



**AUDITORS' REPORT**

To the Members of Annapurna Microfinance Private Limited

1. We have audited the attached balance sheet of Annapurna Microfinance Private Limited (the Company) as at 31 March 2010, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. 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 misstatement. An audit includes examining, on test basis evidence supporting the amount 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 the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent, applicable to the Company.
4. 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 purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from examination of those books;
  - c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, the Profit and Loss account and the Cash Flow statement dealt with by this report are in compliance with the Accounting standards referred to in section 211(3C) of the companies Act, 1956;



- e) In our opinion and the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2010;
  - ii. In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - iii. In the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.
5. On the basis of the written representation / declarations received from the Directors and taken on record by the Board and according to the information and explanations given to us, we report that none of the directors of the company is disqualified as at 31<sup>st</sup> march 2010, from being appointed as a Director under section 274(1)(g) of the Companies Act, 1956, on the said date.



Place: Bhubaneswar  
Date : 23<sup>rd</sup> April 2010

For B.S.Subudhi & Co  
Chartered Accountants

B.S.Subudhi  
Partner  
Membership No: 052512

**M/S. ANNAPURNA MICROFINANCE PRIVATE LIMITED**  
**FORMERLY KNOWN AS GWALIOR FINANCE & LEASING CO. PVT.LTD.**  
**BALANCE SHEET AS AT 31ST MARCH, 2010**

PARTICULARS	SCHEDULE	CURRENT YEAR (Rs.)	PREVIOUS YEAR (Rs.)
<b>SOURCES OF FUND :</b>			
<b>SHAREHOLDERS FUND :</b>			
Share Capital	A	27,647,000.00	2,647,000.00
Share Application		400,000.00	0.00
<b>RESERVE AND SURPLUS :</b>	B	751,439.43	0.00
<b>UNSECURED LOAN</b>			
Dia Vikash Capital (P)Ltd.	C	25,000,000.00	0.00
<b>TOTAL :</b>		<b>53,798,439.43</b>	<b>2,647,000.00</b>
<b>APPLICATION OF FUND :</b>			
<b>INVESTMENTS</b>			
	D	1,000,000.00	2,125,637.00
<b>CURRENT ASSETS, LOANS &amp; ADVANCES :</b>			
Cash & Bank Balances	E	5,958,077.43	16,705.50
Loans & Advances	F	54,252,348.00	488,580.00
		60,210,425.43	505,285.50
<b>Less :</b>			
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	G	7,411,986.00	27,676.00
Net Current Assets :		52,798,439.43	477,609.50
<b>PROFIT AND LOSS ACCOUNT:</b>			43,753.50
<b>TOTAL :</b>		<b>53,798,439.43</b>	<b>2,647,000.00</b>

**NOTES ON ACCOUNTS :**

(As per our report of even date annexed)

For B. S. SUBUDHI & CO.,  
 CHARTERED ACCOUNTANTS

(B. S. SUBUDHI)  
 (PARTNER)

PLACE : BHUBANESWAR  
 DATED : 23rd April, 2010



For ANNAPURNA MICROFINANCE PRIVATE LIMITED .

*(Signature)*  
 (G. C. PATNAIK)  
 MANAGING DIRECTOR

*(Signature)*  
 (DIBYAJYOTI PATTNAIK)  
 DIRECTOR

**M/S. ANNAPURNA MICROFINANCE PRIVATE LIMITED**  
**FORMERLY KNOWN AS GWALIOR FINANCE & LEASING CO. PVT.LTD.**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

PARTICULARS	SCHEDULE	CURRENT YEAR (Rs.)	PREVIOUS YEAR (Rs.)
<b>INCOME :</b>			
Membership fees		565,635.00	-
Interest on Loans		202,240.00	19,250.00
Service Charges		511,403.00	-
Income from Sale of Portfolio		19,093.93	-
Documentation Charges		947,087.00	-
<b>TOTAL:</b>		2,245,458.93	19,250.00
<b>EXPENDITURE :</b>			
Portfolio Management charges		600,000.00	0.00
Interest paid		73,973.00	0.00
Printing & Stationery		0.00	380.00
Postage & Telegram		0.00	268.00
Salary		2,500.00	12,000.00
Licence & Fees		0.00	1,500.00
Travelling & Conveyance		0.00	210.00
Legal & Professional Charges		332,750.00	1,000.00
Loan upfront fees & .Bank Charges		56,043.00	0.00
Audit Fees		30,000.00	3,310.00
Miscellaneous Expenses		0.00	130.00
<b>TOTAL:</b>		1,095,266.00	18,798.00
Balance Credit carried down		1,150,192.93	452.00
Profit/(Loss) brought forward		(43,753.50)	(44,205.50)
Balance Credit carried down before Tax		1,106,439.43	(43,753.50)
Less : Transfer to Special Reserve		230,000.00	-
		876,439.43	(43,753.50)
Income tax Provision		355,000.00	-
Balance Credit carried down after Tax		521,439.43	(43,753.50)

**NOTES ON ACCOUNTS :**  
(As per our report of even date annexed)

G

For B. S. SUBUDHI & CO.,  
**CHARTERED ACCOUNTANTS**

(B. S. SUBUDHI)  
(PARTNER)

PLACE : BHUBANESWAR  
DATED : 23rd April, 2010



For ANNAPURNA MICROFINANCE PRIVATE LIMITED

(G. C. PATNAIK)  
**MANAGING DIRECTOR**

(DIBYAJYOTI PATTNAIK)  
**DIRECTOR**

**M/S. ANNAPURNA MICROFINANCE PRIVATE LIMITED**  
**FORMERLY KNOWN AS GWALIOR FINANCE & LEASING CO. PVT.LTD.**  
**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010**

PARTICULARS	CURRENT YEAR (Rs.)	PREVIOUS YEAR (Rs.)
<b>SCHEDULE-A</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED SHARE CAPITAL :</b>		
50,00,000 Equity Shares of Rs.10/- each.	50,000,000.00	3,000,000.00
<b>ISSUED, SUBSCRIBED &amp; PAID-UP :</b>		
27,64,700 Equity shares of Rs. 10/- each fully paid up.	27,647,000.00	2,647,000.00
Share Application fees	400,000.00	
<b>SCHEDULE-B</b>		
<b>RESERVE AND SURPLUS :</b>		
Profit & Loss Account	521,439.43	-
Special Reserve	230,000.00	-
	751,439.43	0.00
<b>SCHEDULE-C</b>		
<b>UNSECURED LOAN</b>		
Dia Vikas Ltd.	25,000,000.00	-
	25,000,000.00	0.00
<b>SCHEDULE-D</b>		
<b>INVESTMENT</b>		
Development Credit Bank Ltd. TDR	1,000,000.00	-
	1,000,000.00	0.00
<b>SCHEDULE-E</b>		
<b>CASH &amp; BANK BALANCES :</b>		
Cash in hand (As certified by Director)	1,833,828.50	10,000.00
Balances with Scheduled Bank :		
OBC Bhubaneswar	4,109,400.00	6,705.50
DCB Current A/c	14,850.93	
	5,958,077.43	16,705.50
<b>SCHEDULE-F</b>		
<b>LOANS &amp; ADVANCES :</b>		
Loan and Advances	53,800,108.00	
Rewa Gases Pvt. Ltd., Waidhan	0.00	200,000.00
Loans recoverable in cash or kind or for value to be received.	0.00	203,472.00
Advance for Legal Fees		
Income Tax Refundable		65,108.00
Advance Tax paid	250,000.00	
Interest Accrued	202,240.00	
	54,252,348.00	468,580.00
<b>SCHEDULE-G</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS :</b>		
<b>Current Liabilities:</b>		
Audit Fees Payable	26,910.00	-
Development Credit Bank	668,286.00	-
O.P. Tulsyan & Co., Varanasi	0.00	27,676.00
Cash Security	6,296,900.00	-
TDS Payable	64,890.00	-
Income Tax Provision	355,000.00	-
	7,411,986.00	27,676.00



**ANNAPURNA MICROFINANCE PRIVATE LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

	for the year 31 March 2010 Amount in Rs.
<b>Cash Flows from Operating Activities</b>	
Profit/(Loss) before taxation	1,150,192.93
Adjustment for :	
Depreciation	-
Interest on Term Loan	73,973.00
Accrued Interest	(202,240.00)
<b>Operating Profit before Working Capital Changes</b>	<b>1,021,925.93</b>
Increase in Receivables under Financing Activity	(53,311,528.00)
Increase in Current Liability	7,029,310.00
Interest paid on Term Loans	(73,973.00)
Income Tax Paid	(250,000.00)
<b>Net Cash used in Operating Activities (A)</b>	<b>(45,584,265.07)</b>
<b>Cash Flows from Investing Activities</b>	
Sale of Investment	2,125,637.00
Purchase of Fixed Deposits	(1,000,000.00)
<b>Net Cash used in Investing Activities</b>	<b>1,125,637.00</b>
Proceeds from issue of Equity of Share Capital	25,000,000.00
Term Loan Taken	25,000,000.00
Term Loan Repaid	-
Share Application fees received	400,000.00
<b>Net Increase in Cash and Bank</b>	<b>50,400,000.00</b>
Cash and Bank at the Beginning of the year	5,941,371.93
Cash and Bank Balance at the End of the Year	5,958,077.43

As per Our reports of evn date attached

For B.S.Subudhi & Co  
Chartered Accountants

For and on behalf of the Board

B.S.Subudhi  
(Partner)  
Membership No:  
Place : Bhubaneswar  
Date : 23rd April 2010



Gobinda Chandra Pattanaik  
Managing Director

Place: Bhubaneswar  
Date: 23rd April 2010

Dibyajyoti Pattanaik  
Director

**SCHEDULE: G**

Schedule to the Audited Financial Statement for the year ended 31.03.2010

**1. SIGNIFICANT ACCOUNTING POLICY**

**i. Preparation of financial statements**

The Financial Statement have been prepared in compliance of notified accounting standards by Companies Accounting Standards Rules, 2006 and Mandatory accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') the relevant provisions of the Companies Act, 1956('the Act') and the provisions of the reserve Bank of India ('RBI') Directives and guidelines as applicable to a non banking financial company. The financial statements have been prepared under the historical cost convention on accrual basis and in certain cases cash basis.

**ii. Revenue Recognition**

All incomes are recognized on accrual basis and in conformity with directions under Non Banking Financial (Non-Deposit accepting or holding) companies prudential norms (Reserve Bank) directions, 2007 and as per prescribed accounting standards by the Institute of Chartered Accountants of India.

**iii. Fixed Assets**

No fixed assets have been created by the Company in the current year.

**iv. Investments**

As investments are held for long term and they are valued at cost. There is only one investment in terms of TDR in Development Credit Bank Ltd. Of Rs.10,00,000.00 and the same is hypothecated for the managed loan of Development Credit Bank Ltd. as FLDG.3

**v. Foreign Currency Transaction**

No foreign Currency transaction has been occurred during the current year.

**vi. Income Tax**

Tax provision comprises of current liabilities for income tax. Appropriate provisions have been made for current liability towards income tax according to Income Tax Act, 1961.

**vii. Loans And Advances**

These are classified as Standard assets, sub standard assets, doubtful assets and loss assets in terms of the Non Banking Financial (Non deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 for the purpose of loan loss provision and for disclosure purposes. The details as classified above are furnished below:

Sl. No	Nature of Assets	Loan Outstanding (Rs)	Provision for loan loss (Rs)
1	Standard Assets	5,31,12,728.07	0.00
2	Sub-Standard Assets	0.00	0.00
3	Doubtful Assets	0.00	0.00



Total	5,31,12,728.07	0.00
-------	----------------	------

viii. **Managed Portfolio**

The Company has under buyout arrangements, portfolios amounting to Rs. 92,44,000.00 as on 31<sup>st</sup> March, 2010. Such portfolio has been created on behalf of Development Credit Bank Ltd.(DCB) and the ownership of the debts are transferred to DCB. The assets and receivables underlying such loan contracts are owned by the bank and operationally managed by the Company with an obligation to ensure repayments. And the company bears only the risk of FLDG given to DCB (i.e. 10%) as in terms of TDR hypothecated and the percentage loan marked as contingent liability.

ix. **High Cash Balance:**

The Company has high cash balance at the end of the year because of disbursement was continued in the last week of the month and carried over to April 2010. So the cash remains in hand at the branches.

x. **Capital to Risk Asset Ratio (CRAR)**

The Company maintained a CRAR ratio of 87% as on 31.03.2010 as its risk assets is less than its total capital(Tier I & Tier II).

xi. **Maturity pattern of Assets and Liability**

The tenure of repayment of present borrowings and corresponding tenure of of lending are matched largely.

xii. **Managing Director's Remuneration**

No remuneration has been decided by the board of directors to pay any remuneration to managing director and no such remuneration has been paid during the year.

xiii. **Portfolio Management**

The Company has made an agreement with People's Forum to create, manage its portfolio and ensure the recovery in time. For which the Company has paid Rs.6,00,000.00 as portfolio management Charges.

xiv. **Related Party Transactions**

Entity holding substantial interest- Dia Vikas Capital Private Ltd with 49% voting rights. Institutions under the same Management – People's Forum Foundation, People's Forum.

xv. **Creation of Special Reserve**

In compliance to clause 45IC of the Reserve Bank of India an amount of 20 % of the net profits aggregating to Rs. 230000.00 is being transferred to Statutory Reserve Fund during the Financial Year 2009 – 10.





## 2. NOTES ON OPERATIONS

- i. The Company is engaged in microfinance activities directed towards ultimate benefit of the poor women and deprived (organized in the form of Self Help Groups) for enhancement of their livelihoods in a financially viable manner and provides capacity building support to these groups.
- ii. The operations of the company are spread in the state of Orissa only.
- iii. There was a change in the management of the company during the year. All directors of the Company have resigned and new directors have been appointed.
- iv. The Company has 23 branches as on 31.03.2010 and has been servicing 633 SHGs. The Lending and collection operations are on the proven SHGs model. The Company also inculcates savings habit to the members of SHGs and helps them to create bank linkages and achieve financial inclusion of the deprived. The company has extensive training programmes for its SHGs members, their group leaders and their own staff regarding conduct of meeting, Records keeping, Financial Literacy, Development of Entrepreneurial & Managerial Qualities and Skill training for improving the livelihood, etc.

Previous years figure have been reclassified and regrouped wherever necessary to confirm to this year's classification.

As per our report of even date

For B.S.Subudhi & Co  
Chartered Accountants

(B.S.Subudhi)  
Partner

For Annapurna Microfinance Private Ltd.

  
(Gobinda Chandra Pattanaik)  
Managing Director  
(Dibyajyoti Pattanaik)  
Director

Place : Bhubaneswar  
Date : 23<sup>rd</sup> April, 2010

