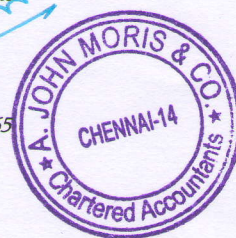

(M. ARUMAI RAJ)

Managing Director

As per our report of even date
for A. JOHN MORIS & CO.,

Chartered Accountants


(P. GANESAN)
Partner, M.No. 214065



Trichy
April 21, 2010

