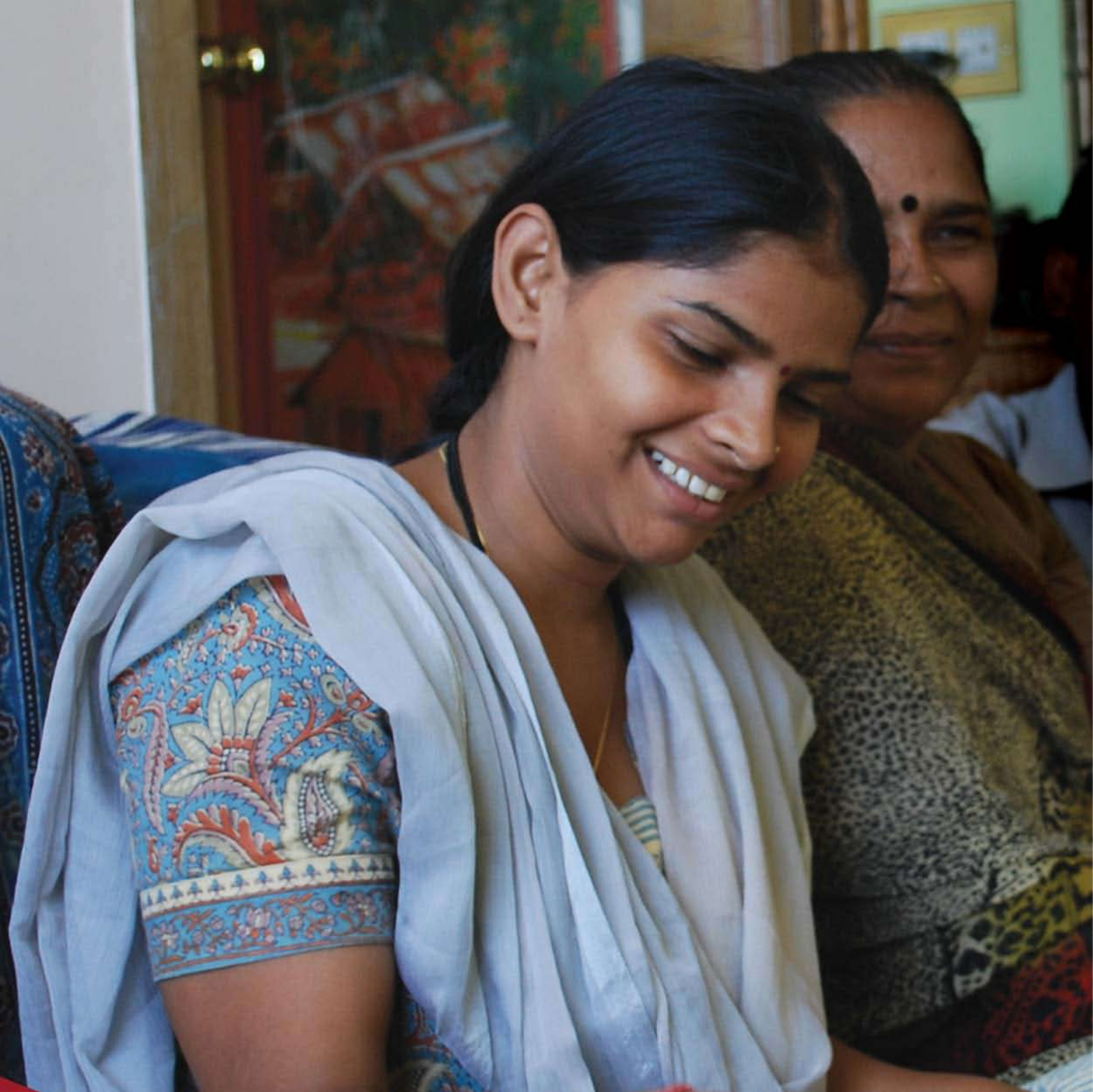
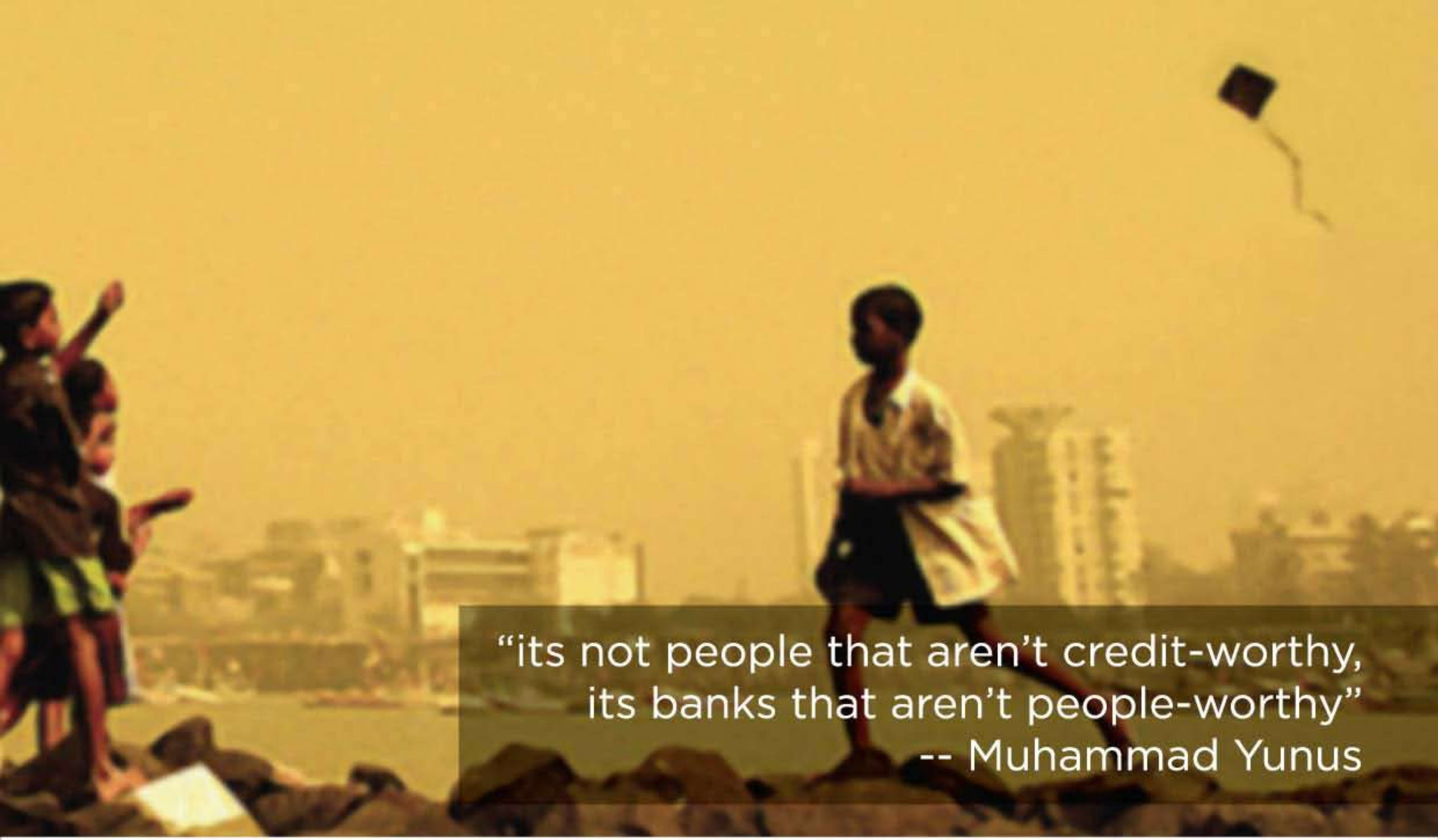


Annual Report
2009 - 10

MICRO HOUSING FINANCE CORPORATION LIMITED


"its not people that aren't credit-worthy,
its banks that aren't people-worthy"
-- Muhammad Yunus

CONTENTS

CHAIRMAN'S LETTER

The financial year 2009-2010 has been a typical start up year for MHFC. We spent our time getting customer insights, identifying relevant projects, building systems and capacities, apart from closing out the first outside investment into the company. The environment has been particularly supportive of our initiatives, with the Government, the regulators and private builders recognizing low cost housing as a social imperative and a business opportunity.

From the customer side, the almost insatiable demand for better living conditions and affordable housing continues to drive all stake holders. The Government's own estimate of shortfall of 24.7 million homes in this category is probably understated, and in any case the combined impact of a young and growing population and increasing urbanization, the trend towards nuclear families and the long gestation period of large mass housing projects, will drive this demand in the foreseeable future.

MHFC's own research based on multiple customer surveys and the loans that we have processed clearly demonstrate that there is a sizeable segment of urban low income households which has the aspiration and can afford reasonably priced homes, provided mortgage finance is made available. This segment is willing to make compromises in their current consumption and commute times to secure ownership and a better living condition. Over 90% of this demand however comes from the so called informal sector, with almost no access to formal mortgage sources.

This is the opportunity and the challenge. There is an opportunity for millions of economically weaker sections of our population to upgrade living standards, there is an opportunity for the builder community to invest in and profit from a potentially large market (estimated at US$ 750 Billion), there is an opportunity for all building input manufacturers like steel, cement, aluminium, household goods etc to build scale, an opportunity for mortgage finance companies like MHFC to lend at attractive rates over cost of capital, and finally for the Government to generate tax revenues from each one of these players.

The challenges remain in the areas of identifying reasonably priced land parcels, building the relevant infrastructure in terms of transportation. communication, health care, education etc, on a scale that makes it cost attractive for the final buyer. Builders need to build new business models which achieve cost efficiencies through supply chain management and deploying technologies and building materials that reduce overall costs and execution time frames. For the mortgage finance companies, the challenges are in identifying and aggregating customers, using technology to reduce costs of processing and collections, and finding innovative approaches to credit evaluation.

At MHFC the year has gone by in a blur. We spent the year building our systems and creating a motivated team that is sensitive to the vulnerabilities of our customer base. Our systems, when fully deployed, will use the latest generation of technology to access customers, structure mortgages for them, and handle customer interactions over the 15 year cycle of the product. Any time, anywhere, anyhow at the lowest cost is the objective. We improved our insights into our customers' income streams, and affordability criteria through multiple interviews and surveys and in depth studies of loan applications. We developed credit criteria that can be applied across professions and locations to automate and speed up the credit process. This is an ongoing process which we believe will only get better as we get bigger.

We have realized that in most of the projects, there is so much investor interest that our target customer gets excluded. We are now working on more targeted marketing approaches to maximize actual user buying from our target customer. This involves working more closely with the builder and devising localized marketing strategies. As a result, we are now seeing increasing interest from our target customers into specific projects. We did our first disbursal in June 2009 and are now confident that we can double our customers every year for the next few years. For the coming year, our first full year of operations, we hope to sanction 1500 loans aggregating Rs 60 crores.

On the projects or supply side, where we had concerns to start with, our projects team is now quite confident of being able to stimulate and identify supply. In fact we now have over 20 projects (with over 20000 homes under construction) which are pre-approved across Mumbai, Pune, Ahmedabad, Kolkatta and the NCR. Many more are in pipeline – we are in discussions with builders in Chennai, Bangalore, Hyderabad, etc.

On the capital side, we welcome the India Financial Inclusion Fund and the Michael and Susan Dell Foundation as investors. They have been valuable partners in our progress, with their keen insights on customers, processes and product. We have also initiated discussions with the NHB and various banks for long term credit lines and are confident of our ability to raise debt financing when we need it. Based on our estimates, we do not expect to need debt financing till the 3rd or 4th quarter of next year.

Finally I would like to, on behalf of the team in MHFC, thank the NHB and the Government of India and the various state governments and authorities that we have worked with closely in the last year. They have all been extremely supportive and encouraging of our efforts and we believe that we all share a common vision and mission. We look forward to their continued support in the years ahead.

Madhusudhan Menon
Chairman

June 15, 2010
Mumbai, India

DIRECTORS' REPORT

The Members,
Micro Housing Finance Corporation Limited

The Board of Directors of your Company have pleasure in presenting the Annual Report together with the Audited Accounts and Auditors' Report for the 2nd financial year ended 31st March, 2010.

Performance

During the financial year under review, your Company incurred a Loss of Rs. 75.97 Lakhs.

Importantly, the Company started sanctioning loans during the year, and in fact sanctioned its first housing loan in May 2009. By the end of the year, the Company had sanctioned loans aggregating Rs 4.46 crores to lower income, urban families who are generally excluded from the mainstream banking sector. The average individual loan amount is about Rs 4 lakhs. There are no overdue loan accounts.

During the year, the Company raised its equity share capital from Rs 2.2 crores to Rs 14 crores (incl share premium). The Company has no borrowings.

Fixed Deposits

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956, since incorporation.

Particulars under Section 217 of the Companies Act, 1956

1. Particulars of Employees:
The Company does not have any employee whose particulars are required to be furnished under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

2. Conservation of Energy & Technical Absorption:
The Company is not a manufacturing Company, hence, the particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

3. Foreign Exchange:
During the year under review, there were no foreign exchange earnings or outgo.

Directors

In accordance with the provisions of the Articles of Association of the Company, Mr. Madhusudhan Menon and Mr Rajnish Dhall, are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offers themselves for re-appointment.

The Board recommends the re-appointment of Mr. Madhusudhan Menon and Mr Rajnish Dhall.

Auditors' Report

The Auditors' Report is unqualified. The notes to the Accounts, referred to in the Auditors' Report, are self-explanatory and hence, do not call for further clarifications under Section 217(3) of the Companies Act, 1956.

Auditors

M/s Walker, Chandiok and Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have offered themselves for re-appointment. M/s. Walker, Chandiok and Co., have confirmed that their appointment, if made, would be within the prescribed limit under Section 224(1-B) of the Companies Act, 1956.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, we, the Directors of Micro Housing Finance Corporation Limited, state in respect of Financial Year 2009-10 that:

(i) in the preparation of the Annual Accounts for the financial year ended 31st March 2010, the applicable Accounting Standards have been followed along with proper explanation relating to material disclosures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and at the end of the financial year and of the loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) the Directors have prepared the annual accounts on a going concern basis.

Regulations

In terms of regulatory requirements, the Company will comply with the Housing Finance Companies ("NHB") Directions, 2001 prescribed by the NHB. The Company has already issued comprehensive Know Your Customer ("KYC") Guidelines and Anti Money Laundering Standards, and adopted the Fair Practices Code framed by the NHB which seeks to promote good and fair practices in dealing with customers.

Acknowledgement

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from various persons and the authorities, especially the National Housing Bank. Your Directors look forward to their continued support in future as well.

The Directors are also thankful to the stakeholders for continued support to the Company.

For and on behalf of the Board of Directors of
Micro Housing Finance Corporation Limited

Rajnish Dhall	**Nachiket Shelgikar**
Director	**Director**

Place: Mumbai
Date: June 15, 2010

AUDITORS' REPORT

To

The Members of Micro Housing Finance Corporation Limited

1. We have audited the attached Balance Sheet of **Micro Housing Finance Corporation Limited**, (the 'Company') as at March 31, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto (collectively referred as the "financial statements"). 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to 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 appears from our examination of those books;
   c. The financial statements dealt with by this report are in agreement with the books of account;
   d. On the basis of written representations received from the directors as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
      i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2010; and
      ii) the Profit and Loss Account, of the loss for the year ended on that date.

For **Walker, Chandiok & Co.**
Chartered Accountants

Firm Registration No.: 001076N
per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Place: Mumbai
Date: June 15, 2010

Annexure to the auditors' report of even date to the members of Micro Housing Finance Corporation Limited on the financial statements for the year ended March 31, 2010

Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and in terms of the information and explanations given to us and the books and records examined by us in the normal course of audit, we report that:

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

ii) (a) The Company does not have any tangible inventory. Accordingly, the provisions of clause 4 (ii) of the Order are not applicable to the Company.

iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4 (iii) (b) to (d) of the Order are not applicable.

(b) The Company has not taken any loans, secured or unsecured fromc ompanies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4 (iii) (f) and 4 (iii) (g) of the Order are not applicable.

iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system.

v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) There are no transactions in pursuance of contracts or arrangements entered in the registered maintained under section 301 of the Act during the year aggregating to rupees five lakhs or more in respect of any party.

vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

viii) To the best of our knowledge, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable to the Company.

ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.

(b) There are no amounts in respect of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, as applicable, that have not been deposited with the appropriate authorities on account of any dispute.

x) The Company has been registered for a period of less than five years. Accordingly, the provisions of clause 4(x) of the Order are not applicable.

xi) The Company has no dues payable to a financial institution or a bank or debenture holders during the year. Accordingly, the provisions of clause 4(xi) of the Order are not applicable.

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.

xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the company.

xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

xx) The Company has not raised any money by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

xxi) In our opinion, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandiok & Co**
Chartered Accountants

Firm Registration No.: 001076N
Per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Place: Mumbai
Date: June 15, 2010

Micro Housing Finance Corporation Limited

Balance Sheet as at March 31, 2010

	Schedule	As at March 31, 2010	As at March 31, 2009
		(Rupees)	(Rupees)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	116,666,630	22,000,000
Reserves and Surplus	2	23,333,315	-
Unsecured Loans	3	-	467,000
		139,999,945	**22,467,000**
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		325,204	-
Less: Accumulated Depreciation		61,693	-
Net Block		**263,511**	**-**
Housing Loans	5	8,114,214	-
Current Assets, Loans and Advances			
Cash and Bank Balances	6	121,678,578	20,812,525
Other Current Assets	7	3,413,501	1,158,281
Loans and Advances	8	1,038,050	301,649
		126,130,129	**22,272,455**
Less : Current Liabilities and Provisions			
Liabilities		3,022,302	1,111,897
		3,022,302	**1,111,897**
Net Current Assets		**123,107,827**	**21,160,558**
Miscellaneous Expenditure			
(to the extent not written off or adjusted)		-	389,098
Profit and Loss Account		8,514,393	917,344
		139,999,945	**22,467,000**

Significant accounting policies and notes to the financial statements 13

The schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date.

For Walker, Chandiok & Co
Chartered Accountants

Khushroo B. Panthaky
Partner

For and on behalf of the Board of Directors

Rajnish Dhall
Director

Nachiket Shelgikar
Director

Place: Mumbai
Date: June 15, 2010

Micro Housing Finance Corporation Limited

Profit and Loss Account For the Year Ended March 31, 2010

	Schedule	For the year ended March 31, 2010	For the period May 16, 2008 to March 31, 2009
INCOME		(Rupees)	(Rupees)
Income from Operations	11	646,885	-
Interest Income from Fixed Deposits		4,603,515	1,464,314
		5,250,400	**1,464,314**
EXPENDITURE			
Employee Remuneration and Benefits	11	4,318,334	-
Operating and Administrative Expenses	12	8,467,422	2,381,658
Depreciation		61,693	-
		12,847,449	**2,381,658**
Loss from Operations		(7,597,049)	(917,344)
Provision for Taxation		-	-
Loss after Taxation		**(7,597,049)**	**(917,344)**
Balance Brought Forward from Previous Year		(917,344)	-
Balance Carried Forward to Balance Sheet		**(8,514,393)**	**(917,344)**
Earnings per share (Basic & Diluted) (Refer Note IV (3) of Schedule 10)		(1.17)	(0.42)
Face Value per share		10	10

Significant accounting policies and notes to the financial statements 14

The schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date.

For Walker, Chandiok & Co
Chartered Accountants

For and on behalf of the Board of Directors

Khushroo B. Panthaky
Partner

Rajnish Dhall
Director

Nachiket Shelgikar
Director

Place: Mumbai
Date: June 15, 2010

Micro Housing Finance Corporation Limited

Schedules forming part of financial statements for the year ended March 31, 2010

Schedule - 1 : Capital	As at March 31, 2010	As at March 31, 2009
	(Rupees)	(Rupees)
Authorised		
25,000,000 (Previous year 5,000,000) Equity Shares of Rs 10 each	**250,000,000**	**50,000,000**
Issued, subscribed and paid up		
11,666,663 (Previous year 2,200,000 Equity shares of Rs 10 each	**116,666,630**	**22,000,000**

Schedule - 2 : Reserves and Surplus	As at March 31, 2010	As at March 31, 2009
	(Rupees)	(Rupees)
Securities premium		
Balance at the beginning of the year	-	-
Add: Amount received during the year (Premium of Rs.5 per share on 4,666,663 (Previous year Nil) shares)	23,333,315	-
	23,333,315	**-**

Schedule - 3 : Unsecured Loans	As at March 31, 2010	As at March 31, 2009
	(Rupees)	(Rupees)
Loan from director*	-	467,000
	-	**467,000**

* Maximum balance outstanding at any time during the year - Rs.467,000 (Previous year - Rs.467,000)

Schedule - 4
Fixed Assets

(Rupees)

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As at 1.04.2009	Additions	Deletions	As at 31.03.2010	As at 1.04.2009	For the year 2009-10	Deletion	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Computers	-	281,085	-	281,085	-	57,558	-	57,558	223,527	-
Furniture & Fixtures	-	37,126	-	37,126	-	3,935	-	3,935	33,191	-
Office equipment	-	6,993	-	6,993	-	200	-	200	6,793	-
Total	-	**325,204**	-	**325,204**	-	**61,693**	-	**61,693**	**263,511**	-
Previous year	-	-	-	-	-	-	-	-	-	-

Micro Housing Finance Corporation Limited

Schedule forming part of financial statements for the year ended March 31, 2010

Schedule - 5 : Housing Loans	As at March 31, 2010 (Rupees)	As at March 31, 2009 (Rupees)
	(Rupees)	
Standard	8,114,214	-
Sub Standard	-	-
	8,114,214	-

Schedule - 6 : Cash and Bank Balances	As at March 31, 2010	As at March 31, 2009
	(Rupees)	(Rupees)
Cash on hand	3,010	100
Balances with Scheduled Banks in:		
- Current accounts	2,716,787	812,425
- Deposit accounts	118,958,781	20,000,000
	121,678,578	**20,812,525**

Schedule - 7 : Other Current Assets	As at March 31, 2010	As at March 31, 2009
	(Rupees)	(Rupees)
Interest accrued but not due from Borrowers	89,201	
Interest Accrued on Fixed Deposits	3,324,300	1,158,281
	3,413,501	**1,158,281**

Schedule - 8 : Loans and Advances	As at March 31, 2010 (Rupees)	As at March 31, 2009 (Rupees)
Advances recoverable in cash or in kind or for value to be received	1,038,050	301,649
	1,038,050	**301,649**

Schedule - 9 : Liabilities	As at March 31, 2010 (Rupees)	As at March 31, 2009 (Rupees)
Accounts Payable	2,679,665	1,009,699
Other Liabilities	342,637	102,198
	3,022,302	**1,111,897**

Micro Housing Finance Corporation Limited

Schedules forming part of financial statements for the year ended March 31, 2010

Schedule - 10 : Miscellaneous Expenditure	As at March 31, 2010	As at March 31, 2009
	(Rupees)	(Rupees)
Opening balance	389,098	389,098
Less: Written off during the year	389,098	-
	-	**389,098**

Schedule - 11 : Income from Operations	For the year ended March 31, 2010	For the period May 16, 2008 to March 31, 2009
	(Rupees)	(Rupees)
Interest on Loans	348,270	-
Application and Processing Fee	298,615	-
	646,885	**-**

Schedule - 12 : Employee Remuneration and Benefits	For the year ended March 31, 2010	For the period May 16, 2008 to March 31, 2009
	(Rupees)	(Rupees)
Salaries	4,297,217	-
Staff welfare	21,117	-
	4,318,334	**-**

Schedule - 13 : Operating and Administrative Expenses	For the year ended March 31, 2010	For the period May 16, 2008 to March 31, 2009
	(Rupees)	(Rupees)
Legal and Professional Charges	4,426,423	1,759,644
ROC Filing Fee and Stamp Duty	1,408,510	1,000
Travelling and Conveyance	641,621	214,051
Printing & Stationery	192,036	1,040
Communication	73,799	-
Miscellaneous Expenditure written off	389,098	97,274
Power	70,268	-
Repairs & Maintenance (Others)	165,080	-
Payment to Auditors		
Audit Services	200,000	16,545
Other Services	100,000	2,758
Hotel & Boarding	85,722	-
Rent	520,000	-
Miscellaneous Expenses	194,865	289,346
	8,467,422	**2,381,658**

Schedule – 14: Significant accounting policies and notes to the financial statements

I. Background

Micro Housing Finance Corporation Limited ("MHFC") is a start up venture, incorporated on May 16, 2008. Its objective is to provide housing finance for lower income households (mostly in the unorganised sector) in urban India.

II. (a) Basis of preparation of financial statements

The financial statements which have been prepared under historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules,2006, to the extent applicable. The accounting policies have been consistently applied by the Company.

(b) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Key estimates include estimate of useful life of assets, provision for expenses, retirement benefits, provision for doubtful debts and income taxes. Actual results could differ from those estimates. Any revision to accounting estimates will be recognised prospectively in the current and future periods.

III. Significant Accounting Policies

(a) Fixed assets and depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the assets upto the point the asset is ready for its intended use.

Depreciation is provided under the Written Down Value method on pro- rata basis, at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956, which also represents the useful life of the fixed assets.

Individual assets costing up to Rs. 5,000 are fully depreciated in the year of purchase.

(b) Impairment of assets:

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. After impairment, depreciation is provided on revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further increased or reversed depending on changes. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging depreciation if there was no impairment.

(c) Revenue recognition:

Repayment of housing loans is generally by way of Equated Monthly Installments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed on a monthly rest basis.

Income from interest is accounted on time proportion basis taking into account the amount outstanding and the applicable rate of interest.

(d) Taxation:

Current taxation

Provision for current tax is recognized based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred taxation

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates or tax rates that are substantively enacted at the balance sheet dates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised in future. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in the future. Such assets are reviewed at each balance sheet date to reassess realisation.

(e) Housing Loans:

Housing loans represents outstanding amount of housing loan disbursed directly to borrowers.

(f) Staff Benefits:

All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.

(g) Provisions and Contingent liabilities:

Provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

IV. Notes to the financial statements

1. Auditors' remuneration:

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	Rupees	Rupees
Statutory Audit	200,000	16,545
Other services	100,000	2,758
Total	**300,000**	**19,303**

2. Related party disclosures:

Particulars of related party transactions (as certified and confirmed by the management)

Rupees

Particulars	March 31, 2010	March 31, 2009
I. Key Managerial Personnel 1. Mr Madhusudhan Menon, Director 2. Mr Rajnish Dhall, Director 3. Mr Nachiket Shelgikar, Director Note: No salary / allowances were paid to the above key managerial persons for the years ended March 31, 2010 and March 31, 2009.		
II. Other transactions		
a. Unsecured, interest free loan provided by one of the directors to the Company.	-	467,000
Repayment of interest free loan	467,000	-
b. Allotment of shares to directors	48,333,330	22,625,000

3. Earnings per share

The amount considered in ascertaining the Company's earnings per share constitute the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprise the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of shares which could have been issued on conversion of all dilutive potential shares.

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	Rupees	Rupees
Net Loss for equity share holders	(7,597,049)	(917,344)
Weighted average number of equity shares outstanding during the year.	6,505,387	2,200,000
Basic and diluted earning per share (Equity share of Rs. 10 each)	(1.17)	(0.42)

4. The management has represented that the Company has not transacted during the year with the enterprises covered under Micro, Small and Medium Enterprises Development Act, 2006 and such representation has been relied upon by the Auditors of the Company.

5. The financial statements of the Company for the immediately preceding previous period were audited and reported by another firm of Chartered Accountants. Prior period's figures have been regrouped/rearranged wherever necessary only to conform to the current year's presentation. Further, the prior accounting period was from May 16, 2008 to March 31, 2009 and therefore the figures are not comparable to the current accounting period, comprising of twelve months ended March 31, 2010.

Signatures to Schedules 1 to 14

For and on behalf of the Board of Directors

Rajnish Dhall	Nachiket Shelgikar
Director	Director

Place: Mumbai
Date: June 15, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS					
REGISTRATION NO.	182274	STATE CODE:	11		
BALANCE SHEET DATE	31/03/2010				
II. CAPITAL RAISED DURING THE YEAR (RS. IN THOUSAND)					
PUBLIC ISSUE	NIL	RIGHT ISSUE	NIL		
BONUS ISSUE	NIL	PRIVATE PLACEMENT	118000		
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RS. IN THOUSAND)					
TOTAL LIABILITIES	140000	TOTAL ASSETS	140000		
SOURCES OF FUND					
PAID-UP CAPITAL	116667	RESERVES & SURPLUS	23333		
SECURED LOANS	NIL	UNSECURED LOANS	NIL		
APPLICATION OF FUND					
NET FIXED ASSETS		HOUSING LOANS	8114		
NET CURRENT ASSETS	123108	INVESTMENTS	NIL		
ACCUMULATED LOSSES	8514	MISC. EXPENDITURE	NIL		
IV. PERFORMANCE OF COMPANY (RS. IN THOUSAND)					
TURNOVER		TOTAL EXPENDITURE	12847		
PROFIT/LOSS BEFORE TAX (+ Profit, - Loss)		PROFIT/LOSS AFTER TAX (+ Profit, - Loss)	-7597		
EARNING PER SHARE IN RS.	-1.17	DIVIDEND RATE %	NIL		
VI. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)					
ITEMS CODE NO. (ITC CODE) 1 2 3		HOUSING FINANCE BUSINESS			

BRIEF PROFILE OF DIRECTORS / MANAGEMENT TEAM

Madhusudhan Menon (Chairman)

Madhu is a Chartered Accountant with over 23 years of banking experience, initially with the Reserve Bank of India and then with American Express Bank ("AEB"). Since leaving AEB in 2002 as Senior Director, responsible for Commercial Banking and Capital Market activities in India, he has been an advisor to various business groups in India as a wealth management and capital market specialist. He has a keen interest in using commercially viable business models to stimulate and sustain social change.

Rajnish Dhall (Managing Director)

Rajnish completed his P.G.D.M from the IIM (Ahmedabad), after which he worked with American Express Bank in a variety of roles for 15 years, the last 10 of which were overseas based. He left the Bank as a Senior Director in 2006 and returned to Mumbai to work in the social sector (advising Aangan, an NGO which works in state run children homes and as a member of the Justice Dhanuka court appointed committee to look into the infrastructure of Mumbai municipal schools).

Nachiket Shelgikar (Director - Sales and Marketing)

Nachiket completed his B.S. from the Carnegie Mellon University, after which he worked with Deutsche Bank in M&A for a year in London. He left the Bank in August 2008, and returned to Mumbai to work as a social entrepreneur.

Ramesh Ogale (Director - Projects)

Ramesh has more than 25 years of experience in the Real Estate sector. He promoted his own construction company for building and marketing housing for low and middle income buyers in the coastal Maharashtra region. Prior to that, he was working with Makers Development Services, where he worked on various turnkey township projects. As a result he is well exposed to construction practices, and project management. He has also interacted with various housing finance companies throughout his career.

Jayesh Shah (Director - Credit and Operations)

Jayesh joined HDFC, India's leading housing finance company, as a management trainee in June 1987 and over his 22 year career with the firm, he worked across all major departments. In addition, he was on specific local assignments including the development of an online loan processing system and on international assignments (with the ADB and SMF) in Sri Lanka and Indonesia. He also was a regular faculty at the HDFC training centre, where his area of specialization was Credit Risk Management and Loan Process Improvisation. Further, he worked on pilot HDFC social development projects on microfinancing, housing and social infrastructure with agencies like BAIF, KfW, Baroda Citizen's Council and United Way of Vadodara.

Siddhartha Padgaonkar (GM - Operations)

Siddhartha has worked as a Management Consultant in US for the past six years, specializing in the process optimization and projects management. His clients include Freddie Mac, Fannie Mae and Federal Emergency Management Agency where he focussed on disaster management, low income housing and infrastructure restoration. Sid holds a Master's degree in Systems Engineering from the George Washington University and is a certified Projects Management Professional.

Vilasini Subramaniam (GM - Credit)

Vilasini is a Chartered Accountant with over 7 years of banking experience, mostly with Citibank where she worked for 6 years, primarily in the Mortgage division where she was responsible for managing credit risk for loans originated by branches in South India. Prior to joining MHFC, she worked in microfinance for over a year with Janalakshmi Financial Services, where she helped in developing processes around Individual Loan products. She also worked closely with Janaadhar Housing (a sister concern of Janalakshmi focussing on affordable housing) assisting in organising a market survey for ascertaining the demand for affordable housing, and in drafting the housing product & related processes.

In addition, MHFC is assisted on the Board by:

Ashish Karamchandani

Ashish led The Monitor Group's consulting business in India for 7 years, after which he has been in charge of its social change initiative that is "using market based solutions to create social change". One of the specific initiatives is on low income housing. He has led an in-depth World Bank study for the National Housing Bank that has confirmed the customer demand and buying power and developed innovative solutions to meet this demand using the current market. He and his team are currently in the process of facilitating a number of pilots that will help "make" this market. In terms of educational qualifications, he has a B.Tech from IIT, Bombay, an M.S. from Berkeley and a PhD. from Stanford University.

Mona Kachhwaha

Mona Kachhwaha is the Director - Investments of Caspian Advisors which manages the India Financial Inclusion Fund. She joined Caspian in Aug 2007 after a long stint with Citibank India, where she worked between 1994 and 2007. In a career spanning 13 years with the Global Consumer Banking Division of Citibank India, she worked in a range of functions including Operations, Sales, Product Development, Credit Risk Management and Business Management, and across many product groups. From 2002-05 she was the head of Credit Administration and Credit Policy functions for the Mortgage Business for Citi, and from 2005 she set up and managed the Bank's Microfinance Business until 2007. Mona Kachhwaha graduated in Mathematics from Delhi University (1992) and holds a Post Graduation Diploma in Business Management from XLRI, Jamshedpur (1994).

Geeta Goel

Geeta Goel manages the Michael & Susan Dell Foundation's (MSDF) microfinance initiative in India, which includes a portfolio of over 10 microfinance (and related) institutions. Prior to joining the Foundation, she spent over 12 years with the Corporate Finance Group of PricewaterhouseCoopers in India, advising large Indian and multi-national clients on joint ventures, mergers & acquisitions, business plans and valuations. Geeta has also advised clients in capital structuring and raising private equity. She is an alumni of IIM (Ahmedabad) and Lady Shri Ram College (Delhi).

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