



Navigating the **waves** of change
Annual Report 2007-2008



*Founder
Late Mr. M. George Muthoot*

CORPORATE INFORMATION

Board of Directors

<i>Mr. M G George Muthoot</i>	- <i>Chairman</i>
<i>Mr. George Alexander Muthoot</i>	- <i>Managing Director</i>
<i>Mr. George Jacob Muthoot</i>	- <i>Whole Time Director</i>
<i>Mr. George Thomas Muthoot</i>	- <i>Whole Time Director</i>
<i>Mrs. Sara George</i>	- <i>Director</i>
<i>Mrs. Anna Alexander</i>	- <i>Director</i>
<i>Mr. George M Alexander</i>	- <i>Director</i>
<i>Mr. P George Varghese</i>	- <i>Independent Director</i>
<i>Mr. K John Mathew</i>	- <i>Independent Director</i>

Company Secretary

Rajesh A

Statutory Auditors

*M/s. Rangamani & Co.
Chartered Accountants,
Card Bank Premises,
Vadaikanal, South Bank Road,
Alleppey-688 011*

Registered Office

*2nd Floor,
Muthoot Chambers,
Opp.Saritha Theatre Complex,
Banerji Road,
Kochi – 682 018*

Corporate Identity Number

U65910KL1997PTC011300

RBI Registration Number

N. 16.00167

Web Site: www.muthootgroup.com

Bankers

1. HDFC BANK
2. ABN AMRO BANK
3. DHANALAKSHMI BANK
4. INDUSIND BANK
5. IDBI BANK
6. AXIS BANK
7. SBT
8. SYNDICATE BANK
9. YES BANK
10. ICICI BANK
11. SBI
12. KOTAK MAHINDRA 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 **Eleventh 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 **Wednesday, the 10th day of September, 2008 at 11.00 A M** to conduct the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2008 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. Anna Alexander 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. APPOINTMENT OF DIRECTOR

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

RESOLVED THAT Mr. P George Varghese, who was appointed by the Board of Directors as an Additional Director of the Company with effect from January 23, 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company

6. APPOINTMENT OF DIRECTOR

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

RESOLVED THAT Justice K John Mathew, who was appointed by the Board of Directors as an Additional Director of the Company with effect from January 23, 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company

7. INCREASE IN AUTHORISED CAPITAL

To consider and pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 16, 31, 94 and other applicable provisions, if any of the Companies Act, 1956, the Authorised Capital of the Company be and is hereby increased from Rs. 8,60,00,000 (Rupees Eight Crores Sixty Lakhs Only) divided into 86,00,000 (Eighty Six Lakhs Only) Equity Shares of Rs. 10 (Rupees Ten Only) to Rs. 50,00,00,000 (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores Only) Equity Shares of Rs. 10 (Rupees Ten Only) each.

RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following new clause:

'V. The authorised share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores Only) Equity Shares of Rs. 10 (Rupees Ten Only) each with a power to increase, reduce or reorganize the share capital in accordance with the provisions of the Companies Act, 1956 and the shares forming the capital for the time being, may be subdivided, converted, consolidated or divided into such classes and be held up on such terms as may be prescribed by the Articles of Association of the Company'

RESOLVED FURTHER THAT Article 4 of the Articles of Association of the Company be substituted as follows:

The authorised share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores Only) of Rs. 10 (Rupees Ten Only) each with the power to increase or reduce or re-organize the capital in accordance

with the provisions of the Companies Act, 1956. The Shares, in the capital of the Company for the time being (including any shares forming part of any increased capital of the Company) shall be under the control of the Directors who may allot or otherwise dispose of the same or any of them to such persons in such proportion and on such terms and conditions and either at a premium or at a discount (subject to the compliance with the provisions of Section 79 or other applicable provisions of the act) and at such times as they from time to time think fit and proper.'

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.

8. ISSUE OF BONUS SHARES

To consider and pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT:

- (a) subject to such consents and approvals as may be required and such conditions and modifications as may be considered necessary and agreed to by the Board of Directors of the Company (hereinafter referred to as the Board, which expression shall also include a committee thereof), a sum not exceeding Rs. 42,00,00,000/- as may be determined to be required by the Board, out of the amount of Rs. 1,56,64,04,454.91/- standing to the credit of Profit and Loss Account as at 31/03/2008 be capitalised and transferred from the said Profit and Loss Account to the Share Capital Account and that such sum as may determined to be required shall be applied for allotment of New Equity Shares of the Company of Rs. 10 each fully paid Bonus Shares to the persons who, on the Record Date shall be on the holders of the Equity Shares of Rs. 10 of the Company on the said date and that such new Equity Shares out of the Company's unissued capital credited as fully paid, be accordingly allotted as bonus shares to such persons respectively as aforesaid in the proportion of new seven equity shares for every one equity share held by such persons respectively on the Record Date, upon the footing that they become entitled thereto for all purposes as capital;
- (b) the new shares of Rs. 10 each to be allotted as bonus shares shall rank *pari passu* in all respects with and carry the same rights as the existing equity shares and shall be entitled to participate in full in any dividends declared after the bonus shares are allotted;
- (c) no letter of allotment shall be issued to the allottees of Bonus Shares and the Share Certificates in respect of new equity shares shall be issued and dispatched to the allottees thereof within the period prescribed or that may be prescribed in this behalf from time to time;
- (d) 15th September, 2008 be and is hereby fixed as the Record Date for the purpose of determining the bonus entitlement, for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be necessary and to give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the issue, allotment and distribution of new equity shares

9. ALTERATION OF ARTICLES OF ASSOCIATION

To pass with or without modification, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the Articles of Association of the Company be and is hereby altered by deleting the existing Article 64 and substituting in its place the following new article:

"64. Remuneration to Directors

Every Director attending meetings of the Board or their committees shall be entitled to and paid such sitting fee not exceeding Rs. 5000 (rupees five thousand only) per sitting of the Board of Directors or for their committees as the Board from time to time determine entitled to and paid such travelling, hotel and other expense as may reasonably be incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meetings of the Board of Directors or their committees. If any director shall be called upon to advise the Company as an expert or be called upon to perform extra services for the Company, the company shall pay to such director such special remuneration as the Board shall deem fit"

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions as may be in its absolute directions deemed necessary and to settle any question that may arise in this regard.

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 of Directors

Kochi, July 15, 2008

Registered Office:
Muthoot Chambers,
Opposite Saritha Theatre Complex,
Banerji Road,
Kochi – 682 018.

Sd/-

**M.G. George Muthoot
Chairman**

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

As required by Section 173 of the Companies Act, 1956 ("Act"), the following explanatory statements set out all material facts relating to the business mentioned under Item Nos. 5 & 6 of the accompanying Notice dated July 15, 2008.

1. Item No. 5

Mr. P. George Varghese was appointed as the Additional Director of the Company on 23rd January, 2008. As per Section 260 of the Companies Act, 1956, Mr. P George Varghese hold office until the conclusion of the ensuing Annual General Meeting and is eligible for appointment as a Director in the Company. The Company has received notices under Section 257 of the Act proposing the appointment of Mr. P George Varghese as the Director in the Company.

The resolution is commented for approval of the members of the Company.

2. Item No. 6

Justice K John Mathew was appointed as the Additional Director of the Company on 23rd January, 2008. As per Section 260 of the Companies Act, 1956, Justice K John Mathew hold office until the conclusion of the ensuing Annual General Meeting and is eligible for appointment as a Director in the Company. The Company has received notices under Section 257 of the Act proposing the appointment of Justice K John Mathew as the Director in the Company.

The resolution is commented for approval of the members of the Company

3. Item No. 7

The present Authorised Capital of the Company is Rs. 8.60 Crores. The Board of Directors have recommended a bonus issue of shares in the ratio of 7:1 and in view of the proposed bonus issue and further capital infusion in near future, it is proposed to increase the Authorised Share Capital of the Company to Rs. 50 Crores (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores Only) Equity Shares of Rs. 10 (Rupees Ten Only).

The Board of Directors at their meeting held on 15.07.2008 approved the proposal for increase in Authorised Share Capital and consequent amendment to the Memorandum and Articles of Association of the Company.

Increase in Authorised Share Capital would necessitate amendment to the Clause V of the Memorandum of Association and Clause 4 of the Articles of Association of the Company and would require members' approval by passing a Special Resolution.

The resolution is commented for approval of the members of the Company.

The Directors of the Company may be deemed to be concerned or interested in the issue of the Bonus Shares to the extent to their shareholdings of the Companies of which they are Directors or members without any beneficial interest.

4. Item No. 8

The present Issued and Subscribed Capital of the Company is Rs. 5 Crores divided into 50,00,000 Equity Shares of Rs. 10 each.

In order to bring the paid up capital of the company more in line with the capital employed by the company, the Board of Directors at its meeting held on 15/07/2008 recommended an issue of Bonus Shares in the proportion of seven new equity share for every one share held in the company on the Record Date, by capitalizing a part of the Profits.

As per Article 96 of the Table A, it is necessary to get the approval of the members of the company for the bonus issue. It also necessary to authorise the Board of Directors to do all necessary matters in this regard. Accordingly, the Board recommends the aforesaid resolution for your approval.

The resolution is commented for approval of the members of the Company.

The Directors of the Company may be deemed to be concerned or interested in the issue of the Bonus Shares to the extent of their shareholdings of the Companies of which they are Directors or members without any beneficial interest.

5. Item No. 9

Article 64 of the Articles of Association of the Company provides for the payment of sitting fees to be paid to the Directors for attending meetings of the Board of Directors or Committee thereof. Presently, the Article provides for the payment Rs. 750 as sitting fees which was fixed at the time of incorporation.

The Board of Directors at their meeting held on 15.07.2008 has decided to increase the sitting fees to Rs. 5000 which requires alteration of the said Article 64 of the Articles of Association of the Company.

The resolution is commented for approval of the members of the Company.

For and on behalf of the Board of Directors

Kochi, July 15, 2008

Registered Office:
Muthoot Chambers,
Opposite Saritha Theatre Complex,
Banerji Road,
Kochi – 682 018.

Sd/-
M.G. George Muthoot
Chairman

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the **Eleventh Annual Report** of the Company together with the audited financial statements for the year ended 31st March 2008.

FINANCIAL RESULTS

The financial results for the year ended 31st March 2008 are summarized below:
(Amount in Rs. Lakhs)

Particulars	Yr. ended 31.03.08	Yr. ended 31.03.07
Income from Operations	36864	23234
Total Expenditure	26355	15821
Profit Before Depreciation	10509	7413
Depreciation and Other Non Cash Charges	811	717
Profit Before tax	9698	6696
Provision for Tax/Deferred Taxes	3338	2298
Profit After Tax	6360	4398
Share Capital and Reserves	22345	15985
Subordinated Debt	4000	4000
Secured Non-convertible Debentures	124033	88322
Bank Borrowings	58849	42854
Gross Retail Loan Assets under Management	222627	145125

ECONOMIC SCENARIO

Indian economy continued its robust growth of over 9% in the year under report although in the last quarter a combination of negative events both external and internal resulted in deceleration of growth. While the agricultural sector recorded a robust growth of 4.5%, the manufacturing and services sectors recorded lower rates of growth with the decline in growth of manufacturing sector being worrisome. The sharp rise in crude prices, widening current account and fiscal deficits, rising wholesale prices, all contributed to sharp change in the sentiment towards the year end.

BUSINESS ENVIRONMENT

Despite the pronounced adverse impact of higher inflation riding on sharp food and fuel prices, Indian economy is expected to grow around 8 – 8.5% in the current fiscal. As the economy gets adjusted to higher commodity prices with robust agricultural growth expected, we expect the consumption demand led growth to continue although at a lower pace compared to last year. With cost of credit going up in the wake of monetary measures taken by the Central Bank, at the retail end we expect the demand for gold loan to pick up acceleration. The price of gold bears direct correlation to your Company's loan growth and with the gold prices slated to remain firm, we expect the loan portfolio to grow at around 53% in the current year. By widening the bouquet of products, better product positioning and intensive marketing, your Company is now poised to attract to its book a wider constituency of borrowers. The efforts taken in the last two years to position gold loans as a life style product easily available to middle class in general and traders and entrepreneurs in particular have started paying dividends and we expect this trend to continue.

In the matter of resources mobilization through Secured Non-Convertible Debentures, the growth during last year was around 40%. In the current year we are driving the mobilization efforts intensely to clock a higher growth percentage. By keeping the features of the debentures investor friendly and the interest yield attractive, we expect the ambitious growth target to be met. The environment has become very favourable to debt instruments, thanks to sharp decline in equity prices.

BUSINESS PERFORMANCE

The retail loan portfolio registered a growth of 53% over the base with loans under management reaching Rs.222627 lakhs. During the year under report your Company followed an aggressive policy in the matter of fixing advance rate as a business strategy

and this together with expansion of footprint with aggressive marketing enabled us to record the growth over an expanding base. The infusion of young blood in the cadre of Branch Managers, fixing monthly interest collection targets for every branch, special incentive scheme for reducing long outstanding gold loans were all employed as business strategy to achieve portfolio growth. Interest income registered a 60% growth year over year and profit before tax registered 45% growth riding on higher interest margins and robust interest collection. The cost of funds increased to 11.07% primarily due to rise in bank borrowing costs and the increase in debenture interest rate effected.

RESOURCE MOBILISATION

(a) Secured Debentures

During the year, the Company raised Rs. 35711 Lakhs, net of repayments, through private placement of Secured Non-Convertible Debentures. Funds raised through this route continue to be a substantial resource base for the Company.

(b) Bank Finance

As part of the efforts to keep the borrowing costs under control, your Company resorted to multiple types of borrowings from the banking system. Short term demand loans and sell down of gold loan receivables under bilateral assignment enabled the Company to raise substantial funds at rates much below the prime lending rates of banks. The Company was also successful in placing with LIC Mutual Fund, debentures for of Rs. 8000 Lakhs at very attractive rate.

(c) Subordinated Debts

Subordinated Debts continues to be another source for funding the operations of Company. Subordinated Debts represent Long Term source of funds for the Company and the amount outstanding as on 31.03.2008 is Rs. 4000 Lakhs. Subordinated Debts qualify as Tier II Capital under the Non-Banking Companies Prudential Norms (Reserve Bank) Directions, 1998.

RATING

Your Company's Short Term Instruments (Commercial Paper/Unsecured Non-Convertible Debentures) to the extend of Rs. 8000 Lakhs are rated by Fitch India with "F1" rating indicating "highest credit quality." During the year, Fitch affirmed the existing rating.

INTERNAL CONTROL

The robust internal audit system and the periodical gold verification systems were further revamped with more focus on risk exposure, divergence from laid down instructions and compliance of governance standards. The quality of audit staff has also been improved by inducting into the audit team experienced Branch Managers. The strength of audit staff has also been increased in conformity with increase in business and branch strength.

THE ROAD AHEAD

Your Company has been able to achieve impressive top line and bottom line growth riding on its widening geographic spread and increasing customer acquisition. Going forward, this strategy will be employed in a greater measure to achieve targeted growth. The marketing efforts to project the image of the Group and its brand equity and field level sales of various products handled by the Company will be intensified with national level projections through visual media. Geographic expansion in all States will be an important vehicle for business growth and to achieve this and to strengthen the organisational control, opening of more Regional Offices will be resorted to. Regional office set up will be revamped with each of them being subjected to periodic Management Audit.

On the business development front, your Company will continue to strive to fine tune product features responding to market expectations. In the gold loan portfolio primary focus will be in ensuring periodic interest collection with incentive for early interest payment in respect of schemes where the loan to asset value ratio will be higher. The portion of asset funded by borrowings through bond portfolio should register handsome growth and to facilitate this, intensive mobilization schemes will be launched intermittently. Through astute pricing, we expect to protect the interest margin despite a hike in borrowing costs overall.

HUMAN RESOURCE MANAGEMENT

During the year, your company continued the policy of bringing to the Managers cadre, promising employees in the non-supervisory cadre through a process of competitive examination and personal interview. About 286 officials were thus promoted and out of this 166 are now managing the branches. This has invigorated the system and dramatically changed the motivation level at the employees' level. Suitable internal promotions giving weightage to seniority was also effected. The training system has been revamped with skill training on gold appraisal being given to every employee within one month of entry into our service. New recruits are all now called for an induction training programme within one month of their joining the duty.

PUBLIC DEPOSIT

Your Company continues to be a Systemically Important Non-Deposit taking NBFC and has not accepted any public deposits.

CAPITAL ADEQUACY

As at 31.3.2008, the capital adequacy of the company stood at 12.56% as against the statutory requirement of 10%.

INCREASE IN AUTHORISED CAPITAL

Presently, the Authorised Capital of the Company is Rs. 860 Lakhs. As the Board of Directors foresee an increase in the paid up capital of the Company in future, the Authorised Capital of the company is proposed to be increased to Rs. 5000 Lakhs. Proposal requires approval of members of the Company. Necessary resolution along with explanatory statement has been incorporated in the notice calling the Annual General Meeting.

ISSUE OF BONUS SHARES

The Board of Directors of the Company proposes a bonus issue in the ratio of 7:1 for the approval of the members of the Company. The proposed bonus issue, if approved, will result in an increase in the paid up capital of the Company by Rs. 4200 Lakhs. Necessary resolution has been incorporated in the notice calling the Annual General Meeting.

ALTERATION OF ARTICLES OF ASSOCIATION

The Board of Directors proposes to alter Article 64 of the Articles of Association of the Company subject to the approval of the members of the Company. The said article provides for sitting fees payable to the Directors for attending the meeting of the Board of Directors or any committee thereof. Necessary resolution along with explanatory statement has been incorporated in the notice calling the Annual General Meeting.

RBI GUIDELINES

Your Company has complied with all the regulatory compliances stipulated by the Reserve Bank of India from time to time and has been regular in filing all the required returns on time.

PERSONNEL

Particulars of employees drawing remuneration beyond the monetary ceilings prescribed under Section 217 (2A) of the Companies Act, 1956 are as follows:

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	59	Chairman	28.07.2000	Rs. 12000000	B. Tech	36 years	Muthoot Bankers
2	Mr. George Alexander Muthoot	53	Managing Director	28.07.2000	Rs. 12000000	Chartered Accountant	30 years	Muthoot Bankers
3	Mr. George Thomas Muthoot	58	Whole Time Director	16.08.2005	Rs. 12000000	B. Sc	35 years	Muthoot Bankers
4	Mr. George Jacob Muthoot	56	Whole Time Director	16.08.2005	Rs. 12000000	B. Tech	33 years	Muthoot Bankers

DIRECTORS

In accordance with the provisions of Section 255 & 256 of the Companies Act, 1956, Mrs. Anna Alexander and Mr. George M Alexander retires by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. P George Varghese, who was appointed as an Additional Director at the meeting of the Board of Directors held on 23.01.2008 retires at the ensuing Annual General Meeting and is eligible for appointment as a Director in the Company.

Justice K John Mathew, who was appointed as an Additional Director at the meeting of the Board of Directors held on 23.01.2008 retires at the ensuing Annual General Meeting and is eligible for appointment as a Director in the Company.

AUDITORS

M/s Rangamani & Co., Chartered Accountants, the Statutory Auditor of the Company retires at the conclusion of the ensuing Annual General Meeting and has expressed their willingness to be appointed as the Auditors for a further period of one year. Company has received a letter from the Auditor to the effect that, if they are appointed, appointment will be within the statutory limits.

ENERGY CONSERVATION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since the Company does not carry on manufacturing activities, disclosure requirements under Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1956 in this connection are not applicable. However, your Company, being a responsible corporate citizen, has been taking various measures for reducing the energy consumption.

Total Foreign Exchange Earned	:	NIL
Total Foreign Exchange Expended	:	Rs. 202 Lakhs

SUBSIDIARY COMPANIES

Muthoot Exchange Company Private Ltd (MECPL)

Your Company presently hold 55% of the paid up share capital of this Company. During the year under report MECPL opened 5 branches taking the branch net work to 16 as at 31.3.2008. The Company received Authorised Dealer - Category II license from RBI which now enables it to handle specific external remittances. Particulars as required under section 212 of the companies act, 1856 are annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions contained in Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

1. In the preparation of Annual Accounts, the applicable Accounting Standards has been followed;
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
4. The Directors had prepared the Annual Accounts on going concern basis.

CORPORATE GOVERNANCE

Your Company has since its inception been giving much importance to good corporate governance practices. Your Company and its top management believe in value based management and has successfully implemented the same.

Committees of Board

Audit Committee: As per the Prudential Norms (Reserve Bank) Directions, 1998, an NBFC having an asset size of Rs. 50 Crores and above shall constitute an Audit Committee. An Audit Committee of the Board was constituted on 29.11.2004. Later on, with the objective of bringing more independence to the Committee, the Committee was reconstituted on 24.04.2008 to induct Mr. P George Varghese, Independent Director in the Committee and consequently Mr. George Thomas Muthoot, Director resigned from the committee. Presently, Audit Committee consists of the following members:

1. Mr. George Alexander Muthoot
2. Mr. P George Varghese
3. Mr. George Jacob Muthoot

Role of Audit Committee

- A. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- B. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other services.
- C. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 1. Any changes in accounting policies and practices;
 2. Major accounting entries based on exercise of judgment by management;

3. Qualifications in Audit Report;
4. Compliance with accounting standards;
5. Compliance with legal requirements concerning financial statements;
 - (a) Reviewing the Management, external and internal auditors, the adequacy of internal control systems.
 - (b) Reviewing the Company's financial and risk management policies

Committee had met four times during the year.

Asset Liability Committee: To address the concerns of various risks associated with the operations of the Company, and to provide for a comprehensive and dynamic framework for measuring, monitoring and managing liquidity and interest rate risks, Board has constituted an Asset Liability Committee on 12.05.2007. Following the appointment of independent directors in the Company, Asset Liability Committee was also reconstituted on 24.04.2008 with induction of independent directors into the Committee. Presently, the Committee consists of Mr. George Alexander Muthoot, Managing Director; Mrs. Anna Alexander, Director; Mr. P George Varghese, Independent Director and Justice K John Mathew, Independent Director. The main objectives of ALCO committee include Liquidity Risk Management and Interest Rate Risk Management.

1. Liquidity Risk
Measuring and managing the liquidity risk associated with the operations of the Company accords greater significance for the management as any short fall in this front can affect the operations of the Company adversely. Committee reviews the liquidity position of the Company at regular intervals and ensures better liquidity management. Statement of Structural Liquidity as per the format prescribed by the RBI is placed before the Committee at regular intervals.
2. Interest Rate Risk
Interest Rate Risk refers to the risk associated with the changes in the market interest rates. Any sudden change in the market interest rates in a disadvantageous manner could adversely affect the bottom line of the Company. Any such movement will adversely impact the Net Interest Margin of the Company. Committee regularly reviews the Report on Interest Rate Sensitivity and review the present scenario and future outlook in general.

Committee had met two times during the year.

Risk Management Committee: Business of lending involves various risks such as Credit Risk, Operational Risk, Interest Rate Risk, Market Risk, Liquidity Risk etc. To closely monitor various aspects associated with identification and mitigation of these risks, a separate Committee called Risk Management Committee of the Board was constituted on 12.05.2007. The Committee was further reconstituted on 24.04.2008 to induct Mr. P George Varghese, Independent Director and Justice K John Mathew, Independent Director in to the Committee. The Committee met two times during year.

Nomination Committee: To ensure fit and proper status of proposed and existing Directors, RBI had directed all NBFCs to constitute a separate committee called Nomination Committee. Consequently, Nomination Committee of the Board was constituted on 24.04.2008 with three members of the Board of Directors. The Committee reviews on an ongoing basis, fit and proper status of Directors, ensures that Directors have not incurred any disqualification under the provisions of the Companies Act, 1956, required procedures are being followed at the time of appointment, retirement by rotation and reappointment. The Committee was further reconstituted on 24.04.2008 to induct Mr. P George Varghese, Independent Director and Justice K John Mathew, Independent Director into the committee. The Committee had met once during the year.

ACKNOWLEDGEMENT

Your Directors thank the Company's customers, banks, rating agency, debenture holders, 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 and Ministry of Corporate Affairs for guidance and support received from them from time to time.

For and on behalf of the Board of Directors

Kochi, July 15, 2008

Registered Office:
Muthoot Chambers,
Opposite Saritha Theatre Complex,
Banerji Road,
Kochi – 682 018.

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, Kochi (the company) as at 31st March 2008, 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 purposes 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 accounts.
 - 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, to the extent applicable.
 - 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 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 31st March 2008 ,
 - 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: 15.07.2008

PERPRO RANGAMANI & CO.
Chartered Accountants

Sd/-
R.SREENIVASAN
Membership No. 20566

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

- i) 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.
- ii) The Company has not taken any loans, secured or unsecured, from any parties covered in the register maintained u/s 301 of the Companies Act, 1956.

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 of fixed assets and for the rendering of services. 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 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

- i) According to records of the company and the information and explanations given to us, undisputed statutory dues, to the extent applicable, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, Sales tax, Service Tax, Value Added Tax, Customs Duty, Excise duty and Cess were regularly deposited during the year with the appropriate authorities.

ii) 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, Service Tax, Value Added Tax, Customs Duty, Excise duty and Cess which are outstanding as at 31st March 2008, 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 31.03.2008 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 Secured Non-convertible 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: 15.07.2008

PERPRO RANGAMANI & CO.
Chartered Accountants

Sd/-
R.SREENIVASAN
Membership No. 20566

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 31.03.2008.
- 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: 15.07.2008

PERPRO RANGAMANI & CO.
Chartered Accountants

Sd/-
R.SREENIVASAN
Membership No. 20566

BALANCE SHEET AS AT 31.03.2008

		<i>Amount in Rs.</i>	
	<i>Sch.No.</i>	<i>As on 31.03.08</i>	<i>As on 31.03.07</i>
SOURCES OF FUNDS			
<i>Share holders funds</i>			
<i>Share Capital</i>	1	50,000,000.00	50,000,000.00
<i>Reserves & Surplus</i>	2	2,184,485,487.71	1,548,516,962.14
<i>Secured Loans</i>	3	18,400,192,307.43	13,117,524,367.06
<i>Unsecured Loan</i>	4	752,866,714.00	708,995,608.00
Total		21,387,544,509.14	15,425,036,937.20
APPLICATION OF FUNDS			
<i>FIXED ASSETS</i>			
<i>Gross Block</i>	5	1,215,252,057.50	646,370,783.78
<i>Less: Depreciation</i>		222,738,793.13	149,483,747.13
<i>Net Block</i>		992,513,264.37	496,887,036.65
<i>Capital Work in Progress</i>		63,632,800.17	13,154,878.00
<i>Investments</i>	6	55,307,940.00	55,307,940.00
Current Assets, Loans and Advances			
<i>Cash & Bank Balances</i>	7	2,580,375,319.22	563,208,478.64
<i>Current Assets</i>	8	1,161,620,691.63	1,016,170,332.31
<i>Loans and Advances</i>	9	18,056,850,281.36	14,000,244,748.39
<i>Total</i>		21,798,846,292.21	15,579,623,559.34
<i>Less: Current Liabilities and Provisions</i>	10	1,615,265,980.61	720,836,076.79
<i>Net Current Assets</i>		20,183,580,311.60	14,858,787,482.55
<i>Miscellaneous expenditure to the extent not written off</i>		92,510,193.00	899,600.00
Total		21,387,544,509.14	15,425,036,937.20

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

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

PERPRO RANGAMANI & CO.
Chartered Accountants

For and on behalf of the Board

Sd/-
R.SREENIVASAN
Membership No. 20566

Sd/-
M.G.GEORGE MUTHOOT
Chairman

Sd/-
GEORGE ALEXANDER MUTHOOT
Managing Director

Sd/-
RAJESH A
Company Secretary

Place: Kochi
Date: 15.07.2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008

		<i>Amount in Rs.</i>	
	<i>Sch.No.</i>	<i>As on 31.03.08</i>	<i>As on 31.03.07</i>
INCOME			
<i>Interest Income</i>		3,579,368,536.39	2,235,850,800.03
<i>Other income</i>		107,008,079.99	87,538,237.37
		3,686,376,616.38	2,323,389,037.40
EXPENDITURE			
<i>Interest Expenses</i>	11	1,797,992,194.07	998,946,516.98
<i>Administrative expenses</i>	12	869,700,485.74	605,977,047.33
<i>Directors Remuneration</i>		48,900,000.00	48,900,000.00
		2,716,592,679.81	1,653,823,564.31
<i>Profit before tax</i>		969,783,936.57	669,565,473.09
<i>Less: Provision for Income Tax</i>	336,068,315.00		
<i>Provision for Fringe Benefit Tax</i>	3,323,287.00		
<i>Deferred tax Liability/Asset</i>	(5,576,191.00)	333,815,411.00	229,777,030.00
<i>Profit after tax</i>		635,968,525.57	439,788,443.09
<i>Statutory Reserve</i>		127,193,705.00	87,957,689.00
<i>Add: Balance carried forward from previous year</i>		1,057,629,634.34	705,798,880.25
Balance carried to Balance sheet		1,566,404,454.91	1,057,629,634.34
<i>Basic and diluted Earnings per share (Face value Rs. 10/-)</i>		127.19	87.96
<i>Notes forming part of accounts</i>	13		

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

PERPRO RANGAMANI & CO.
Chartered Accountants

For and on behalf of the Board

Sd/-
R.SREENIVASAN
Membership No. 20566

Sd/-
M.G.GEORGE MUTHOOT
Chairman

Sd/-
GEORGE ALEXANDER MUTHOOT
Managing Director

Sd/-
RAJESH A
Company Secretary

Place: Kochi
Date: 15.07.2008

CASHFLOW STATEMENT AS AT 31.03.2008

	31.03.2008	Amount in Rs. 31.3.2007
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	635968526	439788443
Adjustments for:-		
Add:Provision for taxation	333815411	229777030
Add:Provision for NPA	6914025	749442
Add:Financial Expenses	1797992194	998946517
Add:Depreciation	74139222	70973280
Less: Profit on sale of Fixed Assets	80521	0
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2848748857	1740234712
Adjustments for:-		
(Increase) Decrease in Loans and Advances	(4056605533)	(6048783576)
(Increase) Decrease in other receivables	(39007072)	(365614858)
Increase (decrease) in Current liabilities	765780468	136215057
Cash generated from operations	(481083280)	(4537948665)
Financial Expenses	(1797992194)	(998946517)
Direct tax paid	(318523288)	(208865649)
FM Radio Licence		
FM Radio Licence & Softwares	(91610593)	(899600)
Net cash from operating activities	(2689209355)	(5746660431)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(570356371)	(64027667)
Sale of Fixed Assets	671442	
Increase in Capital Work in Progress	(50477922)	(13154878)
Net Cash from Investing Activities	(620162851)	(77182545)
C CASH FROM FINANCING ACTIVITIES		
Net Proceeds from Issue to debentures	3571145000	2651954000
Increase (Decrease) in Share holders Deposits	44971106	19530608
Increase (Decrease) in Bank Borrowings	1711522940	3095161184
Increase (Decrease) in Inter Corporate Loan	(1100000)	1100000
Issue of Shares	0	250027700
Net Cash from Financing Activities	5326539046	6017773492
NET INCREASE IN CASH AND EQUIVALENTS (A) + (B) + (C)	2017166841	193930516
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	563208479	369277963
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	2580375320	563208479
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	311259847	77569305
Deposit with Banks	1997473666	318264309
Cash on Hand	271641806	167374865
TOTAL	2580375320	563208479

SCHEDULES FORMING PART OF BALANCE SHEET

	As on 31.03.2008 (Rs.)	As on 31.03.2007 (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>	50,000,000.00	50,000,000.00
SCHEDULE - 2 Reserves & Surplus		
<i>Securities Premium</i>	275,000,000.00	275,000,000.00
<i>Statutory Reserve</i>	343,081,032.80	215,887,327.80
<i>Profit and loss account</i>	1,566,404,454.91	1,057,629,634.34
	2,184,485,487.71	1,548,516,962.14
SCHEDULE - 3 Secured loans		
<i>Non Convertible Secured Debentures</i>	12,403,302,000.00	8,832,157,000.00
<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>	8,776,887.67	3,824,342.87
- <i>Cash Credit / Short term loan</i>	5,491,105,515.76	4,138,943,024.19
<i>(Secured by paripassu floating charge on current assets, book debts and Loans & advances)</i>		
<i>Term Loan (Secured by mortgage of immovable property and subservient charge on current assets book debts and loans & advances)</i>	300,000,000.00	-
<i>Term Loan (Secured by specific charge on wind mills & Land appertunant thereto).</i>	85,007,904.00	120,000,000.00
<i>Collaterised Borrowing & Lending Obligation</i>	112,000,000.00	-
	18,400,192,307.43	13,117,524,367.06
SCHEDULE - 4 Unsecured loans -(including Tier II Capital)		
<i>Share holders Deposits</i>	352,866,714.00	307,895,608.00
<i>Inter Corporate Loan</i>	-	1,100,000.00
<i>Subordinated debt(Tier II Capital)</i>	400,000,000.00	400,000,000.00
	752,866,714.00	708,995,608.00
SCHEDULE - 6 Investments		
<i>Shares in Subsidiary Company</i>	55,000,000.00	55,000,000.00
<i>Shares in Other Companies</i>	307,940.00	307,940.00
	55,307,940.00	55,307,940.00
SCHEDULE - 7 Cash & Bank Balances		
<i>Cash in hand</i>	271,641,806.34	167,374,864.60
<i>Balances with Scheduled Banks</i>		
<i>In current accounts</i>	311,259,846.88	77,569,305.04
<i>In Deposit accounts</i>	1,997,473,666.00	318,264,309.00
	2,580,375,319.22	563,208,478.64

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE - 8 Current Assets

<i>Interest receivable</i>	655,652,265.85	575,922,888.89
<i>Tax Deducted at Source</i>	9,487,413.64	6,297,941.52
<i>Sundry Debtors</i>	54,671,335.59	36,675,421.87
<i>Govt. of India Securities</i>	118,125,000.00	116,843,219.00
<i>LIC Mutual fund-Liquid Fund</i>	10,000,000.00	70,000,000.00
<i>Advance Income tax</i>	310,589,876.55	205,876,994.03
<i>Advance - Fringe Benefit Tax</i>	3,094,800.00	4,553,867.00
	1,161,620,691.63	1,016,170,332.31

SCHEDULE - 9 Loans and Advances

<i>Retail Loans</i>	17,921,822,052.70	13,704,788,378.36
<i>Other Deposits & Advances</i>	135,028,228.66	295,456,370.03
	18,056,850,281.36	14,000,244,748.39

SCHEDULE - 10 Current Liabilities and Provisions
a) Current liabilities

<i>Audit fee payable</i>	175,000.00	115,000.00
<i>Interest payable</i>	644,601,657.00	424,531,101.05
<i>T.D.S. Payable</i>	15,493,411.18	13,940,838.28
<i>Other Current Liabilities</i>	535,974,700.00	
<i>Other Creditors</i>	28,638,859.33	20,516,220.36
	1,224,883,627.51	459,103,159.69

b)provisions

<i>Deferred tax</i>	41,733,861.10	47,310,052.10
<i>Provision for NPA</i>	9,256,890.00	2,342,865.00
<i>Provision for Income tax</i>	336,068,315.00	207,680,000.00
<i>Provision for Fringe Benefit Tax</i>	3,323,287.00	4,400,000.00
<i>Total</i>	1,615,265,980.61	720,836,076.79

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

SCHEDULE - 11 Interest Expenses

<i>Interest on Secured Debentures</i>	1,084,859,725.70	657,692,859.72
<i>Interest on Others</i>	713,132,468.37	341,253,657.26
	1,797,992,194.07	998,946,516.98

SCHEDULE - 12 Administrative and other expenses

<i>Payment to Employees</i>	367,229,222.71	248,686,456.36
<i>Provident fund</i>	14,531,366.35	9,810,313.82
<i>E.S.I Account</i>	3,040,846.27	
<i>Group gratuity premium</i>	8,123,732.00	1,487,088.58
<i>Postage telegram and telephone</i>	17,635,962.38	11,586,200.05
<i>Rent paid</i>	81,868,987.01	47,358,004.50
<i>Travelling and Conveyance</i>	26,684,952.97	18,335,747.78
<i>Printing and Stationary</i>	31,509,640.41	19,232,861.89
<i>Bank charges</i>	25,502,434.26	15,031,595.65
<i>Electricity charges</i>	22,403,326.30	15,379,440.49
<i>Repairs and maintainance</i>	41,682,769.70	34,473,882.41
<i>Water Charges</i>	606,499.00	419,781.63
<i>Taxes and licence fee</i>	11,660,867.89	6,270,165.18
<i>Staff welfare account</i>	12,424,728.21	6,323,891.08
<i>Legal & Professional Charges</i>	11,442,040.59	9,973,364.40
<i>Insurance charges</i>	13,028,820.00	22,385,740.00
<i>Hire charges</i>	40,188.00	92,632.00
<i>Investment Deficit</i>	-	6,015,081.00
<i>Newspaper and Periodicals</i>	62,286.97	92,565.50
<i>Business Promotion expense</i>	17,628,151.82	15,091,192.72
<i>Advertisement</i>	66,749,572.50	36,249,341.11
<i>Vehicle Maintenance</i>	4,912,005.40	4,311,040.66
<i>Audit and Inspection expenses</i>	7,086,065.00	5,308,038.50
<i>Depreciation</i>	74,139,222.00	70,973,280.02
<i>Miscellaneous expenditure w/off</i>	2,617,773.00	224,900.00
<i>Audit fee:</i>		
<i>- for audit</i>	125,000.00	85,000.00
<i>-for taxation</i>	50,000.00	30,000.00
<i>Provision for NPA</i>	6,914,025.00	749,442.00
	869,700,485.74	605,977,047.33

SCHEDULE - 5 FIXED ASSETS

NAME OF ASSET	NAME OF ASSET			Rate %	DEPRECIATION			NET BLOCK		
	As at 31.03.2007	Additions	Deductions		As at 31.03.2008	upto 31.03.2007	for the year	Deductions during the year	Total as on 31.03.2008	As at 31.03.2008
Land	61,099,020.00	452702326.00		0	0.00	0.00		0.00	513,801,346.00	61,099,020.00
Building	148,728,532.95	27178006.40		5	19,989,132.28	6597762.00		26586894.28	149,319,645.07	128,739,400.67
Furniture & Fixtures	150,109,633.63	48269328.45	67007.00	18.10	52,612,547.38	20899988.00	38055.00	73474480.38	124,837,474.70	97,497,086.25
Plant & machinery	55,832,309.97	24209598.05		13.91	15,114,469.03	6963845.00		22078314.03	57,963,593.99	40,717,840.94
Computer	31,842,716.23	14638953.82		40.00	19,121,989.45	7525889.00		26647878.45	19,833,791.60	12,720,726.78
Motor Car	18,159,711.00	3358158.00	1408090.00	25.89	6,307,642.10	3299559.00	846121.00	8761080.10	11,348,698.90	11,852,068.90
Wind Mill	180,598,860.00	0.00		20.00	36,337,966.89	28852179.00		65190145.89	115,408,714.11	144,260,893.11
	646,370,783.78	570,356,370.72	1,475,097.00		149,483,747.13	74,139,222.00	884,176.00	222,738,793.13	992,513,264.37	496,887,036.65

SCHEDULE - 13 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 Financial Services, Health Care, Education, Plantations, Real Estate, Foreign Exchange, Information Technology, Insurance Distribution, Hospitality 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. The company is presently classified as Systemically Important Non-deposit Taking NBFC (NBFC-ND-SI).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 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, asset classification and provisioning for non-performing assets as prescribed by Reserve Bank of India for Non Banking Finance Companies.

2.2 USE OF ESTIMATES

The preparation of the financial statements requires use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of income and expenses during the reporting period and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management evaluation of the relevant facts and circumstances as of the date of the financial statements. Management believes that these estimates and assumptions used are prudent and reasonable. Future results may vary from these estimates.

2.2 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.

2.3 EMPLOYEE RETIREMENT BENEFITS

- a) Contributions are made to Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme administered by Employees Provident Fund Organisation 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.

2.4 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.

2.5 INTANGIBLE ASSETS

Intangible Assets are amortised over their expected useful life. It is stated at cost net of amortisation. Computer Software is amortized over a period of five years on straight line basis.

2.6 TAXES ON INCOME

Income Tax expenses comprises of current tax and deferred tax (asset or liability). 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.

2.7 INVESTMENTS

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

2.8 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date of the transaction.

2.9 PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

Provisions are recognised only when the company has present or legal or constructive obligations as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation.

Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

2.10 DEBENTURE REDEMPTION RESERVE

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

3. BALANCE SHEET
3.1 Secured Non-Convertible Debentures

The Company had privately placed Secured Non-Convertible Debentures under Non-cumulative scheme for a maturity period upto 5 years with an outstanding of Rs. 106352.55 Lakhs (Previous Year Rs.78639.87 Lakhs) and under Cumulative scheme for a maturity period ranging from 36months to 90months with an outstanding of Rs.17680.47 Lakhs (Previous Year Rs.9681.70 Lakhs)

3.2 Subordinated Debt

Subordinated Debt are subordinated to the claims of other creditors and qualify as Tier II capital under the Non-Banking Companies Prudential Norms (Reserve Bank) Directions, 1998. As on 31st March 2008, Rs.4000 Lakhs were outstanding under this head representing amounts raised from promoters and shareholders.

3.3 Collateralised Borrowing and Lending Obligation (CBLO)

CBLO is a Reserve Bank Of India approved money market instrument developed and managed by Clearing Corporation Of India. It is a discounted instrument for borrowing and lending available in electronic book entry form for maturity period ranging from one day to ninety days. It has an underlying charge on securities held in custody with Clearing Corporation Of India for the amount borrowed/lent. As on 31st March 2008, Rs.1120 Lakhs (Previous Year - NIL) were outstanding under this head as borrowings.

3.4 Investments

Long term investments in fully paid equity shares as under (Rs. In Lakhs):

	<u>31.03.2008</u>	<u>31.03.2007</u>
a) Quoted		
Union Bank of India		
454 Equity shares of Rs.10/- each	0.49	0.49
b) Unquoted		
i) In subsidiary company		
Muthoot Exchange Company Pvt. Ltd.	550.00	550.00
5500000/- shares of Rs.10/- each		
ii) In other company		
Muthoot Broadcasting Pvt. Ltd.		
25800 Equity shares of Rs.10/- each	2.58	2.58

3.5 FM Radio Station, Chennai

The company obtained licence from Government of India for establishing and operating FM Radio Station in Chennai, Tamil Nadu. Radio Station commenced its operations on 1st January 2008. Licence Fee of Rs.94016000/- is amortised over a period of 10 years starting from 1st January 2008 on straightline basis. Since commercial operations did not commence during the year, the investment is not yet capitalized and hence shown as Capital Work-in-Progress.

3.6 Balances with Scheduled banks in Deposit Accounts

Out of Rs.19975 Lakhs (Previous Year- Rs.3182.64 Lakhs) with Scheduled banks in Deposit Accounts, lien was marked as under (Rs. In Lakhs):

	<u>31.03.2008</u>	<u>31.03.2007</u>
(i) As security for the purpose of counter guarantee	31.00	Nil
(ii) As security for purpose of overdraft facility	204.97	172.81
(iii) As security for purpose of loan	Nil	263.83
(iv) As credit enhancement for bilateral assignment of receivables	8138.66	Nil

3.7 Current Assets, Loans & Advances

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

3.8 Current investments

Current investments consists of (Rs. In Lakhs): -

	<u>31.03.2008</u>	<u>31.03.2007</u>
10.25 % Govt. of India 2021 (Face value Rs.1000 lakhs)	1181.25	1168.43

The above securities are deposited with 'The Clearing Corporation Of India Ltd. (CCIL) as collateral for the purpose of borrowings under 'Collaterised Borrowing and Lending Obligation (CBLO)'

3.9 Retail Loans (Rs. In Lakhs)

	<u>31.03.2008</u>	<u>31.03.2007</u>
Gross Retail Loan assets under management	222627.96	145125.44
Less: Sell down of receivables under bilateral assignment	43409.74	8077.56
Net Retail Loan assets as per Balance Sheet	179218.22	137047.88
Break-up of Gross Retail Loan assets under management (Rs. In Lakhs):		
Gold Loan Receivables	217900.69	141982.74
Loan against Muthoot Gold Bonds	4555.05	2771.48
Other Loans	172.22	371.22

3.10 Deferred Tax @ 33.99% (Rs. In Lakhs)

	<u>31.03.2008</u>	<u>31.03.2007</u>
Deferred Tax Asset		
Provision for NPA	29.04	5.54
Deferred Tax Liability		
Depreciation	(446.38)	(478.64)
Net Deferred Tax – Asset/(Liability)	(417.34)	(473.10)

3.11 Loans and Advances (Rs. In Lakhs)

	<u>31.03.2008</u>	<u>31.3.2007</u>
Loans and advances considered good -		
Fully secured	178120.32	136442.38
Unsecured	172.22	371.22
Loans and advances considered doubtful or bad-		
Fully secured	925.68	234.28

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

4. PROFIT AND LOSS ACCOUNT

4.1 Income and expense under bilateral assignment of receivables accrue over the life of the related receivables assigned. Interest income and expenses on the above are accounted on gross basis.

4.2 Provision for Non-Performing Assets (Rs. In Lakhs)

	<u>31.03.2008</u>	<u>31.03.2007</u>
Substandard Assets	925.68	234.28
Provision required @ 10% on substandard assets	92.57	23.42
Provision already available	23.43	15.93
Additional provision made during the year	69.14	7.49

4.3 Auditors' Remuneration (Rs. In Lakhs)

	<u>2007-08</u>	<u>2006-07</u>
Statutory Audit	1.25	0.85
Tax Audit	0.50	0.30

4.4 Remuneration to Directors: (Rs. In Lakhs)

	<u>2007-08</u>	<u>2006-07</u>
- Salary	489.00	489.00

4.5 Statutory Reserve

Statutory Reserve represents the Reserve Fund created under Section 45-IC of the Reserve Bank Of India Act , 1934. An amount of Rs.1271.93 Lakhs (Previous Year Rs.879.57 Lakhs) representing 20% of Net Profit was transferred to the Fund during the year. No appropriation was made from the Reserve Fund during the year.

4. GENERAL

	(Rs. in Lakhs)	
	<u>31.03.2008</u>	<u>31.03.2007</u>
5.1 Contingent liabilities not provided for:		
i) Counter Guarantee provided to banks	30.67	Nil
ii) Cash collateral provided as credit enhancement for bilateral assignment of receivables	8138.66	Nil
iii) Over collateral provided as credit enhancement for bilateral assignment of receivables	1411.76	Nil
5.2 Claims against the company not acknowledged as Debt	Nil	Nil
5.3 Earnings in foreign currency	Nil	Nil
5.4 Expenditure in foreign currency:		
Import of equipments for FM Radio Station	202.55	Nil

5.5	Estimated amount of contracts remaining to be executed on capital accounts and not provided for	Nil	Nil
5.6	To the best of our knowledge and information, there are no amounts due to 'Supplier' as defined under "The Micro, Small and Medium Enterprises Development Act , 2006"		
5.7	Deposits from Shareholders including Directors	3528.67	3078.95
5.8	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	501.48	503.68
	Interest Paid	984.58	966.73
5.9	Earnings Per Share		
	Net Profit for the year after tax	6359.68	4397.88
	Weighted average number of equity shares outstanding	5000000	5000000
	Earning Per Share (Basic and Diluted)	127.19	87.96
5.10	Segment Reporting		
	The Company is engaged in the business of two segments, financing & power generation. In the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, the details are given below (Rs. In Lakhs):		
	Financing	Power Generation	Total
	Income	36690.06	173.71
	Expenses	26765.01	400.92
	Profit before tax	<u>9925.05</u>	<u>-227.21</u>
		<u>36863.77</u>	<u>27165.93</u>
		<u>9697.84</u>	
5.11	Previous Year's figures have been regrouped/ rearranged, where necessary to conform to current year's classifications.		

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)

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

III Position of Mobilisation and
Deployment of Funds
 (Amount in Rs. Thousands)

<i>Sources of funds</i>	<i>Total Liabilities</i>	<i>Total Assets</i>
	<input type="text" value="21387545"/>	<input type="text" value="21387545"/>
	<i>Paid up Capital</i>	<i>Reserves & Surplus</i>
	<input type="text" value="50000"/>	<input type="text" value="2184485"/>
	<i>Secured Loans</i>	<i>Unsecured Loans</i>
	<input type="text" value="18400192"/>	<input type="text" value="752867"/>
<i>Application of Funds</i>	<i>Net Fixed Assets</i>	<i>Investments</i>
	<input type="text" value="992513"/>	<input type="text" value="55308"/>
	<i>Net Current Assets</i>	<i>Misc. Expenditure</i>
	<input type="text" value="20183580"/>	<input type="text" value="92510"/>
	<i>Accumulated Loss</i>	<input type="text" value="NIL"/>

IV Performance of Company

(Amount in Rs. Thousands)

	<i>Turnover</i>	<i>Total Expenditure</i>
	<input type="text" value="3686377"/>	<input type="text" value="2716593"/>
✓	<i>Profit / Loss Before Tax</i>	✓
<input type="text" value="+"/>	<input type="text" value="969784"/>	<input type="text" value="+"/>
		<i>Profit / Loss After Tax</i>
		<input type="text" value="635969"/>

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

Earnings per share

<i>Rs. Ps.</i>	<i>Dividend Rate %</i>
<input type="text" value="127.19"/>	<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

Sd/-
 Rajesh
 Company Secretary

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	31/03/2008
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	9554690.24 1783906.02 NIL NIL
5.	Changes in the interest of the holding between the end of the subsidiary' financial year and 31st March, 2008	NA
6.	Material Changes between the end of the subsidiary's financial year end 31st March, 2008 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

For and On Behalf of the Board of Directors

Date: 15.07.2008
Place: Kochi

Sd/-
M G George Muthoot
Chairman

Sd/-
George Alexander Muthoot
Managing Director

Sd/-
Rajesh A
Company Secretary

MUTHOOT EXCHANGE COMPANY PVT. LTD.

Board of Directors

Mr. George Jacob Muthoot

Mr. George Alexander Muthoot

Mrs. Anna Alexander

Statutory Auditors

M/s. P.K. Jayan & Company

Chartered Accountants

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 8th Annual Report of the Company together with Audited Accounts for the financial year ended 31st March 2008.

FINANCIAL HIGHLIGHTS

The financial highlights for the year-ended 31.03.2008 are summarized as under:

	Yr ended 31.03.08	Yr ended 31.03.07
	Rs. Lakhs	Rs. Lakhs
Gross Income	11467.10	8337.07
Profit Before Tax	263.67	77.84
Profit after Tax	173.72	50.50

DIVIDEND

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

DIRECTORS

Mrs. Anna Alexander, Director retires by rotation at the forthcoming Annual General Meeting and being eligible offers herself for re-appointment.

AUDITORS

M/s. P.K. Jayan & Company, Chartered Accountants, Statutory Auditor of the Company retires at the ensuing Annual General Meeting, and are eligible for re-appointment.

AUTHORIZED DEALER – CATEGORY II LICENSE

The Company received Authorised Dealer - Category II license from RBI which now enables it to handle specific external remittances.

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.

PUBLIC DEPOSIT

Company has not accepted any public deposit during the financial year 2007-08.

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 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 JACOB MUTHOOT
Managing Director

Sd/-
ANNA ALEXANDER
Director

Place: Trivandrum
Date: 15.07.2008

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 2008**, and also the Profit and Loss Account of the Company for the year 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 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - 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, 2008; 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

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

Place: Trivandrum
Date: 15.07.2008

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDITORS' REPORT TO THE MEMBERS OF MUTHOOT MOTORS PRIVATE LIMITED FOR THE YEAR ENDED MARCH 31, 2008

- (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 was 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.
- (a) 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.
- (b) 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.
- 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, 2008 for a period of more than six 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.
- (xii) 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

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

Place: Trivandrum
Date: 15.07.2008

BALANCE SHEET AS AT 31.03.2008

PARTICULARS	SCHEDULE Nos	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
<u>SOURCES OF FUND:</u>			
SHAREHOLDERS' FUND			
(a) Share Capital	I	100000000.00	100000000.00
(b) Reserves & Surplus	II	23881861.84	6466064.90
LOAN FUNDS			
(a) Secured Loans	III	6421732.00	0.00
DEFERRED TAX			
(a) Deferred Tax Liability	IV	60892.93	104525.79
		130364486.77	106570590.69
<u>APPLICATION OF FUNDS:</u>			
FIXED ASSETS			
Gross Block		2038767.00	
Less: Depreciation	V	728014.35	1310752.65
CURRENT ASSETS, LOANS & ADVANCES	VI	138708101.55	105589373.04
Less: CURRENT LIABILITIES & PROVISIONS	VII	9654367.43	129053734.12
		130364486.77	106570590.69

In terms of our report of even date

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 JACOB MUTHOOT
Managing Director

Sd/-
ANNA ALEXANDER
Director

Place: Trivandrum
Date: 15.07.2008

TRADING & PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008

PARTICULARS	SCHEDULE Nos	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME:			
Sales: Currency & Travellers Cheques		1119760630.87	824218644.53
Interest on Fixed Deposit		8558102.90	3780223.00
Other Income		17161546.14	3056761.80
STOCK DIFFERENTIAL:			
Closing Stock	4228145.00		
Less: Opening Stock	<u>2998054.00</u>	1230091.00	2650936.00
		<u>1146710370.91</u>	<u>833706565.33</u>
EXPENDITURE:			
Purchases: Currency & Travellers Cheques		1113060941.70	820046748.34
Interest		529730.00	335760.00
Salaries & Allowances		3230483.00	2229560.00
Staff Incentive		306819.00	308031.00
Provident Fund		126968.00	94399.00
Rent		137903.00	151916.00
Establishment Expenses		31449.00	128469.00
Printing & Stationery		165340.87	175635.49
Travelling & Conveyance		404287.10	315943.00
Repairs & Maintenance		69058.50	69818.60
Staff Welfare Expenses		1467.00	2565.00
Bank Charges		750205.76	509434.22
Electricity Charges		78038.00	93441.00
Telephone Charges		281684.70	246886.41
Water Charges		400.00	0.00
Postage & Courier Charges		5607.50	4531.00
Legal Expenses		103450.00	94650.00
Taxes And Licence Fees		2240.00	500050.00
Newspaper & Periodicals		3583.00	2550.00
Insurance Charges		33616.00	46818.00
Business Promotion Expenses		28179.00	380080.00
Commission paid		434105.70	0.00
Vehicle Maintenance		0.00	370.00
Advertisement		144297.00	47896.20
Office Expenses		76544.00	49742.00
Audit Fees		17978.00	17978.00
Depreciation		319456.00	68975.90
		<u>1120343831.83</u>	<u>825922248.16</u>
PROFIT FOR THE YEAR BEFORE TAX		26366539.08	7784317.17
Less: Provisions			
Fringe Benefit Tax		9805.00	43100.00
Deferred Tax		-43632.86	22699.69
Income Tax		8984570.00	2691119.00
Net Profit Tax after Tax		<u>17415796.94</u>	<u>5027398.48</u>
Balance brought forward		5477545.74	450147.26
Profit available for appropriation		<u>22893342.68</u>	<u>5477545.74</u>
Net Profit Transferred to Balance Sheet		<u>22893342.68</u>	<u>5477545.74</u>

In terms of our report of even date

 For P.K.JAYAN & CO
 CHARTERED ACCOUNTANTS

 Sd/-
 MATHEW PHILIP F.C.A
 PARTNER

 Place: Trivandrum
 Date: 15.07.2008

For and on behalf of the Board

 Sd/-
 GEORGE JACOB MUTHOOT
 Managing Director

 Sd/-
 ANNA ALEXANDER
 Director

SCHEDULES

PARTICULARS	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
SCHEDULE-I		
SHARE CAPITAL		
AUTHORISED		
10000000 Equity Share of Rs.10/- Each	100000000.00	100000000.00
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
10000000 Equity Share of Rs.10/- Each	100000000.00	100000000.00
SCHEDULE-II		
RESERVES & SURPLUS		
GENERAL RESERVE:		
PROFIT & LOSS ACCOUNT		
Opening Balance	6466064.90	988519.16
Add: Excess Provision	0.00	0.00
	6466064.90	988519.16
Transfer from Profit & Loss Account (Current Year)	17415796.94	5477545.74
Balance as on 31.03.07	23881861.84	6466064.90
SCHEDULE-III		
SECURED LOANS:		
IDBI Bank Ltd. (Secured by EM of Title Deeds of Land belonging to the Directors)	4921732.00	0.00
IDBI Bank Ltd. (Secured by Lien on Fixed Deposit of the Company held by IDBI Bank Ltd.)	1500000.00	0.00
	6421732.00	0.00
SCHEDULE: IV		
DEFERRED TAX LIABILITY		
Opening Balance	104525.79	81826.10
Add: Tax Liability for the year	-43632.86	22699.69
	60892.93	104525.79
SCHEDULE-VII		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
God's Account	123.00	123.00
Amex TC Pending Settlement-Chennai	602202.43	3324523.42
Staff Welfare Scheme Account	14298.00	13893.00

SCHEDULES

PARTICULARS	YEAR ENDED 31.03.2007	YEAR ENDED 31.03.2006
PROVISIONS FOR INCOME TAX		
Income Tax Payable	8984570.00	2691119.00
Friengne Benefit Tax Payable	9805.00	43100.00
PF Payable	25391.00	0.00
Audit Fee Payable	17978.00	17978.00
	9654367.43	6090736.42

SCHEDULE-VI

CURRENT ASSETS, LOANS & ADVANCES

CURRENT ASSETS

Cash in Hand	8704283.13	1018453.96
Cash at scheduled bank Current accounts	942319.96	3994488.15
Indusind Bank- Deposit	0.00	5000000.00
Muthoot Leasing & Finance Ltd	0.00	4450000.00
The Muthoot Finance (P) Ltd	0.00	1100000.00
The Dhanalaxmi Bank Ltd, Kaloor-Fixed Deposit	555610.58	524864.00
IIDBI Bank- Deposit	45498577.00	250000.00
Syndicate Bank-Fixed Deposit	52500000.00	0.00
New Branch Account	50970.00	0.00
Interest Receivable	3143562.00	340555.00

DEBTORS

Debtors Branches	16424444.30	5256219.35
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INVENTORY

Stock on Hand	4228145.00	2998054.00
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LOANS & ADVANCES

Advance Tax (A.Y. 2006-2007)	1019700.00	0.00
Advance Tax - FBT	24800.00	43100.00
Tax Deducted at Source	3298840.58	866884.00
Advance Income Tax (AY 2007-2008)	1648454.00	634221.00
Telephone Deposit	10270.00	8270.00
Rent Deposit-Cochin	45000.00	45000.00
Rent Deposit-Trivandrum	100000.00	100000.00
Salary Advance	13125.00	0.00
Rent Deposit-Thiruvalla	500000.00	0.00

	138708101.55	111680109.46
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STATEMENT OF DEPRECIATION AND FIXED ASSETS UNDER COMPANIES ACT, 1956.

SL NO:	PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK AS ON 31.03.2008
		Cost as on 01.04.2007	Addition during the Year	Deduction during the year	Total as on 31.03.2008	Upto 01.04.2007	For the Year	To Date	
1	Interior Decoration	336405.00	0.00	0.00	336405.00	108184.66	21294.00	129478.66	206926.34
2	Computer System	422587.00	276289.00	0.00	698876.00	142176.60	211374.00	353550.60	345325.40
3	Furniture & Fittings	407183.00	256959.00	0.00	664142.00	98784.41	73749.00	172533.41	491608.59
4	Office Equipments	21970.00	23102.00	0.00	45072.00	474.74	2274.00	2748.74	42323.26
5	Fax Machine	28374.00	0.00	0.00	28374.00	6652.02	1348.00	8000.02	20373.98
6	Iron Safe	53411.00	92641.00	0.00	146052.00	14613.41	2537.00	17150.41	128901.59
7	Stabilizer	3402.00	0.00	0.00	3402.00	897.69	162.00	1059.69	2342.31
8	Air Conditioner	91440.00	0.00	0.00	91440.00	25034.92	4343.00	29377.92	62062.08
9	Vehicles	25004.00	0.00	0.00	25004.00	11739.90	2375.00	14114.90	10889.10
		1389776.00	648991.00	0.00	2038767.00	408558.35	319456.00	728014.35	1310752.65

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

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 Cheques 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

	31.03.08	31.03.07
Statutory Audit	17,978.00	17,978.00
	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 extend applicable to the company.

	<u>31.03.08</u>	<u>31.03.07</u>
(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.



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 Eleventh Annual General Meeting of the Company to be held at Muthoot Chambers, opp. Saritha Theatre Complex, Banerji Road, Kochi-18, at 11 a.m on Friday, 10th September 2008.

Signed this day of 2008

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 11 a.m on Friday , 10th September 2008.

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