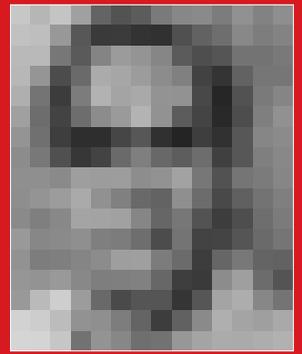




Annual Report 2006-2007



*Founder
Late Mr. M. George Muthoot*

CORPORATE INFORMATION

Board of Directors

*Mr. M G George Muthoot - Chairman
Mr. George Alexander Muthoot - Managing Director
Mrs. Sara George
Mrs. Anna Alexander
Mr. George M Alexander
Mr. George Jacob Muthoot
Mr. George Thomas Muthoot*

Statutory Auditors

*M/s. Rangamani & Co.
Chartered Accountants,
Card Bank Premises,
Vadaikanal, South Bank Road,
Alleppey-688011*

Registered Office

*2nd Floor,
Muthoot Chambers,
Opp. Saritha Theatre Complex,
Banerji Road,
Kochi – 18*

Corporate Identity Number

U65910KL1997PTC011300

RBI Registration Number

N. 16.00167

Web Site: www.muthootgroup.com

Audit Committee

*Mr. George Alexander Muthoot
Mr. George Thomas Muthoot
Mr. George Jacob Muthoot*

ALM Committee

*Mr. George Alexander Muthoot
Mr. M.G. George Muthoot
Mrs. Anna Alexander*

Bankers

1. ABN- AMRO BANK
2. AXIS BANK
3. DHANALAKSHMI BANK
4. HDFC BANK
5. ICICI BANK
6. IDBI
7. INDUSIND BANK
8. STATE BANK OF TRAVANCORE
9. SYNDICATE BANK
10. YES BANK

powering lives

At Muthoot, we believe life is about living dreams. And acquiring the power to make dreams reality.

The Muthoot group has been striving over a century to do just that. To power lives. Of our customers, associates and our people. Through our operations as diverse as your aspirations, we have brought in new ideas and set new standards in every area of our operations, to give you the extra power to actualise your dreams.

That's been our dream. Year after year we relive this dream with renewed vigour, renewed focus and renewed commitment.

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Promoter
directors

*Mr. George Jacob Muthoot
Whole time Director*

*Mr. M.G. George Muthoot
Chairman*



*Mr. George Thomas Muthoot
Whole time Director*

*Mr. George Alexander Muthoot
Managing Director*



Powering dreams



NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the members of Muthoot Finance Private Limited will be held at 2nd Floor, Muthoot Chambers, Opposite Saritha Theatre Complex, Banerji Road, Ernakulam- 18 on Friday, 17th August, 2007 at 10 A.M. to conduct the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31.03.2007 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors & Auditors thereon.
2. To appoint a Director in the place of Mrs. Sara George who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in the place of Mr. George M Alexander who retires by rotation and being eligible offers himself for re-appointment
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To pass, with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT in supersession of the Resolution passed at the Annual General Meeting held on 22nd September, 2005, consent of the Company be and is hereby accorded pursuant to section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 and Article 72 of the Articles of Association to the Board of Directors of the Company for borrowing from time to time any sum or sum of moneys on such terms and conditions and with or without security as the Board of Directors may think fit, which together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business), may exceed the aggregate for the time being of the Paid up Capital of the Company and its reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of money/moneys so borrowed by the Board shall not at any time exceed the limit of Rs. 5000 Crores.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds and things as may be necessary, desirable or expedient to give effect to this resolution.

6. To pass the following resolution as an ordinary resolution with or without modification:

RESOLVED THAT the Company hereby approves the appointment of Mr. George Alexander Muthoot as the Managing Director of the Company with effect from 20th November 2006 at a monthly remuneration of Rs. 10, 00,000/- and he shall not be liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and expedient in this respect.

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The instrument appointing the proxy in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

For and on behalf of the Board

Kochi-18
20/06/2007

Sd/-
M.G. George Muthoot
Chairman

Explanatory Statement pursuant to Section 173 (2)**Item No. 5**

Under Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of a company cannot, except with the consent of the Company in a general meeting, borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

The Members, at their Annual General Meeting held on 22nd September 2005, had accorded their consent to the Board of Directors for borrowings upto Rs. 1500 Crores.

In view of the fast growing operations, the company requires additional funds as Working Capital. The Members' approval is therefore being sought pursuant to Section 293 (1) (d) of the Act to increase the borrowing limit to Rs. 5000 Crores.

None of the Directors are interested or concerned in the resolution.

Item No. 6

The Board of Directors of the Company at their meeting held on 25/10/2006 reappointed Mr. George Alexander Muthoot for a further period of 5 years with effect from 20th November 2006 at a monthly remuneration of Rs. 10 lacs per month. In terms of Article 76 of the Articles of Association of the Company, such appointment and payment of remuneration needs to be approved the by the Members of the Company in a General Meeting.

Therefore, your Directors recommend the resolution for approval.

None of the Directors except Mr. George Alexander Muthoot is interested in the Resolution.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the TENTH ANNUAL REPORT of the Company together with the audited financial statements for the year ended 31st March 2007

FINANCIAL RESULTS

The financial results for the year ended 31st March 2007 are summarized below

(Amount in Rs. Lakhs)

| Particulars | Yr ended 31.03.07 | Yr ended 31.03.06 |
|---|----------------------|----------------------|
| Income from operations | 23397 | 14806 |
| Total expenditure | 15984 | 10330 |
| Profit before depreciation | 7413 | 4476 |
| Depreciation and other non cash charges | 717 | 342 |
| Profit before tax | 6696 | 4134 |
| Provision for taxes/deferred taxes | 2298 | 1421 |
| Profit after tax | 4398 | 2713 |
| | | |
| Share Capital & Reserves | 15985 | 9087 |
| Subordinate Debt (Tier II Capital) | 4000 | 4000 |
| Secured Non-Convertible Debentures | 88322 | 61802 |
| Bank Borrowings | 41654 | 10707 |
| Retail loans | 137048 | 78034 |

ECONOMIC SCENARIO

Riding on the investment and consumption led growth impulses, Indian Economy is expected to register robust growth in the current year. Increasing saving and investment to GDP ratio signify the sustainability of growth with manufacturing and services sector poised to play stellar role in driving the growth engine. Concurrent with this, we expect the loans to GDP ratio to register sustained growth benefiting your Company's retail penetration both in different geographies as well as across various income levels of the retail franchise. Despite the increase in inflow of funds through foreign direct and portfolio investments, we expect the inflation to remain at sub 5% levels and a benign interest rate scenario. We look to rural and semi urban India posting robust growth, thanks to the trickle down effect of overall robustness of economic growth as also policy initiatives of the Government to ensure inclusive growth. All this augur well for the growth prospects of your Company.

BUSINESS ENVIRONMENT

Thanks to some path breaking efforts taken by your Company through visual and print media and also aided by the increasing foray commercial banks are making in lending against gold, a near transformation of the Gold Loan Product as a life style product is fast taking place. Middle class of the population is increasingly seeing gold as an investment that can be leveraged to improve liquidity. Across different geographies of the country, concept selling to drive home the power of gold and to see that the value of money invested in gold is unlocked to aid productive ventures or for enhancing quality of life is a mission your company, as the largest gold loan company in the country is committed to pursue.

International Gold Prices continued their near secular upward movement during last year. We expect this upward momentum to continue in the current year notwithstanding the near stagnancy noticed in the recent past. With the prognosis for the US dollar getting weaker having wide acceptability, we look to gold prices remaining robust in the medium term. Every bullish phase in the gold prices bring with it strong demand and growth in your company's loan portfolio and with unremitting attention being paid for product modifications, we are well positioned to capitalize the growth opportunities.

Last year your company initiated strategic steps to increase the money transfer business leveraging the wide distribution of branches and the substantial customer base it has. By entering into new remittance arrangements and through sustained

campaigns via print and visual media, your Company has positioned itself as a preferred choice of many Non Resident Indians. Customer acquisition is the key to this business and excellent customer services generate repeat business. Your Company is constantly striving to increase the market share fully capturing the growth impulses of the business.

REVIEW OF BUSINESS PERFORMANCE

In the core business of lending against gold, we could register 75% increase in the portfolio with outstandings reaching Rs. 137047 lakhs. Increasing geographic spread, intense concept selling of the product, field sales force driving the product growth, were the main contributors to the business growth. By invigorating the branch distribution network, establishing transparent linkages between reward and performance, inductions of young officials as Branch Managers and driving interest recovery, the organizational backbone has now been fully attuned for robust business growth.

Interest income registered a robust 57% increase year over year and non interest income 98% increase year over year riding on the 58% increase in the number of money transfers handled and income from wind power generation. The sharp focus on controlling loan accounts falling into the overdue zone continues and this enabled the company to keep the percentage of non-performing loans at 0.17%. The cost of funds increased to 9.10% as compared to 8.71% as at 31.03.2006 following the general hike in the bank lending rates and increased interest rate structure in the bond portfolio.

Profit Before Tax rose 62% year over year concurrent with the increase in business size and efficient interest collections.

In the money transfer business, the increasing branch network enables the Company to establish a commanding presence and the number of transactions handled has gone up from 1,90,000 to 3,23,000 during the year.

RESOURCES

Secured Non- Convertible Debentures

The term funds raised through secured non-convertible debentures continued to be a substantial resource base of the company. During the year under report, your company raised additionally Rs. 265.2 crores net of repayments through this route and outstanding balance as at 31.03.07 stood at Rs. 883.22 crores registering 42% increase year over year.

Bank Borrowings

In line with your company's objective of increasing the share of bank finance in the liability side, additional borrowing limits were got sanctioned during the year under review. The total bank borrowings of the Company stood at Rs. 416 Crores as at 31.03.2007 as compared to Rs. 107 Crores as at 31.03.2006.

Commercial Paper

Your Company is rated by Fitch Ratings India (P) Ltd., an international rating agency, for short-term debt instruments. This rating issued is for commercial paper/short term non-convertible debenture issue programme of Rs.400 million with the rating "F1" indicating "highest credit quality". In June 2007, the amount was revised to Rs. 800 million with same high rating "F1". Commercial paper is an unsecured instrument issued by the Company, and this excellent rating gives leverage to raise resources in times of need from corporates, financial institutions and mutual funds at relatively attractive rates.

SUBSIDIARY COMPANIES

Muthoot Exchange Company Private Limited

During the year Company acquired 55,00,000 Equity Shares of Rs. 10 each in Muthoot Exchange Company Private Limited. As result of such acquisition, Muthoot Exchange Company has become a subsidiary of Muthoot Finance Private Limited. The Company presently holds 55 % shares of the total paid up capital of Muthoot Exchange Company Private Limited. Particulars as required under Section 212 of the Companies Act, 1956 are annexed.

FURTHER ISSUE OF SHARES

During the year, the Company issued 1002770 Equity Shares of Rs. 10 each on private placement basis to the existing shareholders. Out of the above 1000000 Equity Shares were issued at a premium of Rs. 240 per share and remaining were issued at par.

NET WORTH

Your Board of Directors have decided to plough back the entire profit of the year further strengthening your Company's net owned funds position. The net worth registered 75.91% increase year over year. The subordinate debt constituting Tier II Capital remains at Rs.40 crores.

CHANGE OF NAME OF THE COMPANY

The members of the Company at the Extra Ordinary General Meeting held on 08.05.2007 have resolved to change the name of the Company to "Muthoot Finance Private Limited." The Registrar of Companies, Kerala has approved the change of name and pursuant to such approval, the name of the Company has been changed to "Muthoot Finance Private Limited."

CHANGE IN THE STATUS OF THE COMPANY

Reserve Bank of India vide circular no: DNBS. PD/CC. No. 86/ 03.02.089 /2006-07 has constituted a new classification for Non-deposit taking NBFCs i.e. Systemically Important NBFC (SI – NBFC – ND). All Non-deposit taking NBFCs having an asset size of Rs. 100 Crores and more is classified as SI – NBFC – ND. Your Company is thus now classified as SI – NBFC – ND.

CAPITAL ADEQUACY

As per the new guidelines as above, your Company is required to have a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 10%. As on 31/03/2007, the CRAR of the Company stood at 13.10%.

HUMAN RESOURCE MANAGEMENT

Employees are your Company's most valuable resource and great people deliver great results. Your Company has been able to create a favourable work environment that encourages meritocracy. In the firm belief that an organization is as good as its workforce, your company has taken series of initiatives to train, equip and nurture the skills of the employees. Practical training in gold appraisal is being imparted to the staff on a recurring basis together with courses on customer relationship management, know your customer norms, behavioral science, job enrichment etc.

Muthoot's open environment fosters an exchange of ideas and views across the organization and facilitates free flow of information. Employees have space for diversity of opinions notwithstanding hierarchical positions and their opinions count. Your company follows a very humane placement and transfer policy and the endeavor is to instill in them commitment and loyalty.

As on 31.03.2007 the employee strength of the Company stood at 2902. Employee relation throughout the year was harmonious.

INTERNAL CONTROL

The Company has well established and comprehensive internal control systems to ensure that all assets are safeguarded, healthy flow of revenue and expenditures are well controlled and reviewed continuously and value based corporate governance is in place at all operating units and controlling offices.

The key constituents of the internal control systems are:

- a) Drawing up of business plans and their periodical review;
- b) Identification of key risks, threats and opportunities;
- c) Assessment of various risk exposure and their continuous review and control;
- d) Clear and well established organizational structure, with controlled delegation of powers;
- e) Continuous identification of areas requiring strengthening of internal controls;
- f) A robust management information system;
- g) A robust internal audit and review system;
- h) Vigilance Department to monitor various security threats.

The system of Audit and Inspection of branches was further strengthened during the year by fine-tuning the system as also induction of more audit staff. Through a system of surprise verification and monthly gold verification the quality of assets pledged and the risk exposure thereto are regularly analyzed and evaluated. The level of adherence to lay down instruction is being monitored constantly.

THE ROAD AHEAD

By recording robust business and profitability growth in a year in which competitive forces redrew the business paradigms of gold loan business, the Company has manifested its strengths in customer acquisition, product delivery and collection efficiency. Going forward, these strengths positions the Company to look at accelerated growth of business through geographic expansion and deeper penetration of existing markets. Strengthening the sales force, fine-tuning customer relationship management, aggressive branch expansion are all the pivots on which future growth will revolve. The Company plans to have close to 800 branch network by the end of the fiscal with focused branch expansion in Tamil Nadu, Andhra Pradesh, Karnataka, Gujarat, West Bengal and

Delhi Regions. The customer base in the bond portfolio will be expanded with intense participation by branches outside Kerala. In the gold loan portfolio, we are geared to bettering last years' growth record.

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

Particulars of employees drawing remuneration beyond the monetary ceiling prescribed under section 217(2A) of the Companies Act, 1956

| SL No: | Name of Employee | Age (yrs) | Designation | Date of Commencement of employment | Gross remuneration | Qualification | Total Experience | Last employment |
|--------|------------------------------|-----------|---------------------|------------------------------------|--------------------|----------------------|------------------|-----------------|
| 1 | Mr. M G George Muthoot | 58 | Chairman | 28.07.2000 | Rs. 12000000 | B. Tech | 35 years | Muthoot Bankers |
| 2 | Mr. George Alexander Muthoot | 52 | Managing Director | 28.07.2000 | Rs. 12000000 | Chartered Accountant | 29 years | Muthoot Bankers |
| 3 | Mr. George Thomas Muthoot | 57 | Whole Time Director | 16.08.2005 | Rs. 12000000 | B. Sc | 34 years | Muthoot Bankers |
| 4 | Mr. George Jacob Muthoot | 55 | Whole Time Director | 16.08.2005 | Rs. 12000000 | B. Tech | 32 years | Muthoot Bankers |

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

Since the Company does not carry on manufacturing activities, the disclosure requirements as to the conservation of energy and technology absorption as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are not applicable to the Company

Total Foreign Exchange used: NIL

Total Foreign Exchange earned: NIL

AUDITORS

M/s Rangamani & Co., Chartered Accountants, the Statutory Auditors of the Company, retires at the forthcoming Annual General Meeting and are eligible for reappointment.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mrs. Sara George and Mr. George M Alexander retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment

DIRECTORS RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, your Directors state that:

- (i) In the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to any material departures.
- (ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2007 and of the profit of the Company for the year ended on that date.
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The annual accounts of the Company have been prepared on a going concern basis.

MEMBERSHIP OF INDIAN INSTITUTE OF BANKING & FINANCE

During the year, your Company secured the Institutional Membership of Indian Institute of Banking and Finance, Mumbai (Membership No: 1485). The membership is recognition of the standing of the Company in the Indian Financial Arena. Consequent to this, the employees of the Company are eligible to appear for the various professional and other examinations conducted by the Institute, which will surely enhance the knowledge levels and professional skills of the employees.

CORPORATE GOVERNANCE

Responsible value based corporate governance is at the heart of all that your Company does keeping in sharp focus the interest of all the stakeholders.

Audit Committee

The Audit Committee was constituted on 29.11.2004. The Audit Committee was reconstituted on 12.06.2007 and at present the Committee has three members namely Mr. George Alexander Muthoot, Mr. George Jacob Muthoot and Mr. George Thomas Muthoot. Mr. George Alexander Muthoot is the Chairman of the Audit Committee. The Committee met 4 times during the year with detailed agenda.

Asset Liability Management Committee

The Asset Liability Management Committee was constituted on 30.10.2003. The Committee consists of 3 members namely Mr. George Alexander Muthoot, Mr. M. G. George Muthoot and Mrs. Anna Alexander. The Committee met 2 times during the year.

Risk Management Committee

The Reserve Bank of India vide its circular no: DNBS. PD/CC 94/03.10.042/2006-07 dated May 08, 2007 has instructed to form a Risk Management Committee. The Committee is required to look in the aspects of managing the integrated risks of the Non Banking Finance Companies. A Risk Management Committee was constituted on 12.05.2007 to look into the various risks associated with the Company and to monitor and take preventive and corrective measures with regard to those risks. The Committee consists of Mr. George Alexander Muthoot., Mr. George Thomas Muthoot and Mr. George Jacob Muthoot. The Committee had its first meeting on 15.06.2007

Nomination Committee

The Reserve Bank of India vide its circular no: DNBS. PD/CC 94/03.10.042/2006-07 dated May 08, 2007 has instructed to form a Nomination Committee. The Committee is required to ensure fit and proper status of the proposed and existing Directors. A nomination Committee was constituted on 12.05.2007. The Members of the committee are Mr. George Alexander Muthoot, Mrs. Anna Alexander and Mrs. Sara George. The Committee had its first meeting on 15.06.2007

ACKNOWLEDGEMENT

Your Directors thank the Company's customers, banks, rating agency, debenture trustees and well wishers for their continued support during the year. Your Directors place on record their appreciation of the contribution made by the employees at all levels. Your Company's consistent growth was made possible by their hard work, solidarity, cooperation and support.

The Board sincerely expresses its gratitude to Reserve Bank of India for guidance and support received from them from time to time.

On behalf of the Board of Directors

Kochi-18
20/06/2007

Sd/-
M.G. George Muthoot
Chairman

AUDITORS' REPORT TO THE MEMBERS OF MUTHOOT FINANCE PVT. LTD.

1. We have audited the attached Balance Sheet of Muthoot Finance Private Limited, Cochin as at 31st March 2007, and the annexed Profit and Loss Account for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in Annexure- I a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. As required by the Non- Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, we give in Annexure - II a statement on the matters specified in the paragraph 3 and 4 of the said directions.
5. Further to our comments referred to in paragraphs above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) 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 those books and proper returns adequate for the purpose of the audit have been received from branches not visited by us.
 - c) 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 Balance Sheet and Profit and Loss Account are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956.
 - e) To the best of our information no directors of the company are disqualified from being appointed as director under Section 274(1)(g) 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 2007 ,
 - ii. In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

Place: Alleppey
Date: 20.06.2007

For RANGAMANI & Co.
CHARTERED ACCOUNTANTS

Sd/-
R.SREENIVASAN
Proprietor

Annexure - I to the Auditors' Report

(Referred to in para 3 of our report of even date)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government, we state that:

1. Fixed Assets

The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available. According to the information and explanation given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which, in our opinion, is reasonable, having regard to the size of the company and nature of the assets. No material discrepancies have been noticed on such verification. No substantial part of fixed assets have been disposed off during the year to affect the going concern assumption.

2. Inventories

Since the company has not dealt with any goods and has not held stock at any time during the year, the requirements of clause (ii) of paragraph 4 of the Order relating to inventories are not applicable.

3. Loans and Advances

The Company has not granted any loans, secured or unsecured, to any parties covered in the register maintained u/s 301 of the Companies Act, 1956.

The Company has taken inter corporate loan from a company listed in the register, maintained under Section 301 of the companies act 1956. The balance out standing for the year ended 31.3.2007 was Rs.11 lakhs. The terms and conditions of the deposits was not prima facie prejudicial to the interests of the company.

4. Internal Control Procedures

In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the company and the nature of its business for the purchase and sale of fixed assets. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weaknesses in internal control.

5. Interested Transactions

The transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been entered, wherever applicable.

6. Fixed Deposits

According to the information and explanations given to us, the company has not accepted any public deposit, hence the requirement of clause (vi) of paragraph 4 of the Order is not applicable.

7. Internal Audit

The Internal Audit functions are carried out by the Internal Audit Department of of the company and reported to the management. In our opinion, the internal audit system is commensurate with the size of the company and the nature of its business.

8. Cost Records

To the best of our information and according to the explanations given to us, the maintenance of cost records prescribed by Central Government under section 209 (1) (d) of the Companies Act, 1956 is not applicable to the Company.

9. Statutory Dues

According to the information and explanations given to us, there are no undisputed statutory dues payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, Sales tax, Customs Duty, Excise duty, Cess which are outstanding as at 31st March 2007, for a period of more than six months from the date they became payable.

10. Accumulated Losses

The Company does not have any accumulated Loss as at 31.03.2007 and it has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

11. Repayment of Loans

According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.

12. Others

- i. The company has granted loans and advances on the basis of securities by way of pledge of shares, debentures and other securities, and in our opinion adequate documents and records are maintained.
- ii. The Company is not a Chit Fund, Nidhi or Mutual Benefit Society. Hence the requirement of clause (xiii) of paragraph 4 of the Order is not applicable to the company.
- iii. The company has kept adequate records of its transactions and contracts in shares, securities, debentures and other investments and timely entries have been made therein. The shares, securities, debentures and other investments are held in the name of the company.
- iv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- v. As per the information and explanations given to us, term loans were applied for the purpose for which they were obtained.
- vi. According to the information and explanations given to us, no funds raised on short-term basis have been used for long term investment. Similarly no funds raised on long term basis have been used for short-term investments.
- vii. According to the information and explanations given to us, no preferential allotment of shares has been made by the company to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- viii. According to the information and explanations given to us, the Company has created securities in respect of Non-convertible Secured Debentures issued.
- ix. Since the company has not made any public issue, the requirement of clause (xx) of paragraph 4 of the Order is not applicable to the company.
- x. According to the information and explanations given to us, a fraud on or by the company has not been noticed or reported during the year.

Place: Alleppey
Date: 20.06.2007

For RANGAMANI & Co.
CHARTERED ACCOUNTANTS

Sd/-
R.SREENIVASAN
Proprietor

Annexure - II to the Auditors' Report

(Referred to in para 4 of our report of even date)

As required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998 we state that:

- i. The Company has obtained the Certificate of Registration dated 13.11.2001 from the Reserve Bank of India.
- ii. The Board of Directors has passed a resolution for the non-acceptance of any public deposits.
- iii. According to the information and explanations given to us, the company has not accepted any public deposits during the year ended 31.03.2007.
- iv. According to the information and explanations given to us, the Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it.

Place: Alleppey
Date: 20.06.2007

For RANGAMANI & Co.
CHARTERED ACCOUNTANTS

Sd/-
R.SREENIVASAN
Proprietor

BALANCE SHEET AS AT 31.03.2007

| | | Amount in Rs. | |
|--|---------|--------------------------|-------------------------|
| | Sch.No. | As on 31.03.07 | As on 31.03.06 |
| SOURCES OF FUNDS | | | |
| <i>Share holders funds</i> | | | |
| <i>Share Capital</i> | 1 | 50,000,000.00 | 39,972,300.00 |
| <i>Reserves & Surplus</i> | 2 | 1,548,516,962.14 | 868,728,519.05 |
| <i>Secured Loans</i> | 3 | 13,117,524,367.06 | 7,370,409,183.03 |
| <i>Unsecured Loan</i> | 4 | 708,995,608.00 | 688,365,000.00 |
| Total | | 15,425,036,937.20 | 8,967,475,002.08 |
| APPLICATION OF FUNDS | | | |
| <i>FIXED ASSETS</i> | | | |
| <i>Gross Block</i> | | 646,370,783.78 | 582,343,116.38 |
| <i>Less: Depreciation</i> | | 149,483,747.13 | 78,510,467.11 |
| <i>Net Block</i> | 5 | 496,887,036.65 | 503,832,649.27 |
| <i>Investments</i> | 6 | 55,307,940.00 | 49,940.00 |
| Current Assets, Loans and Advances | | | |
| <i>Cash & Bank Balances</i> | 7 | 563,208,478.64 | 369,277,963.93 |
| <i>Current Assets</i> | 8 | 1,016,170,332.31 | 614,597,824.54 |
| <i>Loans and Advances</i> | 9 | 14,013,399,626.39 | 7,951,461,172.62 |
| <i>Total</i> | | 15,592,778,437.34 | 8,935,336,961.09 |
| <i>Less: Current Liabilities and Provisions</i> | 10 | 720,836,076.79 | 471,744,548.28 |
| <i>Net Current Assets</i> | | 14,871,942,360.55 | 8,463,592,412.81 |
| <i>Miscellaneous expenditure to the extent not written off</i> | | 899,600.00 | - |
| Total | | 15,425,036,937.20 | 8,967,475,002.08 |

Accounting policies, Notes on accounts and schedules form part of accounts

This is the Balance Sheet referred to in our report of even date.

For RANGAMANI & Co.
 CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
 R.SREENIVASAN
 Proprietor

Sd/-
 M.G.GEORGE MUTHOOT
 Chairman

Sd/-
 GEORGE ALEXANDER MUTHOOT
 Managing Director

Place: Kochi
 Date: 20.06.2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2007

| | Sch.No. | Amount in Rs. | |
|--|----------------|-------------------------|-------------------------|
| | | As on 31.03.07 | As on 31.03.06 |
| INCOME | | | |
| <i>Interest Income</i> | | 2,235,850,800.03 | 1,428,276,701.66 |
| <i>Other income</i> | | 103,801,337.87 | 52,347,896.44 |
| | | 2,339,652,137.90 | 1,480,624,598.10 |
| EXPENDITURE | | | |
| <i>Interest Expenses</i> | 11 | 998,946,516.98 | 648,165,015.66 |
| <i>Administrative expenses</i> | 12 | 622,240,147.83 | 406,201,580.00 |
| <i>Directors Remuneration</i> | | 48,900,000.00 | 12,900,000.00 |
| | | 1,670,086,664.81 | 1,067,266,595.66 |
| <i>Profit before tax</i> | | 669,565,473.09 | 413,358,002.44 |
| <i>Less: Provision for Income Tax</i> | 207,680,000.00 | | |
| <i>Provision for Fringe Benefit Tax</i> | 4,400,000.00 | | |
| <i>Deferred tax Liability</i> | 17,697,030.00 | 229,777,030.00 | 142,090,458.83 |
| <i>Profit after tax</i> | | 439,788,443.09 | 271,267,543.61 |
| <i>Statutory Reserve</i> | | 87,957,689.00 | 54,253,509.00 |
| <i>Add: Balance carried forward from previous year</i> | | 705,798,880.25 | 488,784,845.00 |
| Balance carried to Balance sheet | | 1,057,629,634.34 | 705,798,879.61 |
| <i>Basic and diluted Earnings per share (Face value Rs.10/-)</i> | | 70.37 | 54.29 |

This is the Profit and Loss Account referred to in our report of even date.

For RANGAMANI & Co.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
R.SREENIVASAN
Proprietor

Sd/-
M.G.GEORGE MUTHOOT
Chairman

Sd/-
GEORGE ALEXANDER MUTHOOT
Managing Director

Place: Kochi
Date: 20.06.2007

SCHEDULES FORMING PART OF BALANCE SHEET

| | As on 31.03.2007 (Rs.) | As on 31.03.2006 (Rs.) |
|---|---------------------------|---------------------------|
| SCHEDULE - 1 Share Capital | | |
| <i>Authorised Capital</i> | | |
| <i>Rs. 86,000,000 divided into</i> | | |
| <i>86,00,000 shares of Rs.10 each</i> | 86,000,000.00 | 86,000,000.00 |
| <i>Issued, subscribed and paid-up capital</i> | | |
| <i>5000000 Equity shares of Rs.10 each</i> | | |
| <i>(3,997,230 equity shares of Rs.10 each)</i> | 50,000,000.00 | 39,972,300.00 |
| SCHEDULE - 2 Reserves & Surplus | | |
| <i>Share Premium</i> | 275,000,000.00 | 35,000,000.00 |
| <i>Statutory Reserve</i> | 215,887,327.80 | 127,929,638.80 |
| <i>Profit and loss account</i> | 1,057,629,634.34 | 705,798,880.25 |
| | 1,548,516,962.14 | 868,728,519.05 |
| SCHEDULE - 3 Secured loans | | |
| <i>Non Convertible Secured Debentures</i> | 8,832,157,000.00 | 6,180,203,000.00 |
| <i>(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)</i> | | |
| <i>Bank Borrowings</i> | | |
| <i>- Loan against Deposits</i> | 22,600,000.00 | |
| <i>- Overdraft against Deposit with Banks</i> | 3,824,342.87 | 45,226,177.41 |
| <i>- Cash Credit / Short term loan</i> | 4,138,943,024.19 | 1,025,522,937.00 |
| <i>(Secured by paripassu floating charge on current assets, book debts and Loans & advances)</i> | | |
| <i>Term Loan (Secured by specific charge on wind mills & Land appertunant thereto)</i> | 120,000,000.00 | |
| <i>Collateralised Borrowing & Lending Obligation</i> | | 119,457,068.62 |
| | 13,117,524,367.06 | 7,250,952,114.41 |
| SCHEDULE - 4 Unsecured loans -(including Tier II Capital) | | |
| <i>Share holder's Deposits</i> | 307,895,608.00 | 288,365,000.00 |
| <i>Inter Corporate Loan</i> | 1,100,000.00 | |
| <i>Subordinated debt(Tier II Capital)</i> | 400,000,000.00 | 400,000,000.00 |
| | 708,995,608.00 | 688,365,000.00 |
| SCHEDULE - 6 Investments | | |
| <i>Shares in Subsidiary Company</i> | 55,000,000.00 | |
| <i>Shares in Companies</i> | 307,940.00 | 49,940.00 |
| | 55,307,940.00 | 49,940.00 |
| SCHEDULE - 7 Cash & Bank Balances | | |
| <i>Cash in hand</i> | 167,374,864.60 | 132,803,517.40 |
| <i>Balances with Banks</i> | | |
| <i>In current accounts</i> | 77,569,305.04 | 103,643,810.53 |
| <i>In Deposit accounts</i> | 318,264,309.00 | 132,830,636.00 |
| | 563,208,478.64 | 369,277,963.93 |

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE - 8 Current Assets

| | | |
|-------------------------------------|------------------|----------------|
| <i>Interest receivable</i> | 575,922,888.89 | 353,869,257.00 |
| <i>Tax Deducted at Source</i> | 6,297,941.52 | 2,351,782.03 |
| <i>Sundry Debtors</i> | 36,675,421.87 | 16,303,273.51 |
| <i>Govt. of India Securities</i> | 116,843,219.00 | 122,858,300.00 |
| <i>LIC Mutual fund-Liquid Fund</i> | 70,000,000.00 | |
| <i>Advance Income tax</i> | 205,876,994.03 | 116,555,212.00 |
| <i>Advance - Fringe Benefit Tax</i> | 4,553,867.00 | 2,660,000.00 |
| | 1,016,170,332.31 | 614,597,824.54 |

SCHEDULE - 9 Loans and Advances

| | | |
|--------------------------------------|-------------------|------------------|
| <i>Retail Loans</i> | 13,704,788,378.36 | 7,803,426,300.47 |
| <i>Other Deposits & Advances</i> | 308,611,248.03 | 148,034,872.15 |
| | 14,013,399,626.39 | 7,951,461,172.62 |

SCHEDULE - 10 Current Liabilities and Provisions

| | | |
|---|----------------|----------------|
| <i>a) Current liabilities</i> | | |
| <i>Audit fee payable</i> | 115,000.00 | 100,000.00 |
| <i>Interest payable</i> | 424,531,101.05 | 301,530,409.50 |
| <i>T.D.S.Payable</i> | 13,940,838.28 | 8,993,251.75 |
| <i>Other Creditors</i> | 20,516,220.36 | 12,264,441.93 |
| | 459,103,159.69 | 322,888,103.18 |
| <i>b) provisions</i> | | |
| <i>Deferred tax</i> | 47,310,052.10 | 29,613,022.10 |
| <i>Provision for NPA</i> | 2,342,865.00 | 1,593,423.00 |
| <i>Provision for Income tax</i> | 207,680,000.00 | 114,600,000.00 |
| <i>Provision for Fringe Benefit Tax</i> | 4,400,000.00 | 3,050,000.00 |
| <i>Total</i> | 720,836,076.79 | 468,694,548.28 |

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

SCHEDULE - 11 Interest Expenses

| | | |
|---------------------------------------|----------------|----------------|
| <i>Interest on Secured Debentures</i> | 657,692,859.72 | 547,472,426.63 |
| <i>Interest on Others</i> | 341,253,657.26 | 100,692,589.03 |
| | 998,946,516.98 | 648,165,015.66 |

SCHEDULE - 12 Administrative and other expenses

| | | |
|---|----------------|----------------|
| <i>Payment to Employees</i> | 248,686,456.36 | 148,862,070.69 |
| <i>Provident fund</i> | 9,810,313.82 | 2,334,052.75 |
| <i>Group gratuity premium</i> | 1,487,088.58 | 2,048,299.00 |
| <i>Postage telegram and telephone</i> | 27,849,300.55 | 24,603,990.13 |
| <i>Rent</i> | 47,358,004.50 | 32,383,611.50 |
| <i>Travelling and conveyance</i> | 18,335,747.78 | 13,382,208.63 |
| <i>Printing and stationary</i> | 19,232,861.89 | 13,588,067.56 |
| <i>Bank charges</i> | 15,031,595.65 | 6,450,704.95 |
| <i>Electricity charges</i> | 15,379,440.49 | 11,839,793.77 |
| <i>Repairs and maintenance</i> | 34,473,882.41 | 27,211,247.74 |
| <i>Water Charges</i> | 419,781.63 | 233,021.06 |
| <i>Taxes and licence fee</i> | 6,270,165.18 | 2,658,171.00 |
| <i>Staff welfare account</i> | 6,323,891.08 | 3,695,349.40 |
| <i>Legal & Professional Charges</i> | 9,973,364.40 | 3,928,150.80 |
| <i>Insurance charges</i> | 22,385,740.00 | 28,394,589.97 |
| <i>Hire charges</i> | 92,632.00 | 144,096.00 |
| <i>Investment Deficit</i> | 6,015,081.00 | 3,541,700.00 |
| <i>Newspaper and Periodicals</i> | 92,565.50 | 64,680.55 |
| <i>Business Promotion expense</i> | 15,091,192.72 | 10,367,373.11 |
| <i>Advertisement</i> | 36,249,341.11 | 29,121,291.99 |
| <i>Vehicle Maintenance</i> | 4,311,040.66 | 3,095,523.77 |
| <i>Audit and Inspection expenses</i> | 5,308,038.50 | 3,855,832.95 |
| <i>Depreciation</i> | 70,973,280.02 | 33,862,698.39 |
| <i>Miscellaneous expenditure w/off</i> | 224,900.00 | |
| <i>Audit fee:</i> | | |
| <i>- for audit</i> | 85,000.00 | 75,000.00 |
| <i>-for taxation</i> | 30,000.00 | 25,000.00 |
| <i>Provision for NPA</i> | 749,442.00 | 435,054.00 |
| | 622,240,147.83 | 406,201,579.71 |

For RANGAMANI & Co.
 CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
 R.SREENIVASAN
 Proprietor

Sd/-
 M.G.GEORGE MUTHOOT
 Chairman

Sd/-
 GEORGE ALEXANDER MUTHOOT
 Managing Director

Place: Kochi
 Date: 20.06.2007

MUTHOOT FINANCE PRIVATE LIMITED

SCHEDULE - 11 Fixed Assets

| NAME OF ASSET | GROSS BLOCK | | | | Rate | DEPRECIATION | | | NET BLOCK | |
|----------------------|---------------------|-------------|--------------|---------------------|-------|--------------------|-----------------|---------------------------|---------------------|---------------------|
| | As at 31.03.2006 | Additions | Deductions | As at 31.03.2007 | | upto 31.03.2006 | for the year | Total as on 31.03.2007 | As at 31.03.2007 | As at 31.03.2006 |
| Land | 64705980.00 | 3599040.00 | 7206000.00 | 61,099,020.00 | 0 | 0.00 | 0.00 | 0.00 | 61,099,020.00 | 64,705,980.00 |
| Building | 144603413.95 | 4125119.00 | 0.00 | 148,728,532.95 | 5 | 13379426.20 | 6609706.08 | 19,989,132.28 | 128,739,400.67 | 131,223,987.75 |
| Furniture & Fixtures | 115953071.56 | 34238133.07 | 81571.00 | 150,109,633.63 | 18.10 | 36,730,005.53 | 15882541.85 | 52,612,547.38 | 97,497,086.25 | 79,223,066.04 |
| Plant & machinery | 41805460.92 | 14168538.56 | 141689.51 | 55,832,309.97 | 13.91 | 10,026,622.05 | 5087846.98 | 15,114,469.03 | 40,717,840.94 | 31,778,838.87 |
| Computer | 24600222.95 | 7242493.28 | 0.00 | 31,842,716.23 | 40.00 | 13,675,267.40 | 5446722.05 | 19,121,989.45 | 12,720,726.78 | 10,924,955.54 |
| Motor Car | 10076107.00 | 8083604.00 | 0.00 | 18,159,711.00 | 25.89 | 4,303,312.81 | 2004329.29 | 6,307,642.10 | 11,852,068.90 | 5,772,794.19 |
| Wind Mill | 180598860.00 | 0.00 | 0.00 | 180,598,860.00 | 20.00 | 395,833.12 | 35942133.77 | 36,337,966.89 | 144,260,893.11 | 180,203,026.88 |
| | 582,343,116.38 | 71456927.91 | 7,429,260.51 | 646,370,783.78 | | 78,510,467.11 | 70,973,280.02 | 149,483,747.13 | 496,887,036.65 | 503,832,649.27 |



Inspiring growth

NOTES FORMING PART OF ACCOUNTS

1. BACKGROUND

Muthoot Finance Private Ltd. was incorporated on 14th March 1997. The company is promoted by The Muthoot Group which has diversified interests in Finance, Health Care, Education, Plantations, Real Estate, Foreign Exchange, Information Technology, Insurance, Hotels etc. The Company obtained permission from the Reserve bank of India for carrying on the business of Non-banking financial institutions on 13.11.2001 vide Regn No. N 16.00167.

2. NEW VENTURES

The company has obtained license from Government of India for establishing and operating FM Radio Channel in the city of Chennai, Tamil Nadu State and so far invested Rs.1033.54 lakhs for the project. The Channel has not commenced its operations during the year and hence not capitalized the expenditure incurred.

3. SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONCEPT

The financial statements are prepared on historical cost convention complying with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable. The company follows prudential norms for income recognition and provisions for non-performing assets as prescribed by Reserve Bank of India for Non Banking Finance Companies.

REVENUE RECOGNITION

Revenues are recognised and expenses are accounted on accrual basis with necessary provisions for all known liabilities and losses. Income on Non- Performing Assets accrues, and is recognised only when it is realised.

TREATMENT OF RETIREMENT BENEFITS

- a) Contributions are made to Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme at the prescribed rates and are charged to Profit & Loss Account at actuals.
- b) The Company makes annual contribution to a Gratuity Fund administered by Trustees and managed by ICICI Prudential Life Insurance Co. Ltd. The Company accounts for its liability for future gratuity benefits based on actuarial valuation determined every year by the Insurance Company.

FIXED ASSETS

The fixed assets are stated at historical cost less accumulated depreciation. Depreciation is charged at the rates specified in Schedule XIV of the Companies Act, 1956 on Written down value method.

TAXES ON INCOME

Income Tax expenses comprises of current tax and deferred tax (charge or credit). Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961. Deferred tax is recognized, on timing differences, 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.

INVESTMENTS

Current investments are valued at lower of cost or market value.
 Long-term investments are valued at cost.

DEBENTURE REDEMPTION RESERVE

As per the Circular dated 18.04.2002 of Department of Company Affairs, no Debenture Redemption Reserve is to be created for privately placed debentures of Non-Banking Finance Companies and hence no reserve is created.

4. Subordinate Debt of Rs.4000 Lacs represents the amount raised from Promoters and Share holders.
5. The Company had issued Secured Redeemable Non-Convertible Debentures under Non-cumulative scheme for a maturity period upto 5 years with an outstanding of **Rs. 786.39** Crores and under Cumulative scheme for a maturity period ranging from 36months to 90months with an outstanding of **Rs.96.81** Crores.

6. In the opinion of the Board of Directors, Current Assets, Loans and Advances has a value as stated in the Balance Sheet, if realised in its ordinary course of business.

7. Current investments consists of : -

10.25 % Govt. of India 2021 (Face value Rs.1000 lakhs) Rs. 116843219.00

| 8. LOANS AND ADVANCES | (Rs. In lakhs) | |
|--|----------------|-----------|
| | 31.03.2007 | 31.3.2006 |
| Loans considered good in respect of which Company is fully secured | 136442 | 77633 |
| Loans and advances considered good and unsecured | 371 | 242 |
| Loans and advances considered bad and doubtful | 234 | 159 |
| Loans and advances due by Director or officers or any of them either severally or jointly with others | Nil | Nil |
| Loans and advances due by firms or private companies in which any Director is a partner or a Director or a member. | Nil | Nil |
| Loans and Advances due by companies under the same management within the meaning of section 370(1) (B) of the Companies Act. | Nil | Nil |
| Maximum amount due by directors or officers at any time during the year | Nil | Nil |
| Estimated Amount of Contracts remaining to be executed on capital accounts and not provided for | Nil | Nil |
| 9. Contingent liabilities not provided for | Nil | Nil |
| 11. Claims against the company not acknowledged as Debt | Nil | Nil |
| 12. Earnings in foreign currency | Nil | Nil |
| 13. Deposits from Shareholders including Directors | 3078.95 | 2883.65 |
| 14. Expenditure in foreign currency | Nil | Nil |
| 15. Auditors' Remuneration | | |
| Statutory Audit | 0.85 | 0.75 |
| Tax Audit | 0.30 | 0.25 |
| 16. Related Party Disclosures | | |
| Key Management Personnel | | |
| i. : M.G. George Muthoot | | |
| ii. : George Thomas Muthoot | | |
| iii. : George Jacob Muthoot | | |
| iv. : George Alexander Muthoot | | |
| Transactions with Related Parties | | |
| Remuneration | 503.68 | 140.84 |
| Interest Paid | 966.73 | 718.51 |

| | | |
|--|---------|---------|
| 17. Deferred Tax @ 33.66% | | |
| <u>Deferred tax assets</u> | | |
| Provision for NPA | 5.54 | 3.02 |
| <u>Deferred tax liabilities</u> | | |
| Depreciation | 478.64 | 299.15 |
| Deferred tax (net) | 473.10 | 296.13 |
| 18. Earnings Per Share | | |
| Net Profit After Tax | 4398 | 2713 |
| Less: Statutory Reserve | 880 | 543 |
| Net profit attributable to E.P.S. | 3518 | 2170 |
| Weighted average number of equity shares outstanding | 5000000 | 3997230 |
| Earning Per Share (Basic and Diluted) | 70.37 | 54.29 |
| 19. Managerial remuneration | | |
| Managing Director | 120.00 | 60.00 |
| Whole Time Directors | 360.00 | 69.00 |
| 20. Segment Reporting | | |
| The Company is primarily engaged in the business of financing. This, in the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, is considered to constitute one single primary segment. | | |
| 21. Previous Year's figures have been regrouped/ rearranged, where necessary. | | |

For RANGAMANI & Co.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
R.SREENIVASAN
Proprietor

Sd/-
M.G.GEORGE MUTHOOT
Chairman

Sd/-
GEORGE ALEXANDER MUTHOOT
Managing Director

Place: Kochi
Date: 20.06.2007

CASHFLOW STATEMENT AS AT 31.03.2007

| | <i>Amount in Rs.</i> | |
|---|----------------------|--------------------|
| | <i>31.03.2007</i> | <i>31.3.2006</i> |
| A CASH FLOW FROM OPERATING ACTIVITIES | | |
| <i>Net Profit</i> | 439788443 | 271267544 |
| <i>Adjustments for:-</i> | | |
| <i>Add:Provision for taxation</i> | 229777030 | 142090459 |
| <i>Add:provision for NPA</i> | 749442 | 435054 |
| <i>Add:Financial Expenses</i> | 998946517 | 648165015 |
| <i>Depreciation</i> | 70973280 | 33862698 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 1740234712 | 1095820770 |
| <i>Adjustments for:-</i> | | |
| <i>(Increase) Decrease in Loans and Advances</i> | (6061938454) | (1014903236) |
| <i>(Increase) Decrease in other receivables</i> | (365614858) | (178136530) |
| <i>Increase (decrease) in Current liabilities</i> | 136215057 | 34424623 |
| <i>Cash generated from operations</i> | (4551103543) | (62794374) |
| <i>Financial Expenses</i> | (998946517) | (648165015) |
| <i>Direct tax paid</i> | (208865649) | (119849670) |
| <i>Net cash from operating activities</i> | (5758915709) | (830809059) |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| <i>Purchase of Fixed Assets</i> | (64927267) | (233177637) |
| <i>Sale of Fixed Assets</i> | | |
| <i>Net Cash from Investing Activities</i> | (64927267) | (233177637) |
| C CASH FROM FINANCING ACTIVITIES | | |
| <i>Net Proceeds from Issue to debentures</i> | 2651954000 | 250210000 |
| <i>Increase (Decrease) in Deposits</i> | 20630608 | 267888500 |
| <i>Increase (Decrease) in Bank Borrowings</i> | 3095161184 | 721073037 |
| <i>Issue of Shares</i> | 250027700 | 0 |
| <i>Net Cash from Financing Activities</i> | 6017773492 | 1239171537 |
| NET INCREASE IN CASH AND EQUIVALENTS (A) + (B) + (C) | 193930516 | 175184841 |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR | 369277963 | 194093122 |
| CASH AND CASH EQUIVALENT AT THE END OF THE YEAR | 563208479 | 369277963 |
| COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | |
| <i>Current Account with Banks</i> | 77569305 | 103643810 |
| <i>Deposit with Banks</i> | 318264309 | 132830636 |
| <i>Cash on Hand</i> | 167374865 | 132803517 |
| TOTAL | 563208479 | 369277963 |

MUTHOOT FINANCE PRIVATE LTD.
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
 INFORMATION AS REQUIRED UNDER PART IV OF THE SCHEDULE VI OF THE COMPANIES ACT, 1956

I Registration Details

Registration No. State Code
 Balance Sheet Date
 Date Month Year

II Capital Raised during the year

(Amounts in Rs. Thousands)

| | | | |
|--------------|----------------------------------|-------------------|---------------------------------------|
| Public Issue | <input type="text" value="NIL"/> | Right Issue | <input type="text" value="NIL"/> |
| Bonus Issue | <input type="text" value="NIL"/> | Private Placement | <input type="text" value="10027.70"/> |

III Position of Mobilisation and

Deployment of Funds

(Amount in Rs. Thousands)

Sources of funds

| | | | |
|-------------------|--|--------------------|--|
| Total Liabilities | <input type="text" value="15425036.94"/> | Total Assets | <input type="text" value="15425036.94"/> |
| Paid up Capital | <input type="text" value="50000"/> | Reserves & Surplus | <input type="text" value="1548516.96"/> |
| Secured Loans | <input type="text" value="13117524.37"/> | Unsecured Loans | <input type="text" value="708995.61"/> |

Application of Funds

| | | | |
|--------------------|--|-------------------|---------------------------------------|
| Net Fixed Assets | <input type="text" value="496887.04"/> | Investments | <input type="text" value="55307.94"/> |
| Net Current Assets | <input type="text" value="14871942.36"/> | Misc. Expenditure | <input type="text" value="899.60"/> |
| Accumulated Loss | <input type="text" value="NIL"/> | | <input type="text"/> |

IV Performance of Company

(Amount in Rs. Thousands)

| | | | |
|----------|---|-------------------|---|
| Turnover | <input type="text" value="2339652.14"/> | Total Expenditure | <input type="text" value="1670086.66"/> |
|----------|---|-------------------|---|

| | | | |
|---|--|---|--|
| √ | Profit / Loss Before Tax | √ | Profit / Loss After Tax |
| <input type="checkbox"/> + <input type="checkbox"/> - | <input type="text" value="669565.47"/> | <input type="checkbox"/> + <input type="checkbox"/> - | <input type="text" value="439788.44"/> |

(Please tick Appropriate box + for Profit, - Loss)

Earnings per share

| | | |
|------------------------------------|-----|--------------------------------|
| Rs. | Ps. | Dividend Rate % |
| <input type="text" value="70.37"/> | | <input type="text" value="0"/> |

V Generic Names of Principal

Product / Services of the Company (as per monetary terms)

Not Applicable

Item Code No.

(ITC Code)

Service Description

Sd/-
 M.G. George Muthoot
 Chairman

Sd/-
 George Alexander Muthoot
 Managing Director

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

| Sl. No. | Name of the Subsidiary | Muthoot Exchange Company Private LTD |
|---------|---|---|
| 1. | Financial Year of the Subsidiary | 31/03/2007 |
| 2. | a) No. of Shares held by the holding Company as on the above date b) Extent of interest of the holding Company at the end the financial year of the Subsidiary | 5500000 Equity Shares of Rs. 10 each 55% |
| 3. | Date from which it became a subsidiary | |
| 4. | The net aggregate amount of profits/losses of the subsidiary so far as they concerns the members of the holding company a) Not Dealt with holding company's accounts 1. for the financial year of the subsidiary 2. for the previous financial year of the subsidiary since it became the holding company's subsidiary b) Dealt with in the holding company's account 1. for the financial year of the subsidiary 2. for the previous financial year of the subsidiary since it became a subsidiary | 1783906.02 NIL NIL NIL |
| 5. | Changes in the interest of the holding between the end of the subsidiary' financial year and 31st March, 2007 | NA |
| 6. | Material Changes between the end of the subsidiary's financial year end 31st March, 2007 in 1. Fixed Assets 2. Investments 3. Money's lend by the subsidiary 4. Moneys borrowed by the subsidiary other than for meeting current liabilities | NA NA NA NA |

PLACE: Kochi
DATE: 20.06.07

For and on behalf of the Board

Sd/-
M.G.GEORGE MUTHOOT
Chairman

Sd/-
GEORGE ALEXANDER MUTHOOT
Managing Director

MUTHOOT EXCHANGE COMPANY PVT. LTD.

Board of Directors

Mr. George Alexander Muthoot

Mrs. Anna Alexander

Statutory Auditors

Mr. Mathew Philip

Chartered Accountant

2nd Floor, P.T.C. Towers, S.S. Kovil Road

Thampanoor, Trivandrum - 695 001

Registered Office

3rd Floor, Kurien Towers,

Opp. Saritha Theatre Complex,

Banerji Road, Kochi - 682 018

Corporate Identity Number

U67190KL2000PTC014180



Spreading happiness

DIRECTORS' REPORT

To
The Members,

Your Directors have great pleasure in presenting the 7th Annual Report of the Company together with Audited Accounts for the financial year ended 31st March 2007.

FINANCIAL HIGHLIGHTS

The financial highlights for the year-ended 31.03.2007 are summarized as under:

| | Yr ended 31.03.07 Rs. Lakhs | Yr ended 31.03.06 Rs. Lakhs |
|-----------------------|--------------------------------|--------------------------------|
| Gross Income | 8337.07 | 9212.67 |
| Profit Before Tax | 77.84 | 7.35 |
| Profit after Tax | 50.27 | 4.50 |
| Paid up Share Capital | 1000.00 | 50.00 |
| Net Worth | 1064.66 | 64.38 |

DIVIDEND

Your Directors do not recommend any dividend as they propose to retain the entire profits made during the year for future expansion programme.

DIRECTORS

Mr. George Alexander Muthoot, Director retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

AUDITORS

Mr. Mathew Philip, Chartered Accountant, Statutory Auditor of the Company retires at the ensuing Annual General Meeting, and are eligible for re-appointment.

SHARE CAPITAL

During the year, 99,50,000 Equity Shares of Rs. 10 each were issued to the applicants who applied for allotment of shares in the Company.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since the Company does not carry on any manufacturing activities, the disclosure requirements as to the conservation of energy and technology absorption as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are not applicable to the Company.

The Company had no dealings in foreign exchange during the year.

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

There are no employees drawing remuneration beyond monetary ceilings prescribed under Section 217 (2A) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of annual accounts, the applicable accounting standards have been followed and that no material departure have been made from the same;
- (ii) The accounting policies were selected and applied consistently and judgements and estimates were made which were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

- (iii) Proper and sufficient care for the maintenance of adequate accounting records with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities were taken, and
- (iv) The annual accounts were prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the valuable support provided by the Company's banks and financial institutions and thank the clients for their continued co-operation and patronage and also place on record their sincere appreciation for the committed work done by employees at all levels.

For and on behalf of the Board

Ernakulam
20.06.2007

Sd/-
George Alexander Muthoot
Director

Sd/-
Anna Alexander
Director

AUDITORS' REPORT

TO THE MEMBERS OF MUTHOOT EXCHANGE COMPANY PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **MUTHOOT EXCHANGE COMPANY PRIVATE LIMITED**, III FLOOR, KURIEN TOWERS, OPP. SARITHA THEATRE COMPLEX, BANERJI ROAD, KOCHI-682018, as at **31st March 2007**, and also the Profit and Loss Account of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with generally accepted auditing standards in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as significant evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with books of account;
 - d) In our opinion, the Profit and Loss Account and Balance Sheet dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors of the Company, as at 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet of the Company of the state of affairs of the Company as at 31st March, 2007; and
 - ii) In the case of the Profit and Loss Account of the Profit for the year ended on that date.

For P.K.JAYAN & Co
CHARTERED ACCOUNTANTS

PLACE: TRIVANDRUM
DATE: 9.05.2007

MATHEW PHILIP.F.C.A
(PARTNER)
(MembershipNo.22603)

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDITORS' REPORT TO THE MEMBERS OF MUTHOOT EXCHANGE COMPANY PRIVATE LIMITED FOR THE YEAR ENDED MARCH 31, 2007.

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us the Company has a system of physical verification which is designed to cover all fixed assets in a phased manner and in accordance therewith physical verification of portion of assets were carried out during the previous year. In our opinion the frequency of physical verification is reasonable with regard to the size of the Company and the nature of fixed assets. No material discrepancies were noticed on such verification.
- (c) The company has not disposed off a substantial part of Fixed Assets during the year, and according, going Concern is not affected.
- (ii) (a) As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventory, and discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt within the Books of Accounts.
- (iii) According to information and explanations given to us, the Company has not granted or 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 (b),(c),(d),(f) and (g) of paragraph 4 (iii) of the order relating to the rate of interest and other terms and conditions of loans, regularity of receipt/repayment of principal and interest, and steps for recovery of overdue amount in excess of rupees one lakh are not applicable.
- (iv) In our opinion and according to the information given to us, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, based on our examinations and according to the information and explanations given to us, we have not noted any continuing failure to correct major weakness in the internal control.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Act, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions are made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding that value of Rs. 5.00 Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prize at the relevant time.
- (vi) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA, and other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) for the Companies Act, 1956 for the products of the Company.
- (ix) (a) According to the information given to us, the company is regular in depositing 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 any other statutory dues with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, on disputed amounts payable in respect of the income tax, sales tax, customs duty and excise duty were outstanding, as at March 31, 2007 for a period of more than 6 months from the date of they became payable.

- (x) The Company does not have any accumulated losses as at the year ended, and has no incurred any cash losses during the financial year and the immediately preceding financial year.
- (xi) On the basis of my examination and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank.
- (xii) As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, clause (xii) of the said order is not applicable.
- (xiii) The Company is engaged in the business of Full Fledged Money Changers and therefore the provisions of clause (xiii) of the said order relating to chit fund or a nidhi / mutual benefit fund / society are not applicable to the Company.
- (xiv) In respect of Company's investments, proper records have been maintained of transactions and contracts and timely entries have been made. The investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any term loans during the year.
- (xvii) On the overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, funds raise on shot term basis have not been used for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares or issued debentures or made any public issue during the year, and, accordingly, clause (xviii), (xix), and (xx) of the said order are not applicable to the Company.
- (xix) To the best of our knowledge and belief, and according to the Information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For P.K.JAYAN & Co
CHARTERED ACCOUNTANTS

PLACE: TRIVANDRUM
DATE : 09.05.2007

Sd/-
MATHEW PHILIP F.C.A
(PARTNER)
(MembershipNo.22603)

BALANCE SHEET AS AT 31.03.2007

| PARTICULARS | SCHEDULE Nos | YEAR ENDED 31.03.2007 | YEAR ENDED 31.03.2006 |
|---|-----------------|--------------------------|--------------------------|
| <u>SOURCES OF FUND:</u> | | | |
| SHAREHOLDERS' FUND | | | |
| (a) Share Capital | I | 10000000.00 | 5000000.00 |
| (b) Reserves & Surplus | II | 6466064.90 | 1438666.42 |
| DEFERRED TAX | | | |
| (a) Deferred Tax Liability | III | 104525.79 | 81826.10 |
| | | 106570590.69 | 6520492.52 |
| <u>APPLICATION OF FUNDS:</u> | | | |
| FIXED ASSETS | | | |
| Gross Block | | 1389776.00 | |
| Less: Depreciation | | 408558.35 | |
| | VI | 981217.65 | 733010.55 |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| | | 111680109.46 | |
| Less: CURRENT LIABILITIES & PROVISIONS | | 6090736.42 | |
| | IV | 105589373.04 | 5787481.97 |
| | | 106570590.69 | 6520492.52 |

In terms of our report of even date

For P.K.JAYAN & CO
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
MATHEW PHILIP F.C.A
PARTNER
(Membership No.22603)

Sd/-
GEORGE ALEXANDER MUTHOOT
(Director)

Sd/-
ANNA ALEXANDER
(Director)

Place: Trivandrum
Date: 9.05.2007

TRADING & PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2007

| PARTICULARS | SCHEDULE Nos | YEAR ENDED 31.03.2007 | YEAR ENDED 31.03.2006 |
|--|-----------------|--------------------------|--------------------------|
| INCOME: | | | |
| Sales: Currency & Travellers Cheques | | 824218644.53 | 922679080.97 |
| Interest on Fixed Deposit | | 3780223.00 | 113022.00 |
| Other Income | | 3056761.80 | 19231.00 |
| Interest-Income Tax Refund | | 0.00 | 2436.00 |
| STOCK DIFFERENTIAL: | | | |
| Closing Stock | 2998054.00 | | |
| Less: Opening Stock | 347118.00 | 2650936.00 | -1546667.00 |
| | | 833706565.33 | 921267102.97 |
| EXPENDITURE: | | | |
| Purchases: Currency & Travellers Cheques | | 820046748.34 | 916000911.80 |
| Interest | | 335760.00 | 381540.52 |
| Salaries & Allowances | | 2229560.00 | 1067207.00 |
| Staff Incentive | | 308031.00 | 194470.10 |
| Provident Fund | | 94399.00 | 0.00 |
| Rent | | 151916.00 | 140422.00 |
| Establishment Expenses | | 128469.00 | 394618.30 |
| Printing & Stationery | | 175635.49 | 83338.79 |
| Travelling & Conveyance | | 315943.00 | 306438.50 |
| Repairs & Maintenance | | 69818.60 | 49377.00 |
| Staff Welfare Expenses | | 2565.00 | 8485.00 |
| Bank Charges | | 509434.22 | 300781.12 |
| Electricity Charges | | 93441.00 | 53020.00 |
| Telephone Charges | | 246886.41 | 241042.19 |
| Postage & Courier Charges | | 4531.00 | 2262.00 |
| Legal Expenses | | 94650.00 | 9114.00 |
| Taxes And Licence Fees | | 500050.00 | 216.00 |
| Newspaper & Periodicals | | 2550.00 | 2524.00 |
| Insurance Charges | | 46818.00 | 39230.00 |
| Business Promotion Expenses | | 380080.00 | 942116.90 |
| Vehicle Maintenance | | 370.00 | 1249.00 |
| Advertisement | | 47896.20 | 152140.00 |
| Office Expenses | | 49742.00 | 44446.52 |
| Audit Fees | | 17978.00 | 15152.00 |
| Preliminary Expenses | | 0.00 | 13492.80 |
| Depreciation | | 68975.90 | 88267.81 |
| Profit for the year before Tax | | 7784317.17 | 735239.62 |
| Less: Provisions | | | |
| Fringe Benefit Tax | | 43100.00 | 37420.00 |
| Deferred Tax | | 22699.69 | 3065.36 |
| Income Tax | | 2691119.00 | 244607.00 |
| Net Profit Tax after Tax | | 5027398.48 | 450147.26 |
| Balance brought forward | | 450147.26 | 0.00 |
| Profit available for appropriation | | 5477545.74 | 450147.26 |
| Net Profit Transferred to Balance Sheet | | 5477545.74 | 450147.26 |

In terms of our report of even date

For P.K.JAYAN & CO
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
MATHEW PHILIP F.C.A
PARTNER

Sd/-
GEORGE ALEXANDER MUTHOOT
(Director)

Sd/-
ANNA ALEXANDER
(Director)

Place: Trivandrum
Date: 9.05.2007

SCHEDULES

| PARTICULARS | YEAR ENDED 31.03.2007 | YEAR ENDED 31.03.2006 |
|--|--------------------------|--------------------------|
| <u>SCHEDULE-I</u> | | |
| <u>SHARE CAPITAL</u> | | |
| AUTHORISED | | |
| 10000000 Equity Share of Rs.10/- Each | 100000000.00 | 5000000.00 |
| ISSUED, SUBSCRIBED & PAID UP CAPITAL | | |
| 10000000 Equity Share of Rs.10/- Each | 100000000.00 | 5000000.00 |
| <u>SCHEDULE-II</u> | | |
| <u>RESERVES & SURPLUS</u> | | |
| GENERAL RESERVE: <u>PROFIT & LOSS ACCOUNT</u> | | |
| Opening Balance | 988519.16 | 966443.16 |
| Add: Excess Provision | 0.00 | 22076.00 |
| | 988519.16 | 988519.16 |
| Transfer from Profit & Loss Account (Current Year) | 5477545.74 | 450147.26 |
| Balance as on 31.03.07 | 6466064.90 | 1438666.42 |
| <u>SCHEDULE: III</u> | | |
| <u>DEFERRED TAX LIABILITY</u> | | |
| Opening Balance | 81826.10 | 78760.74 |
| Add: Tax Liability for the year | 22699.69 | 3065.36 |
| | 104525.79 | 81826.10 |
| <u>SCHEDULE-IV</u> | | |
| <u>CURRENT LIABILITIES & PROVISIONS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| God's Account | 123.00 | 123.00 |
| Amex TC Pending Settlement-Chennai | 3324523.42 | 219006.72 |
| Staff Welfare Scheme Account | 13893.00 | 17841.00 |
| <u>PROVISIONS FOR INCOME TAX</u> | | |
| Income Tax Payable | 2691119.00 | 244607.00 |
| Frienge Benefit Tax Payable | 43100.00 | 37420.00 |
| Audit Fee Payable | 17978.00 | 15152.00 |
| | 6090736.42 | 534149.72 |
| <u>SCHEDULE-V</u> | | |
| <u>CURRENT ASSETS, LOANS & ADVANCES</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash in Hand | 1018453.96 | 748192.51 |
| Bank of Maharastra-Mumbai | 82228.19 | 136572.19 |
| Bank of Punjab, Cochin | 0.00 | 22672.86 |
| Centurian Bank, Panjab | 37551.86 | 27551.74 |
| The Dhanalakshmi Bank Ltd.-Cochin | -145660.09 | -258375.80 |
| The Dhanalakshmi Bank Ltd.-Kottayam | -445918.04 | 542957.31 |
| The Dhanalakshmi Bank Ltd.-Mumbai | 72756.44 | -26754.18 |
| The Dhanalakshmi Bank Ltd.-Thiruvalla | 191743.37 | 379122.48 |
| The Dhanalakshmi Bank Ltd.-Trivandrum | 621849.05 | 511080.79 |

SCHEDULES

| PARTICULARS | YEAR ENDED 31.03.2007 | YEAR ENDED 31.03.2006 |
|--|--------------------------|--------------------------|
| The Dhanalakshmi Bank Ltd.-Bangalore | 15887.42 | 0.00 |
| The Dhanalakshmi Bank Ltd.-Ernakulam | 4739.43 | 0.00 |
| The Dhanalakshmi Bank Ltd.-Madurai | 103890.14 | 0.00 |
| The Dhanalakshmi Bank Ltd.-Thrissur | 50592.10 | 0.00 |
| UTI Bank Ltd., Trivandrum | 19156.30 | 16921.00 |
| UTI Bank Ltd., Chennai | 17662.00 | 13727.50 |
| UTI Bank Ltd., Ernakulam | 29546.00 | 30044.12 |
| UTI Bank Ltd.,Mumbai | 288591.02 | 1092997.25 |
| Centurian Bank, Trivandrum | 26638.00 | 13063.00 |
| The Federal Bank Ltd | 6852.00 | 114422.00 |
| The Federal Bank Ltd.-Trivandrum | 10543.90 | 15753.30 |
| The Federal Bank Ltd.-Thiruvalla | 27977.00 | 7143.00 |
| HDFC Bank-Ernakulam | 0.00 | 15073.30 |
| IDBI , Cochin | 33831.73 | 4209.12 |
| IDBI , Chennai | 11754.28 | 10916.25 |
| ICICI Bank Ltd.-Cochin | 27838.22 | 471141.62 |
| ICICI Bank Ltd.-Kottayam | 22503.37 | 0.00 |
| ICICI Bank Ltd.-Thiruvalla | 451890.87 | 0.00 |
| The Dhanalakshmi Bank Ltd.-Chennai | 291655.47 | 63259.51 |
| The Dhanalakshmi bank Ltd.-Calicut | 278804.87 | 86585.05 |
| Centurian Bank Ltd.-Calicut | 1189.00 | 6544.00 |
| Centurian Bank of Punjab-Madurai | 10345.00 | 0.00 |
| Centurian Bank of Punjab-Bangalore | 344340.50 | 0.00 |
| Centurian Bank of Punjab-Madurai | 40576.00 | 0.00 |
| Indusind Bank, Ernakulam | 173132.75 | 0.00 |
| State Bank of Travancore,Kumily-Fixed Deposit | 0.00 | 250000.00 |
| The Dhanalaxmi Bank Ltd, Kaloore-Fixed Deposit | 524864.00 | 500000.00 |
| Indusind Bank | 50000000.00 | 0.00 |
| Centurian Bank of Punjab | 1290000.00 | 0.00 |
| IDBI Bank | 250000.00 | 0.00 |
| Muthoot Finance (P) Ltd | 1100000.00 | 0.00 |
| Muthoot Leasing & Finance Ltd | 44500000.00 | 0.00 |
| Interest Receivable | 340555.00 | 9571.00 |
| DEBTORS | | |
| Trivandrum-Branch | 0.00 | 57638.00 |
| Cennai Branch | 10423.25 | 0.00 |
| Calicut Branch | 493046.60 | 0.00 |
| Trichur Branch | -45263.50 | 0.00 |
| Thiruvalla Branch | 21197.00 | 39463.00 |
| Mumbai Branch | 1014200.00 | 259883.77 |
| Kottayam Branch | 1102537.00 | 122424.00 |
| Money Transfer Branch | 2477829.00 | 0.00 |
| Ernakulam Branch | 182250.00 | 17054.00 |
| INVENTORY | | |
| Cochin | 142308.00 | 149890.00 |
| Trivandrum | 80783.00 | 7060.00 |
| Thiruvalla | 600728.00 | 18719.00 |
| Mumbai | 43212.00 | 56.00 |
| Chennai | 407.00 | 170190.00 |
| Calicut | 218862.00 | 1203.00 |
| Kottayam | 1305796.00 | 0.00 |
| Bangalore | 525667.00 | 0.00 |
| Coimbatore | 19647.00 | 0.00 |
| Trichur | 60644.00 | 0.00 |

SCHEDULES

| PARTICULARS | YEAR ENDED 31.03.2007 | YEAR ENDED 31.03.2006 |
|-----------------------------------|--------------------------|--------------------------|
| LOANS & ADVANCES | | |
| Advance Tax (A.Y. 2006-2007) | 0.00 | 402588.00 |
| Advance Tax - FBT | 43100.00 | 95000.00 |
| Tax Deducted at Source | 866884.00 | 16072.00 |
| Advance Income Tax (AY 2007-2008) | 634221.00 | 0.00 |
| Telephone Deposit | 8270.00 | 0.00 |
| Rent Deposit-Calicut | 0.00 | 15000.00 |
| Rent Deposit-Cochin | 45000.00 | 45000.00 |
| Rent Deposit-Trivandrum | 100000.00 | 100000.00 |
| | 111680109.46 | 6321631.69 |

SCHEDULE: VII **PRELIMINARY EXPENSES**

| | | |
|-------------------|-------------|-------------|
| Opening Balance | 0.00 | 13492.80 |
| Less: Written off | 0.00 | 13492.80 |
| | 0.00 | 0.00 |

SCHEDULE: VIII **CENTRAL OFFICE-BRANCH ACCOUNT**

| | | |
|-----------------------------------|-------------------|-------------------|
| Central Office Account-Cochin | -1167212.06 | 2929054.17 |
| Central Office Account-Trivandrum | 1328382.39 | 625265.30 |
| Central Office Account-Kottayam | 1324402.31 | -28342.20 |
| Central Office Account-Thiruvalla | 1102953.48 | 341980.00 |
| Central Office Account-Mumbai | 627095.23 | 655264.75 |
| Central Office Account-Chennai | 275836.21 | 398397.77 |
| Central Office Account-Calicut | 445097.70 | 148287.65 |
| Central Office Account-Bangalore | 931693.00 | 0.00 |
| Central Office Account-Coimbatore | 278287.00 | 0.00 |
| Central Office Account-Madurai | 231400.00 | 0.00 |
| Central Office Account-Trichur | 129550.00 | 0.00 |
| | 5507485.26 | 5069907.44 |
| Less: Head Office | 5507485.26 | 5069907.44 |
| | 0.00 | 0.00 |

In terms of our report of even date

For P.K.JAYAN & CO
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
MATHEW PHILIP F.C.A
PARTNER
(Membership No.22603)

Sd/-
GEORGE ALEXANDER MUTHOOT
(Director)

Sd/-
ANNA ALEXANDER
(Director)

Place: Trivandrum
Date: 9.05.2007

NOTES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

1. SIGNIFICANT ACCOUNTING POLICIES:

(i) Accounting Convention:

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

(ii) Fixed Assets and depreciation

- a) Fixed Assets: Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of incidental expenses related thereto.
- b) Depreciation: Depreciation on Fixed Assets is charged on a pro-rata basis at the Straight Line Method (SLM) basis at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

(iii) Investments

Current Investments are stated at lower of cost and fair value.

(iv) Inventories

Inventories namely Foreign Currency is valued at cost or net realizable value whichever is less.

(v) Sales

Income is recognized at the time of completion of the agreed services.

(vi) Taxation:

The provision for taxes is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax resulting from timing differences between book profit and tax profits is accounted for, at the income tax rates substantively enacted till the Balance Sheet date, to the extent that the timing differences that originate in one year are capable of reversal in one or more subsequent years.

(vii) Provisions

Provision involving substantial degree of estimation in measurement is recognized when there is a permanent obligation as a result of past events and it is probable that there will be an outflow of resources.

2. In accordance with the provisions of Accounting Standards on Impairment of Assets, (AS-28), the management has made assessment of assets in use and considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.
3. As the Company's business activity falls within a single primary business segment Foreign Currency and Travelers Cheque and is a single geographic segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", issued by The Institute of Chartered Accountants of India are not applicable.
4. In opinion of the Board, Current Assets, Loans and Advances have a realizable value, in the ordinary course of business at least equal to the amount at which they are stated.
5. Auditor's Remuneration includes fees for

| | |
|-----------------|-----------|
| Statutory Audit | 17,978.00 |
| | 17,978.00 |
6. Balance of Debtors, Creditors and loans and advances are subject to confirmation/reconciliation.
7. Retirement Benefits are accounted at the time of actual payment.
8. The Company is engaged in the trading of Foreign Currency/Travelers Cheque. The information required under para 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 is given to the extent applicable to the company.

| | Current Year | Previous Year |
|---|--------------|---------------|
| (a) CIF value of Imports during the year | NIL | NIL |
| (b) Expenditure in Foreign Currency during the year | NIL | NIL |

| | | |
|--|-----|-----|
| (c) Remittance during the year in Foreign Currency | NIL | NIL |
| (d) Earnings in Foreign Currency | NIL | NIL |

9. Previous year's figures have been recast/regrouped wherever necessary.

Annexure to our report of even date attached.

For P.K.JAYAN & CO.
CHARTERED ACCOUNTANTS

For and On Behalf of the Board

Sd/
MATHEW PHILIP F.C.A.
PARTNER
(Membership No. 22603)

Sd/-
GEORGE ALEXANDER MUTHOOT
(DIRECTOR)

Sd/-
ANNA ALEXANDER
(DIRECTOR)

PLACE: TRIVANDRUM
DATE: 09.05.2007

STATEMENT OF DEPRECIATION AND FIXED ASSETS UNDER COMPANIES ACT, 1956.

| SL NO: | PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | NET BLOCK AS ON 31.03.2007 |
|--------|----------------------|-----------------------|--------------------------|---------------------------|------------------------|-----------------|--------------|-----------|----------------------------|
| | | Cost as on 01.04.2006 | Addition during the Year | Deduction during the year | Total as on 31.03.2007 | Upto 01.04.2005 | For the Year | To Date | |
| 1 | Interior Decoration | 336405.00 | 0.00 | 0.00 | 336405.00 | 92762.06 | 15422.60 | 108184.66 | 228220.34 |
| 2 | Computer System | 225685.00 | 196902.00 | 0.00 | 422587.00 | 113232.89 | 28943.71 | 142176.60 | 280410.40 |
| 3 | Furniture & Fittings | 313497.00 | 93686.00 | 0.00 | 407183.00 | 82418.04 | 16366.37 | 98784.41 | 308398.59 |
| 4 | Fax Machine | 23749.00 | 4625.00 | 0.00 | 28374.00 | 5647.13 | 1004.89 | 6652.02 | 21721.98 |
| 5 | Iron Safe | 53411.00 | 0.00 | 0.00 | 53411.00 | 12678.62 | 1934.79 | 14613.41 | 38797.59 |
| 6 | Stabilizer | 3402.00 | 0.00 | 0.00 | 3402.00 | 772.80 | 124.89 | 897.69 | 2504.31 |
| 7 | Air Conditioner | 91440.00 | 0.00 | 0.00 | 91440.00 | 21723.37 | 3311.55 | 25034.92 | 66405.08 |
| 8 | Vehicles | 25004.00 | 0.00 | 0.00 | 25004.00 | 10347.54 | 1392.36 | 11739.90 | 13264.10 |
| 9 | Office Equipments | 1072593.00 | 317183.00 | 0.00 | 1389776.00 | 339582.45 | 68975.90 | 408558.35 | 981217.65 |

Note: Depreciation for all Assets has been taken on Straight Line Method for the proportinate period.

In terms of our report of even date

For P.K.JAYAN & CO
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Sd/-
MATHEW PHILIP F.C.A
PARTNER
(Membership No. 22603)

Sd/-
GEORGE ALEXANDER MUTHOOT
(Director)

Sd/-
ANNA ALEXANDER
(Director)

Place: Trivandrum
Date: 9.05.2007



Powering lives



MEMBERS ARE REQUESTED TO QUOTE THEIR FOLIO NO. HERE: FOLIO NO...

MUTHOOT FINANCE PRIVATE LTD.

Regd. Office: Muthoot Chambers, Opp. Saritha Theatre Complex, Banerji Road, Kochi-18

PROXY FORM

I/We of in the district of Being a member(s) (folio) of the above named Company hereby appoint Mr/Ms. of in the district of or failing him Mr/Ms of in the district of as my/our proxy to attend and vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company to be held at Muthoot Chambers, opp. Saritha Theatre Complex, Banerji Road, Kochi-18, at 10 a.m on Friday, 17th August 2007.

Signed this day of 2007

| |
|------------------------------------|
| Affix 1 Re. Revenue Stamp |
|------------------------------------|

Full Name:

Note:

- The proxy to be valid should be deposited at the Regd. Office of the Company at Muthoot Chambers, opp. Saritha Theatre Complex, Banerji Road, Kochi-18, not less than 48 hours before the time for holding the meeting.
- The proxy should be executed on Re.1 revenue stamp.

| |
|---------------------|
| For Office use only |
| No. of Shares |
| Proxy No. |

MUTHOOT FINANCE PRIVATE LTD.

Regd. Office: Muthoot Chambers, Opp. Saritha theatre complex, Banerji Road, Kochi-18.

Attendance Slip

Please complete this attendance slip and hand it over at the entrance of the meeting hall.

Name of the member :

Folio No. :

I hereby record my presence at the at the Eighth Annual General Meeting of the Company to be held at Muthoot Chambers, opp. Saritha Theatre Complex, Banerji Road, Kochi-18, at 10 a.m on Friday , 17th August 2007.

Signature of the member or proxy:

“Let us judge ourselves, not by the profit that we make but by the trust and the confidence that people have in us. Let us cherish and nurture that trust and ensure that every person who deals with us deals the confidence that he will not be misguided but his interests will be carefully protected.”

- Late. Mr. M George Muthoot -



Speak to our customer care: 98470 91119. Toll-free phone: 1800 425 1887

Registered office: Muthoot Finance Pvt. Ltd., Muthoot Chambers, Banerji Road, Kochi 682 018, Kerala, India.

Tel: +91 484 2396478, 2394712. Fax: +91 484 2396506. mails@muthootgroup.com www.muthootgroup.com