



Directors' Report

The Board of Directors of Jagannatha Financial Services Limited (JFSL) have pleasure in presenting their Second Annual Report for the year ended March 31, 2008 to the members of the Company.

The journey so far:

As the members are aware, to scale up the Microfinance activities within the regulated set up, JFSL was incorporated as a Non Banking Finance Company on April 24, 2006 with an equity paid up capital base of Rs. 2.02 crores contributed by 84 shareholders. As JFSL is named after Lord Jagannatha of Puri, Orissa, and the organisation is serving the under privileged, He is taking care of each and every aspect of JFSL.

As the Certificate of Registration to commence and carry on the business of a non banking financial institution was issued by the Reserve Bank of India on April 2, 2007, the operations were actually commenced during 2007-08, from the third week of April 2007. To begin with, the Directors decided to disburse a major portion of the equity share capital as loans to various groups. After that JFSL could not get any funding support as it was a new organisation without back record.

The turning point in the life of JFSL started with the interest shown by the Fullerton India Credit Company Limited (FICCL), a Singapore based Non Banking Finance Company. With their pragmatic approach, JFSL started getting funding support from the third week of August 2007. FICCL, during the year, had sanctioned a Revolving unsecured loan of Rs. 5.00 crores to create loan portfolios and sanctioned Rs.50 crores to get such loan portfolios assigned to them. As on March 31, 2008 such assignments amounted to Rs.30.11 crores.

Those who were instrumental for the up coming of KAS, Dr. Nachiket Mor, former Joint Managing Director of the ICICI Bank and Miss. Bindu Anand, saw to it that the IFMR Trust, Chennai support JFSL with a loan assistance of Rs. 10.00 crores. During the year, Rs.3.04 crores was availed as loan from the IFMR Trust.

Because of the support of FICCL and IFMR Trust, within a year 64,529 clients got loans amounting to Rs.43.65 crores through JFSL. PAR >60 days is less than 2.29%.

The Directors are happy to report that JFSL strive hard to serve all the unbanked, very poor and harder-to-reach clients. JLGs formed in the jungle and hilly areas of Orissa are supported with more innovative, convenient and affordable financial services.

Service Agreements:

At the initial stage when FICCL started giving credit facilities, JFSL did not have adequate funds to meet the cash collateral margin requirements. Hence the Directors decided to borrow loans

from KAS Foundation during August –September 2007 to the extent of Rs.71.09 lakhs at 18% interest per annum.

Your Board of Directors decided to enter in to a Service Agreement with KAS Foundation and one more with Kathir Foundation in order to utilize their existing network of Branches, Centres and Sub Centres in 7 States – Orissa, Chhattisgarh, Maharashtra, West Bengal, Madhya Pradesh, Tamil Nadu and Andhra Pradesh and one Union Territory – Puducherry and also their manpower. For this a fee was fixed on the basis of the portfolio outstanding on monthly basis as also Referral Charges for using the Self Help Groups and Joint Liability Groups of both KAS and Kathir.

Fine-tuned Products and Systems:

KAS Group learnt many things while implementing the mF program. Enough care has been taken not to repeat the mistakes made earlier. As a strategy your Directors did the following to implement mF program through JFSL more effectively and efficiently.

Taking into account the operational convenience and performance of Women JLGs, it was decided to form Women JLGs in rural, semi-urban and urban areas. Thrust had been given to form Women JLGs and we succeeded in forming more than 6000 Women JLGs in the last year.

JFSL streamlined the loan products and minimized it to two - only SHG Loan product and JLG Loan product. To avoid large volume of transactions, the system of daily repayment by JLG traders was stopped and weekly repayment system was introduced. No more experiments with flexi repayment systems in respect of dairy or fishery products. Too much client friendly products like moratorium during lean season sometimes create recovery problem. JFSL has streamlined the products which suit the need of clients as well as the organization.

Risk Mitigation Efforts:

For controlling the operations in all the 7 States and 1 Union Territory, the Directors designated the Bhubaneswar Office as the Country Office which is headed by the Managing Director. The Accounts Department functioning in Chennai was shifted to Bhubaneswar. With a view to have effective monitoring of movement of staff and funds, recovery and for maintaining excellent relationship between the Company and the customers, wherever required Branches, Centres and Sub centres were opened. Because of this as on date the Company is having 153 Branches/ Centres/Sub centres. The Chief Operating Officer (Mr. T R Ramanathan) has recently been appointed.

All the branches are well equipped with computers, internet connectivity, furniture and fittings and cash safe. The sections handling MIS and Accounts in each and every Branch and Centre were strengthened by resorting to frequent recruitments of suitable candidates.

The Internal Audit Department was strengthened with the addition of an experienced public sector banker. The strength of the Department was increased to 13. In regular intervals these people

have been trained on various areas of internal audit. There are three Divisions - Regular Audit, Pre-disbursement Audit and Post-disbursement Audit.

An experienced Chartered Accountant Firm, M/s.A.K. Lenka and Company, Bhubaneswar has been engaged for doing the Concurrent audit. The Firm is having 10 employees exclusively for Con-current audit and Half yearly Branch audit. These staff members are doing regular audits and sharing the reports with the management to take necessary steps to bring improvements in mF program.

Financial results

During the year 2007-08, Rs.186.36 lakhs was the Income from the Micro Finance Loan Activities (previous year -Nil), Rs. 62.65 lakhs was the Profit on Securitisation of Receivables and Rs.13.28 lakhs towards Other Income related to Loan disbursement and Insurance.

The Revenue Expenditure amounted to Rs. 192 lakhs (previous year - Rs.1.33 lakhs).

Out of the income, a sum of Rs.11,931 has been provided for doubtful debts – 10% of the sub standard assets.

The Profit Before Tax amounts to Rs. 70.09 lakhs. After making Provision for Taxation, the Profit After Tax works out to Rs. 48.42 lakhs, as compared to Rs.2.82 lakhs of the previous year.

Out of the Profit After Tax, your Directors recommend appropriation of Rs. 10.50 lakhs to the Statutory Reserve and Rs.5.00 lakhs to the General Reserve. After this, the Balance carried to Balance Sheet amounts to Rs.35.75 lakhs.

The above all lead to the Earnings Per Share to become 7 times that of the last year - from 0.35 to 2.40.

Management Information System

JFSL presently uses a comprehensive MIS for the field-level operations, developed over a period in MS-Excel. The system automatically generates the Weekly Collection Format for all the Field Staff every week, based on data updated by the Field Managers. The system provides member-wise portfolio information in terms of cumulative loan repaid, loan outstanding, amount of arrears (if any) in total as well as a portfolio ageing report (1-30 days, 31-60 days and so on) etc. The final accounting statements (Receipts & Payments Account) also prepared within the system by the JO Accounts and reported to the Country Office. The branch level data are consolidated and all the reports are presently generated on a fortnightly basis.

However, the Excel Sheet system is not fool proof. Hence your Directors have entered in to agreement with FINO who is presently in the process of implementing comprehensive software,

to computerize all the operations at the field level. Another agreement has been signed between JFSL and Cranes Software for implementing their software for getting timely and reliable MIS and various types of Reports to be placed before the management and to be forwarded to the Funding Agencies.

Board of Directors:

Mr. Venky Natarajan, B.E., M.S., MBA., Investment Director, Lok Advisory Services, New Delhi, was appointed as the Director at the Board Meeting held on August 19, 2008.

Mr. Subodh Bhupatrai Mody, B.Com., B.L., FCA., Senior Partner, B.P.Gharda & Co., Chartered Accountants, Mumbai was appointed as the Director at the Board Meeting held on August 19, 2008.

Dr. Prasanna Bhat, Director is retiring by rotation at the Annual General Meeting.

Mr. Venky Natarajan, Mr. Subodh Bhupatrai Modi and Dr. Prasanna Bhat are retiring/ retiring by rotation and they being eligible offer themselves for re-appointment and for whose re-appointments, the Company has received notices under Section 257 of the Companies Act from members proposing their candidatures for the office of the Director.

Statutory Auditors

M/s. RMS Associates, Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. However, they have expressed their willingness not to go ahead with the arrangement, as they have come across lot of inconvenience this year since the audit was taking place in Bhubaneswar, whereas earlier it happened in Chennai which was convenient for them.

M/s. Deloitte Haskins & Sells have given their consent to take up the audit assignment of JFSL from their Office at Kolkata. The Directors recommend the appointment of M/s. Deloitte Haskins & Sells to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

Disclosure on Energy

The disclosure on conservation of energy and technology absorption does not apply.

Directors' Responsibility Statement

Pursuant to Section 217 (2 AA) of the Companies (Amendment) Act 2000, the Directors confirm that:

- (a) In the preparation of annual accounts, the applicable accounting standards have been followed;

- (b) The accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (c) Proper and sufficient care has been taken 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 fraud and other irregularities; and
- (d) The annual accounts have been prepared on a going concern basis.

Acknowledgement

The Directors are grateful to the Team Fullerton India Credit Company Limited and IFMR Trust for the support given to JFSL during the year.

The Directors are thankful to ICICI Lombard and Reliance General Insurance Company for settling the insurance claims as quickly as possible.

The Directors acknowledge the guidance and support provided by the Reserve Bank of India, NABARD and SIDBI, and, all the support provided by all the bankers.

The Directors wish to place on record their appreciation of the team spirit exhibited by the young and energetic employees.

Place : Chennai
Date : August 19, 2008

By Order of the Board
S. Kathiresan
Managing Director

Report of the Auditors to the Members of Jagannatha Financial Services Limited

1. We have audited the attached Balance Sheet of Jagannatha Financial Services Limited (the Company) as at March 31, 2008, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date, both annexed hereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations / declarations received from the Directors and taken on record by the Board and according to the information and explanations given to us, we report that none of the Directors of the Company is disqualified as at March 31, 2008, from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956, on the said date.

For RM S Associates
Chartered Accountants

U Pavadasan
Partner
Membership No.204679

Place : Chennai
Date : August 19, 2008

Annexure to the Auditors' Report referred to in paragraph 3 of our report of even date:

- (i) The company does not have any fixed assets.
- (ii) (A) The Company has not granted loans, secured or unsecured, to parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(B) In respect of unsecured loans taken by the Company from parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company had taken a loan from one party during the year. At the year end, the outstanding balance of such loan taken was Rs. Nil and the maximum amount involved during the year was Rs. 54.83 lakhs.
 - (b) The rate of interest and other terms and conditions of such loan is, in our opinion, prima facie not prejudicial to the interests of the Company.
 - (c) The payment of principal amount and interest during the year have been regular.
- (iii) In our opinion and according to the information and explanations given to us, there is generally an adequate internal control system commensurate with the size of the Company and the nature of its business for the rendering of services and we have not observed any significant continuing failure to correct major weaknesses in such internal controls during the course of our audit except that the controls over the performance of certain reconciliations needs to be strengthened. The Company does not purchase inventory nor does it sell any goods in the ordinary course of its business.
- (iv) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said Section, have been so entered.
 - (b) Where the transactions (excluding loans reported under paragraph (iii) above) are in excess of Rs.5 lakhs in respect of any party during the year, the transactions have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.
- (v) The company has not accepted any deposits from the public.
- (vi) In our opinion, the Company has an internal audit system which is commensurate with the size of the Company and the nature of its business.
- (vii) In respect of Statutory dues:
 - (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Income Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) According to the information and explanations given to us, no material undisputed amounts payable in respect of Income Tax, Service Tax, Cess were outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.

- (viii) The Company does not have any accumulated losses as at March 31, 2008. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions. The Company has not taken any loans from banks nor issued debentures.
- (x) In our opinion, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees during the year for the loans taken by others from banks or financial institutions.
- (xii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained.
- (xiii) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall examination of the balance sheet of the company, funds raised on short term basis, prima facie, have not been used during the year for long term investment..
- (xiv) According to the information and explanations given to us and the records examined by us, the Company has not issued debentures.
- (xv) During the period covered by our audit report, the Company has not raised any money by public issues as defined in the Securities and Exchange Board of India (Disclosure And Investor Protection) Guidelines, 2000, as amended.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.
- (xvii) In our opinion and according to the information and explanations given to us, the nature of the company's business / activities during the year have been such that clauses ii, viii, xiii, xiv and xviii of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the company for the year.

For RM S Associates
Chartered Accountants

U Pavadasan
Partner
Membership No.204679

Place : Chennai
Date : August 19, 2008

Jagannatha Financial Services Limited

Balance Sheet as at March 31, 2008

	Schedule	March 31, 2008		March 31, 2007	
		Rs.	P.	Rs.	P.
Sources of Funds:					
Shareholders Funds					
Share Capital	1	20,216,200.00		20,216,200.00	
Reserves and surplus	2	5,124,662.92		282,357.66	
Loan Funds					
Unsecured Loans	3	80,391,233.00		-	
Total		105,732,095.92		20,498,557.66	
Application of Funds:					
Current Assets, Loans and Advances					
Current Assets					
Cash and Bank Balances	4	29,114,658.17		20,254,220.66	
Other Current Assets	5	45,734,655.00		245,126.00	
Loans and Advances					
a) Micro Finance Loans		72,545,802.75		-	
b) Advances recoverable in cash or in kind or for value to be received		1,205,159.00		71,114.00	
		148,600,274.92		20,570,460.66	
Less : Current Liabilities and Provisions	6				
Current Liabilities		40,670,574.00		94,721.00	
Provisions		3,824,188.00		146,142.00	
		44,494,762.00		240,863.00	
Net Current Assets		104,105,512.92		20,329,597.66	
Deferred Tax Asset		1,499,863.00		-	
Miscellaneous Expenses (to the extent not written off or adjusted)					
Preliminary Expenses		126,720.00		168,960.00	
Total		105,732,095.92		20,498,557.66	
Notes on Accounts	10				
The Schedules referred to above form an integral part of the accounts in terms of our report of even date attached					
For Jagannatha Financial Services Limited			For RM S Associates Chartered Accountants		
Prasanna Bhat	Maroti Arjuna Upare				
Subrat Kumar Singhdeo	Sendhil Mullainathan				
Saratha Kathiresan	Venky Natarajan		S Kathiresan	U Pavadasan	
Directors	Directors		Managing Director	Partner	
				M.No.204679	
Place : Chennai					
Dated : August 19, 2008					

Profit and Loss Account for the year ended March 31, 2008

	Schedule	March 31, 2008		March 31, 2007	
		Rs.	P.	Rs.	P.
INCOME	Sch No.				
Income from Micro Finance Activity	7	18,636,670.00			-
Profit on Assignment of receivables		6,265,412.00			-
Other Income	8	1,327,668.79		562,030.00	
		<u>26,229,750.79</u>		<u>562,030.00</u>	
EXPENDITURE					
Interest Paid		5,170,106.00			-
Administration and Other Expenses	9	13,996,916.53		91,290.34	
Preliminary Expenses written off		42,240.00		42,240.00	
Provision for Bad and Doubtful Debts		11,931.00			-
		<u>19,221,193.53</u>		<u>133,530.34</u>	
Profit before Tax		7,008,557.26		428,499.66	
Provision for Taxation					
- Current Tax		3,600,000.00		144,233.00	
- Deferred Tax		(1,499,863.00)			-
- Fringe Benefit Tax		66,115.00		1,909.00	
Profit after Tax		4,842,305.26		282,357.66	
Balance brought forward from Previous Year		282,357.66			-
Profit available for Appropriation		<u>5,124,662.92</u>		<u>282,357.66</u>	
Appropriations					
Transfer to Statutory Reserve		1,050,000.00			-
Transfer to General Reserve		500,000.00			-
Balance carried to Balance Sheet		3,574,662.92		282,357.66	
		<u>5,124,662.92</u>		<u>282,357.66</u>	
Basic and Diluted Earnings per share of face value of Rs.10 each (in Rs.)			2.40		0.35
Notes on Accounts	10				

The Schedules referred to above form an integral part of the accounts in terms of our report of even date attached

For Jagannatha Financial Services Limited

Prasanna Bhat
Subrat Kumar Singhdeo
Saratha Kathiresan
Directors

Maroti Arjuna Upare
Sendhil Mullainathan
Venky Natarajan
Directors

S Kathiresan
Managing Director

For RM S Associates
Chartered Accountants

U Pavadasan
Partner
M.No.204679

Place : Chennai
Dated : August 19, 2008

Schedules to Balance Sheet

	As at March 31, 2008 Rs. P.		As at March 31, 2007 Rs. P.	
Schedule 1 : Share Capital				
Authorised Share Capital (2100000 Equity Shares of Rs.10/- each)		21,000,000		21,000,000
Issued, Subscribed and Paid-up Share capital (2021620 Equity Shares of Rs.10/- each fully paid up)		20,216,200		20,216,200
Schedule 2 : Reserves and Surplus				
a) Balance in Profit and Loss Account (A)		3,574,662.92		282,357.66
b) General Reserve				
As per last Balance Sheet		-		-
Add : Transferred from Profit and Loss Account		500,000.00		-
	(B)	500,000.00		-
c) Statutory Reserve (Refer Note 1 below)				
As per last Balance Sheet		-		-
Add : Transferred from Profit and Loss Account		1,050,000.00		-
	(C)	1,050,000.00		-
Total	(A)+(B)+(C)	<u>5,124,662.92</u>		<u>282,357.66</u>
Note 1: Statutory Reserve represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act, 1934.				
Schedule 3 : Unsecured Loans				
Fullerton India Credit Co., Ltd		50,000,000.00		-
IFMR Trust Ltd		30,391,233.00		-
		<u>80,391,233.00</u>		-
Schedule 4 : Cash and Bank Balances				
Cash balance on hand		14,115,308.85		-
Balance with Scheduled Banks				
- in Current accounts		14,999,349.32		54,220.66
- in Deposit accounts		-		20,200,000.00
		<u>29,114,658.17</u>		<u>20,254,220.66</u>
Schedule 5 : Other Current Assets				
Deposit for Credit Enhancement		36,510,479.00		-
Deposit with Fullerton towards Advance				
Purchase Consideration		5,000,000.00		-
Deposits - under lien for Term Loan from IFMR Trust Ltd		3,009,475.00		-
Others		1,214,701.00		245,126.00
		<u>45,734,655.00</u>		<u>245,126.00</u>

Schedules to Balance Sheet

	As at March 31, 2008		As at March 31, 2007	
	Rs.	P.	Rs.	P.
Schedule 6 : Current Liabilities and Provisions				
Current Liabilities				
Sundry Creditors	9,747,836.50		94,721.00	
Collections in respect of Receivables Assigned	18,955,246.00		-	
Unamortised Profit on Assignment of Receivables	10,022,657.00		-	
Advance Instalment received	1,805,793.50		-	
Interest Payable	139,041.00		-	
	<u>40,670,574.00</u>		<u>94,721.00</u>	
Provisions				
Provision for Taxation	3,744,233.00		144,233.00	
Provision for Fringe Benefit Tax	68,024.00		1,909.00	
Provision for Bad and Doubtful Debts	11,931.00		-	
	<u>3,824,188.00</u>		<u>146,142.00</u>	
Schedules to Income and Expenditure account				
Schedule No. 7 : Income from Micro Finance Activity				
Interest received	6,981,279.00		-	
Service charges received	11,655,391.00		-	
	<u>18,636,670.00</u>		<u>-</u>	
Schedule No. 8 : Other Income				
Interest received on Fixed Deposit (Gross - TDS Rs. 51,440/-)	1,127,871.89		562,030.00	
Miscellaneous Income	199,796.90		-	
	<u>1,327,668.79</u>		<u>562,030.00</u>	
Schedule No. 9 : Administration and Other Expenses				
Salaries	7,766,962.00		-	
Staff welfare	27,110.00		-	
Bank charges	1,099,206.63		5,957.34	
Processing charges	723,084.00		-	
Travelling and Conveyance	569,353.50		28,363.00	
Electricity charges	60,096.00		-	
Rent	296,935.00		-	
Audit Fees	112,360.00		11,224.00	
Sitting Fees	28,000.00		-	
Printing & Stationery	884,284.00		-	
Referral Charges	1,216,570.00		-	
Other Expenses	1,212,955.40		45,746.00	
	<u>13,996,916.53</u>		<u>91,290.34</u>	

Schedules to Balance Sheet

Schedule 10: NOTES ON ACCOUNTS

1. Significant Accounting Policies:

1.1 Accounting Convention

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and relevant provisions of the Companies Act, 1956.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India for Non-deposit taking Non-Banking Finance Companies (NBFC-ND).

1.2 Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period, provisioning for receivables, provisioning for taxation etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

1.3 Revenue Recognition

Loan Interest Charges are recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan.

In respect of receivables securitised, gains arising thereon are amortised over the life of the related receivables.

Additional Finance Charges (AFC) are recognized on cash basis.

1.4 Taxation

Income Tax : Current tax is the amount of tax payable on the taxable income for the year and is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax : Deferred tax is recognised, 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.

Deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

Fringe Benefit Tax: The Fringe Benefit Tax (FBT) is accounted for in accordance with the Guidance Note on Accounting for Fringe Benefit Taxes issued by the Institute of Chartered Accountants of India (ICAI)

1.5 Miscellaneous Expenditure

Preliminary Expenses are written off over a period of five years.

2 Assets De-recognised on Assignment of Receivables:

- (a) Book value of assets de-recognised on Assignment of Receivables during the year - Rs.3315.59 lacs (Previous year – Rs. Nil).
- (b) Collateral Deposits made as Credit Enhancements outstanding - Rs. 415.10 lacs (Previous year – Rs. Nil).
- (c) Sale Consideration received on Assignment of Receivables during the year – Rs. 3478.47 lacs (Previous year – Rs. Nil).

Schedules to Balance Sheet

- (d) Profit on Assignment of Receivables to be amortised over the life of the receivables assigned – Rs. 162.88 lacs (Previous Year – Rs. Nil).
- (e) Total Number of Assets de-recognised on Assignment of Receivables during the year – 53113 (Previous Year- Nil)

3 Directors' Remuneration

- (a) Salaries and Allowances to Managing Director : Rs. 12.00 lacs (Previous Year – Nil)
- (b) Sitting Fees to Non-Wholetime Directors – Rs.0.28 lacs (Previous Year – Rs. 0.28 lacs)

4 Segment Reporting

The Company is primarily engaged in the business of financing. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS -17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India.

5 Related Party Disclosures

Related party disclosures, as stipulated by Accounting Standard 18 - 'Related Party Disclosures', issued by ICAI are given below:

Related parties:**Associates:**

KAS Foundation
Kathir Foundation

Key Management Personnel:

Sri S Kathiresan

Relative of Key Management Personnel:

Smt Saratha Kathiresan
Sri Alaghusundaramani

Rs. in Lacs

Nature of Transaction	Associates	Key Management Personnel	Relative of Key Management Personnel	Total 2007-08	Previous Year 2006-07
Sitting Fees	-	-	0.10	0.10	0.12
Subscription to Equity Shares	-	-	-	-	95.55
Salaries & Allowance	-	12.00	-	12.00	-
Interest Paid	3.44	-	-	3.44	-
Referral Fees	12.17	-	-	12.17	-
Reimbursement of Expenses	82.95	-	-	82.95	-
Unsecured Loan	54.83	-	-	54.83	-
Sundry Creditors	2.34	-	-	2.34	0.63

Schedules to Balance Sheet

6 Earnings Per Share

	2007-08	2006-07
(a) Profit for the year after taxation (Rs. In lacs)	48.42	2.82
(b) No. of equity shares of face value of Rs. 10/- each outstanding (in numbers)	20,21,620	20,21,620
(c) Basic and diluted Earnings Per Share (in Rs.)	2.40	0.35

7 Deferred Tax Asset

The Deferred Tax Asset of Rs. 15.00 lacs as at March 31, 2008 (Previous year - Nil) has arisen on account of the following:

- a) Provision for Sub-standard and Doubtful Receivables under Financing Activity - Rs. 0.04 lacs
- b) Disallowance u/s. 40 a (ia) of the I T Act – Rs. 14.96 lacs

8 Contingent Liabilities

Contingent Liability towards Credit Enhancement provided for assignment of receivables – Rs.264.99 lacs (Previous Year – Nil)

9 Disclosure of details Pursuant to Reserve Bank of India Notification DNBS.193DG (VL) - 2007 dated February 22, 2007:

LIABILITIES SIDE :

(Rupees in Lacs)

SI. No.	Particulars	Amount Outstanding	Amount Overdue
(1)	Loans and advances availed by the NBFC Inclusive of interest accrued thereon but not paid		
	(a) Debentures : Secured	—	—
	: Unsecured	—	—
	(Other than falling within the meaning of Public deposits)		
	(b) Deferred Credits	—	—
	(c) Term Loans	—	—
	(d) Inter-corporate loans and borrowings	303.91	—
	(e) Commercial paper	—	—
	(f) Other loans		
	- Borrowings from Financial Institutions	500.00	—

ASSETS SIDE :

SI. No.	Particulars	Amount Outstanding
(2)	Break-up of Loans and Advances including bills receivables (Other than those included in (4) below):	
	(a) Secured	—
	(b) Unsecured	725.46
(3)	Break-up of Leased Assets and Stock on hire and Other assets counting towards AFC activities:	

Schedules to Balance Sheet

(i) Lease assets including lease rentals under sundry debtors		
(a) Financial Lease		—
(b) Operating Lease		—
(ii) Stock on hire including hire charges under sundry debtors		
(a) Assets on hire		—
(b) Repossessed Assets		—
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed		—
(b) Loans other than (a) above		—

Sl. No.	Particulars	Current Investments	Long Terms Investments
(4)	Break-up of Investments:	(Amount outstanding as at 31.03.08)	
1.	Quoted:		
	(i) Shares :		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and Bonds	—	—
	(iii) Units of Mutual Funds	—	—
	(iv) Government Securities	—	—
	(v) Others (Please specify)	—	—
2.	Unquoted:		
	(i) Shares :		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and Bonds	—	—
	(iii) Units of Mutual Funds	—	—
	(iv) Government Securities	—	—
	(v) Others (Please specify)	—	—

(5) Borrower group-wise classification of assets financed
As in (2) and (3) above: (Rs. in Lacs)

Sl. No.	Category	Amount (Net of provisioning) As at March 31,2008		
		Secured	Unsecured	Total
1.	Related Parties			
	a. Subsidiaries	—	—	—
	b. Companies in the same group	—	—	—
	c. Other related parties	—	—	—
2.	Other than related Parties	—	725.46	725.46
	Total		<u>725.46</u>	<u>725.46</u>

Schedules to Balance Sheet

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both Quoted and unquoted)

Sl. No.	Category	Market value / Breakup or Fair value or NAV	Book value (Net of Provisions)
1.	Related Parties		
	a. Subsidiaries	—	—
	b. Companies in the same group	—	—
	c. Other related parties	—	—
2.	Other than related Parties	—	—
	Total	—	—

(7) Other Information (Rs. in Lacs)

Sl. No.	Particulars	Amount
(i)	Gross Non-Performing Assets	
	a. Related Parties	—
	b. Other than related Parties	1.19
(ii)	Net Non-Performing Assets	
	a. Related Parties	—
	b. Other than related parties	1.07
(iii)	Assets acquired in satisfaction of debt (during the year)	—

1 Auditors' Remuneration :

Particulars	2007-08	2006-07
Statutory Audit	89,888	11,224
Tax Audit	22,472	—
Total	1,12,360	11,224

2 Sundry Creditors include due to small scale undertakings - Rs. Nil

3 Previous year's figures have been regrouped /rearranged, where necessary.

Signatures to Schedule 1 to 10

For **Jagannatha Financial Services Limited**

Prasanna Bhat
Subrat Kumar Singhdeo
Saratha Kathiresan
Directors

Maroti Arjuna Upare
Sendhil Mullainathan
Venky Natarajan
Directors

S Kathiresan
Managing Director

For **RM S Associates**
Chartered Accountants

U Pavadasan
Partner
M.No.204679

Place : Chennai
Dated : August 19, 2008

Cash Flow Statement

	2007-08	2006-07
	(in Rupees)	
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	7,008,557.26	428,499.66
Preliminary Expenses written off	42,240.00	-
Provision for doubtful debts	11,931.00	-
Interest received from Fixed Deposits	(1,127,871.89)	(562,030.00)
Operating Profit Before Working Capital changes	5,934,856.37	(133,530.34)
Increase in Receivables from Financing Activity	(72,545,802.75)	-
(Increase) / Decrease in Other Current Assets	(45,489,529.00)	(316,240.00)
(Increase) / Decrease in other Loans and advances	(1,134,045.00)	-
Increase / (Decrease) in Current Liabilities	40,575,853.00	94,721.00
Net Cash from Operating Activities (A)	(72,658,667.38)	(355,049.34)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Interest received from Fixed Deposit	1,127,871.89	562,030.00
(Increase) / Decrease in Fixed Deposits	20,200,000.00	(20,200,000.00)
Net Cash from Investing Activities (B)	21,327,871.89	(19,637,970.00)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	20,216,200.00
Increase / (Decrease) in unsecured loans	80,391,233.00	-
Preliminary Expenses	-	(168,960.00)
Net Cash from Financing Activities (C)	80,391,233.00	20,047,240.00
NET INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	29,060,437.51	54,220.66
Cash and Cash equivalents at the Beginning of the year	<u>54,220.66</u>	<u>Nil</u>
Cash and Cash equivalents at the End of the year	<u>29,114,658.17</u>	<u>54,220.66</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	14,999,349.32	54,220.66
Cash balance on hand	14,115,308.85	-
	<u>29,114,658.17</u>	<u>54,220.66</u>

The accompanying Schedules 1 to 10 form an integral part of the accounts in terms of our report of even date attached

For Jagannatha Financial Services Limited

Prasanna Bhat
Subrat Kumar Singhdeo
Saratha Kathiresan
Directors

Maroti Arjuna Upare
Sendhil Mullainathan
Venky Natarajan
Directors

S Kathiresan
Managing Director

For RM S Associates
Chartered Accountants

U Pavadasan
Partner
M.No.204679

Place : Chennai
Dated : August 19, 2008

Coverage - Districts & Blocks

Orissa

S.No	Block	District
1	Angul	Angul
2	Banarpal	Angul
3	Chhendipada	Angul
4	Athmallik	Angul
5	Kishorenagar	Angul
6	Pallahara	Angul
7	Kaniha	Angul
8	Talcher	Angul
9	Agalpur	Balangir
10	Balangir	Balangir
11	Deogaon	Balangir
12	Guduvella	Balangir
13	Loisinga	Balangir
14	Puintala	Balangir
15	Bangomunda	Balangir
16	Muribahal	Balangir
17	Saintala	Balangir
18	Titilagarh	Balangir
19	Tureikela	Balangir
20	Bahanaga	Balasore
21	Balasore	Balasore
22	Khaira	Balasore
23	Remuna	Balasore
24	Simulia	Balasore
25	Soro	Balasore
26	Oupada	Balasore
27	Nilgiri	Balasore
28	Ambabhona	Bargarh
29	Attabira	Bargarh
30	Bargarh	Bargarh
31	Barpali	Bargarh
32	Bhatli	Bargarh
33	Bheden	Bargarh
34	Bijepur	Bargarh
35	Gaisilet	Bargarh
36	Jharbandh	Bargarh
37	Paikmal	Bargarh
38	Sohela	Bargarh
39	Basudevpur	Bhadrak
40	Bhadrak	Bhadrak
41	Bhandaripokhori	Bhadrak
42	Bonth	Bhadrak

S.No	Block	District
43	Tihidi	Bhadrak
44	Boudh	Boudh
45	Harabhanga	Boudh
46	Kantamal	Boudh
47	Athagarh	Cuttack
48	Baramba	Cuttack
49	Narsinghpur	Cuttack
50	Tigiria	Cuttack
51	Banki	Cuttack
52	Banki-Dampara	Cuttack
53	Barang	Cuttack
54	Cuttack	Cuttack
55	Kantapara	Cuttack
56	Mahanga	Cuttack
57	Niali	Cuttack
58	Nischintkoili	Cuttack
59	Salipur	Cuttack
60	Dhenkanal	Dhenkanal
61	Gandia	Dhenkanal
62	Odapada	Dhenkanal
63	Hindol	Dhenkanal
64	Kamakhya Nagar	Dhenkanal
65	Kankadahad	Dhenkanal
66	Parjang	Dhenkanal
67	Mohana	Gajapati
68	Chikiti	Ganjam
69	Kukudakhandi	Ganjam
70	Rangeilunda	Ganjam
71	Aska	Ganjam
72	Bellaguntha	Ganjam
73	Bhanjanagar	Ganjam
74	Buguda	Ganjam
75	Dharakote	Ganjam
76	Jagannath Prasad	Ganjam
77	Seragarh	Ganjam
78	Chatrapur	Ganjam
79	Ganjam	Ganjam
80	Polsara	Ganjam
81	Balikuda	Jagatsinghpur
82	Biridi	Jagatsinghpur
83	Erasama	Jagatsinghpur
84	Jagatsinghpur	Jagatsinghpur

Coverage - Districts & Blocks

Orissa [Contd.]

S.No	Block	District
85	Kujanga	Jagatsinghpur
86	Nuagaon	Jagatsinghpur
87	Raghunathpur	Jagatsinghpur
88	Tirtol	Jagatsinghpur
89	Binjharpur	Jajpur
90	Dharmasala	Jajpur
91	Jajpur	Jajpur
92	Korei	Jajpur
93	Rasulpur	Jajpur
94	Jharsuguda	Jharsuguda
95	Kirmira	Jharsuguda
96	Kolabira	Jharsuguda
97	Laikera	Jharsuguda
98	Lakhanpur	Jharsuguda
99	Bhawanipatna	Kalahandi
100	Karlamunda	Kalahandi
101	Kesinga	Kalahandi
102	M Rampur	Kalahandi
103	Narla	Kalahandi
104	Dharamgarh	Kalahandi
105	Golamunda	Kalahandi
106	Junagarh	Kalahandi
107	Aul	Kendrapara
108	Derabis	Kendrapara
109	Kendrapara	Kendrapara
110	Mahakalpara	Kendrapara
111	Marshaghai	Kendrapara
112	Pattamundai	Kendrapara
113	Champua	Keonjhar
114	Jhumpura	Keonjhar
115	Ghatagaon	Keonjhar
116	Harichandanpur	Keonjhar
117	Keonjhar	Keonjhar
118	Patna	Keonjhar
119	Balianta	Khurda
120	Balipatna	Khurda
121	Bhubaneswar	Khurda
122	Jatni	Khurda
123	Banapur	Khurda
124	Begunia	Khurda
125	Bolagarh	Khurda
126	Chilika	Khurda

Orissa [Contd.]

S.No	Block	District
127	Khurda	Khurda
128	Tangi	Khurda
129	Boriguma	Koraput
130	Jeypore	Koraput
131	Similiguda	Koraput
132	Korkunda	Malkangiri
133	Bahalda	Mayurbhanj
134	Bijatola	Mayurbhanj
135	Bisoi	Mayurbhanj
136	Jamda	Mayurbhanj
137	Kusumi	Mayurbhanj
138	Bangiriposi	Mayurbhanj
139	Barsahi	Mayurbhanj
140	Baripada	Mayurbhanj
141	Betnoti	Mayurbhanj
142	Kuliana	Mayurbhanj
143	Samakhunta	Mayurbhanj
144	Saraskana	Mayurbhanj
145	Suliapada	Mayurbhanj
146	G Nagar	Mayurbhanj
147	Khunta	Mayurbhanj
148	Udala	Mayurbhanj
149	Jashipur	Mayurbhanj
150	Karanjia	Mayurbhanj
151	Sukurli	Mayurbhanj
152	Thakurmunda	Mayurbhanj
153	Boden	Nawapara
154	Khariar	Nawapara
155	Nawapara	Nawapara
156	Sinpalli	Nawapara
157	Nawarangpur	Nawarangpur
158	Bhapur	Nayagarh
159	Daspalla	Nayagarh
160	Gania	Nayagarh
161	Khandapara	Nayagarh
162	Nayagarh	Nayagarh
163	Nuagaon	Nayagarh
164	Odagaon	Nayagarh
165	Ranpur	Nayagarh
166	Baliguda	Kandhamal
167	Chakapad	Kandhamal
168	Daringibadi	Kandhamal

Coverage - Districts & Blocks

Orissa [Contd.]

S.No	Block	District
169	G Udayagir	Kandhamal
170	K Nuagon	Kandhamal
171	Kotagad	Kandhamal
172	Raikia	Kandhamal
173	Tikaballi	Kandhamal
174	Tumudibandh	Kandhamal
175	Khajuripada	Kandhamal
176	Phiringia	Kandhamal
177	Phulbani	Kandhamal
178	Astaranga	Puri
179	Bramhagiri	Puri
180	Delenga	Puri
181	Gop	Puri
182	Kakatpur	Puri
183	Kanas	Puri
184	Krushnaprasad	Puri
185	Nimapara	Puri
186	Pipili	Puri
187	Puri	Puri
188	Satyabadi	Puri
189	Gunupur	Rayagada
190	Padmapur	Rayagada
191	Jamankira	Sambalpur
192	Kuchinda	Sambalpur
193	Naktideul	Sambalpur
194	Rairakhhol	Sambalpur
195	Jujumura	Sambalpur
196	Maneswar	Sambalpur
197	Rengali	Sambalpur
198	Sambalpur	Sambalpur
199	Birmaharajpur	Sonepur
200	Ulunda	Sonepur
201	Binika	Sonepur
202	Dunguripali	Sonepur
203	Sonepur	Sonepur
204	Tarva	Sonepur
205	Lephripara	Sundargarh
206	Hemgiri	Sundargarh
207	Subdega	Sundargarh
208	Sundargarh	Sundargarh
209	Tangarpalli	Sundargarh

Chhattisgarh

S.No	Block	District
1	Patan	Durg
2	Dhamdha	Durg
3	Bhilai	Durg
4	Utai	Durg
5	Gundardehi	Durg
6	Magarlod	Dhamtari
7	Bhakhara	Dhamtari
8	Kurud	Dhamtari
9	Bhanupratappur	Kanker
10	Abhanpur	Raipur
11	Khairagarh	Rajnandgaon
12	Chandrapur	Raigarh
13	Baramkela	Raigarh
14	Dabhara	Raigarh
15	Pushore	Raigarh
16	Sariya	Raigarh
17	Dabhra	Janjgir Champa

Maharashtra

S.No	Block	District
1	Changdeonagar	Ahemadnagar
2	kopargaon	Ahemadnagar
3	Kolpewadi	Ahemadnagar
4	Shrigonda	Ahemadnagar
5	Puntamba	Ahemadnagar
6	Rahata	Ahemadnagar
7	Rahuri	Ahemadnagar
8	Shirdi	Ahemadnagar
9	Loni	Ahemadnagar
10	Babaleshwar	Ahemadnagar
11	Shrirampur	Ahemadnagar
12	Belapur	Ahemadnagar
13	Kolar	Ahemadnagar
14	Padegaon	Ahemadnagar
15	Pohegaon	Ahemadnagar
16	Daund	Nashik
17	Otur	Pune
18	Panvel	Raigad
19	Khopoli	Raigad
20	Karjat	Raigad
21	Kharghar	Raigad
22	Uran	Raigad
23	Vashi	Thane
24	Koparkhairne	Thane
25	Airoli	Thane

Coverage - Districts & Blocks

West Bengal

S.No	Block	District
1	Bardhaman	Bardhaman
2	Chinsurah-Mogra	Hooghly
3	Polba-dadpur	Hooghly
4	Serampore-Uttarpara	Hooghly
5	Bally -Jagacha	Howrah
6	Hogalberia	Nadia
7	Nabadwip	Nadia
8	Ranaghat	Nadia
9	Kalyani	Nadia
10	North 24 Pargana	North 24 Pargana
11	South 24 Pargana	South 24 Pargana

12	Kidderpur	Kolkata
13.	New Alipur	Kolkata
14.	Tollygunge	South 24 Pargana
15.	Behala	South 24 Pargana
16.	Sherpur (Amtala)	South 24 Pargana

Madhya Pradesh

S.No	Block	District
1	Bodhni	Hoshangabad
2	Hoshangabad	Hoshangabad
3	Babai	Hoshangabad
4	Suhagpur	Hoshangabad
5	Seoni	Hoshangabad

REGIONAL OFFICES

1	Puri	7	Berhampur	13	Kolkatta
2	Sambalpur	8	Angul	14	Hoshangabad
3	Balangir	9	Bhubaneswar	15	Vishakapatnam
4	Cuttack	10	Jeypore	16	Coimbatore
5	Balasore	11	Bhilai	17	Chennai
6	Khurda	12	Mumbai	18	Trichy

BRANCHES**Orissa****Puri Region**

1	Puri
2	Nimapara
3	Sakhigopal
4	Konark
5	Brahmagiri

Sambalpur Region

6	Sambalpur
7	Bargarh
8	Padampur
9	Jharsuguda
10	Sundergarh
11	Chandarpur
12	Sohela

Angul Region

13	Dhenkanal
14	Angul

Balangir Region

15	Balangir
16	Sonepur
17	Boudh
18	Khariar
19	Bhawanipatna

Balasore Region

20	Baripada
21	Balasore
22	Jashipur
23	Keonjhar

Cuttack Region

24	Cuttack Urban
25	Cuttack-Athagarh
26	Kendrapara
27	JK Road
28	Jagatsinghpur
29	Kujang
30	Phulnakra
31	Salipur
32	Bhadrak

Berhampur Region

33	Chatrapur
34	Berhampur Bhanjanagar

Khurda Region

35	Nayagarh
36	Khurda
37	Tangi

Jeypore Region

38	Jeypore
39	Similiguda
40	Gunupur

Maharashtra

41	Khopoli
42	Panvel
43	Puintamba
44	Rahuri
45	Rahata
46	Sangamner
47	Srirampur
48	Vashi, Navi Mumbai

Chhattisgarh

49	Bhilai-Supela
50	Charoda

West Bengal

51	Alipore
52	Bansberia

Madhya Pradesh

53	Hoshangabad
54	Babai

Tamilnadu

55	Chennai
56	Pondicherry
57	Cuddalore
58	Karaijadi
59	Coimbatore
60	Mayiladuthurai
61	Velandipalayam
62	Trichy
63	Lalgudi

Andhra Pradesh

64	Srikakulam
65	Vishakapatnam
66	Vizayanagaram
67	Tekkali

