

Auditors' Report

To The Members of

SKS MICROFINANCE PRIVATE LIMITED

1. We have audited the attached Balance Sheet of SKS Microfinance Private Limited ('the Company') as at March 31, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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) ('the Order') 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 said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

SKS
L


S.R. BATLIBOI & CO.

Auditors' Report
SKS Microfinance Private Limited

Page 2 of 6

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.


For S.R. BATLIBOI & CO.
Chartered Accountants


per Viren H. Mehta
Partner
Membership No.: 048749

Place: *Hyderabad*
Date: *July 31, 2007*

Annexure referred to in paragraph 3 of our report of even date

Re: SKS MICROFINANCE PRIVATE LIMITED

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of fixed assets during the year.
- (ii) The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of providing loans and does not maintain any inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) The Company has granted loan to parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 16,361,380 and the year-end balance of loans granted to such parties was Rs. 16,361,380.
- (b) According to the information and explanations given to us, we are of the opinion that the terms and conditions of the loan given by the Company for such loans are not prima facie prejudicial to the interest of the Company. The loan given is an interest free.
- (c) In respect of loans granted, as informed no repayment of such loan is due during the year, thus there is no default on part of the parties to whom the money has been lent. The loan given is interest free.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, 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 internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

CSM
R

S.R. BATLIBOI & CO.

Auditors' Report
SKS Microfinance Private Limited

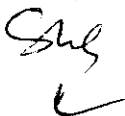
Page 4 of 6

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an internal audit system, *the scope and coverage of which, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.*
- (viii) To the best of our knowledge and as explained, 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.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases* and in case of dues for service tax, *these have not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases.*
- (b) According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Due Date	Date of Payment
Employee State Insurance Corporation	Contribution to the fund	123,754	November 2005 – September 2006	21 st of the following month	Of the total, Rs. 64,033 paid on April 17, 2007
Maharashtra Professional Tax Act, 1975	Professional Tax	16,620	April 2006 – September 2006	15 th of the following month	-
Service Tax Act	Service tax on membership fees	648,535	September 2005 – September 2006	5 th of the following month	-
Service Tax Act	Interest on service tax dues above	87,001	September 2005 – September 2006	Not Applicable	-
Service Tax Act	Service tax on loan processing fees	951,262	September 2005 – September 2006	5 th of the following month	-

Name of the statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Due Date	Date of Payment
Service Tax Act	Interest on service tax dues above	104,938	September 2005 – September 2006	Not Applicable	-
Service Tax Act	Service tax on income from management services	434,194	May 2006 – September 2006	5 th of the following month	-
Service Tax Act	Interest on service tax dues above	36,237	May 2006 – September 2006	Not Applicable	-

- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, *the Company has defaulted in repayment of dues to bank. Term loan repayment amounting to Rs.5,000,000 became due for repayment on January 18, 2007 which was repaid by the Company on January 23, 2007.* The Company has not defaulted in repayment of dues to a financial institution. The Company did not have any outstanding debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing / trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.



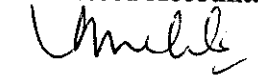
S.R. BATLIBOI & CO.

Auditors' Report
SKS Microfinance Private Limited

Page 6 of 6

- (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) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been gainfully invested in liquid investments payable on demand. The maximum amount of idle/surplus fund invested during the year was Rs 90,000,000 of which Rs.Nil was outstanding at the end of the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (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 Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) We have been informed that during the period covered by our audit report, *six cases of frauds were noticed / reported by the Company as given below*
- (a) *Five cases of cash embezzlements by the employees of the Company aggregating to Rs. 751,095. Of these, we have been informed that three employees are absconding. The services of all five employees involved have been terminated and the Company is in the process of taking legal action. We have been informed that the Company is adequately covered by fidelity insurance cover;*
- (b) *Misrepresentation by a member who collected loans disbursed to several other members aggregating to Rs. 165,000. The Company is pursuing the member to repay the money. The loan balance remaining uncollected has been fully provided.*


For S.R. BATLIBOI & CO.
Chartered Accountants


per Viren H. Mehta
Partner

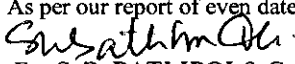
Membership No.: 048749

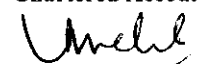
Place: *Hyderabad*
Date: *July 31, 2008*

SKS MICROFINANCE PRIVATE LIMITED
Balance Sheet As At March 31, 2007

	Schedules	March 31, 2007	March 31, 2006
		Rupees	Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	266,430,470	139,071,700
Reserves and Surplus	2	450,320,442	4,744,012
Loan Funds			
Secured Loans	3	2,490,194,068	692,183,333
Deferred Tax Liabilities (Net)	4	-	3,311,930
TOTAL		3,206,944,980	839,310,975
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5A	36,504,818	10,323,402
Less: Accumulated Depreciation		15,878,359	986,623
Net Block		20,626,459	9,336,779
Capital Work in Progress Including Capital Advances		35,706	-
		20,662,165	9,336,779
Intangible Assets			
Gross Block	5B	47,954,635	47,954,635
Less: Accumulated Amortization		17,024,754	6,548,100
Net Block		30,929,881	41,406,535
Capital Work in Progress Including Capital Advances		540,000	-
		31,469,881	41,406,535
Deferred Tax Assets (Net)	4	8,896,348	-
Current Assets, Loans and Advances			
Cash and Bank Balances	6	564,536,150	175,726,151
Other Current Assets	7	11,747,006	3,870,512
Loans and Advances	8	2,711,778,947	768,204,728
	(A)	3,288,062,103	947,801,391
Less: Current Liabilities and Provisions			
Current Liabilities	9	81,611,603	140,682,341
Provisions	10	60,533,914	20,287,928
	(B)	142,145,517	160,970,269
Net Current Assets	(A-B)	3,145,916,586	786,831,122
Miscellaneous Expenditure	11	-	1,736,539
(To the extent not written of or adjusted)			
TOTAL		3,206,944,980	839,310,975
Notes to Accounts	19		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

 For S. R. BATLIBOI & Co.
 Chartered Accountants


 per Viren H. Mehta
 Partner


Membership No.048749
 Place: Hyderabad
 Date: July 31, 2008



For and on behalf of the Board of Directors of
 SKS Microfinance Private Limited


 Vikram Akula
 Managing Director


 Sitaram Rao
 Director


 Manish Kumar
 Company Secretary

SKS MICROFINANCE PRIVATE LIMITED

Profit and Loss Account for the Year Ended March 31, 2007

	Schedules	March 31, 2007	March 31, 2006
		Rupees	Rupees
INCOME			
Income from Operations	12	449,859,616	92,008,973
Other Income	13	6,803,584	7,422,252
TOTAL		456,663,200	99,431,225
EXPENDITURE			
Financial Expenses	14	142,741,806	28,949,384
Personnel Expenses	15	129,674,099	27,526,388
Operating and Other Expenses	16	92,971,375	17,859,818
Depreciation and Amortization	5	23,789,360	7,534,723
Provisions and Write Offs	17	22,124,763	7,733,640
TOTAL		411,301,403	89,603,953
Profit Before Tax and Prior Period Items		45,361,797	9,827,272
Prior Period (Income) / Expenses	18	(18,647,121)	-
Profit Before Tax		64,008,918	9,827,272
Provision for Tax			
-Current Tax		36,792,749	1,474,000
-Deferred Tax Charge/ (Credit)		(12,208,278)	3,311,930
-Fringe Benefit Tax		2,752,776	617,000
Total Tax Expense / (Income)		27,337,247	5,402,930
Profit After Tax		36,671,671	4,424,342
Profit Brought Forward from Previous Year		3,749,261	262,269
Profit Available for Appropriation		40,420,932	4,686,611
APPROPRIATIONS			
Transfer to Statutory Reserve		7,334,334	937,350
Surplus Carried to Balance Sheet		33,086,598	3,749,261
Earning Per share (Basic and Diluted) (Refer Note 12 of Schedule 19)		2.63	1.69
Notes to accounts		19	

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

S. R. Batliboi & Co.
For S. R. BATLIBOI & Co.
Chartered Accountants

Viren H. Mehta

per Viren H. Mehta
 Partner

Membership No.048749

Place: Hyderabad

Date: July 31, 2007



**For and on behalf of the Board of Directors of
 SKS Microfinance Private Limited**

Vikram Akula

Vikram Akula
 Managing Director

Sitaram Rao

Sitaram Rao
 Director

Manish Kumar

Manish Kumar
 Company Secretary

SKS MICROFINANCE PRIVATE LIMITED
Schedules to Balance Sheet and Profit and Loss Account

March 31, 2007

March 31, 2006

Schedule 1: Share Capital

Authorized

Equity Shares

37,000,000 (Previous Year 17,000,000) Equity Shares of Rs. 10 each 370,000,000 170,000,000

Preference Shares

3,000,000 (Previous Year 3,000,000) Preference Shares of Rs. 10 each 30,000,000 30,000,000
400,000,000 200,000,000

Issued, Subscribed and Fully Paid-up

26,643,047 (Previous Year 13,907,170) Equity Shares of Rs. 10 each 266,430,470 139,071,700

Total 266,430,470 139,071,700

Schedule 2: Reserves and Surplus

A. Securities Premium Account

As per Last Balance Sheet - -

Add: Amount received during the year 408,904,759 -

Total 408,904,759 -

B. Statutory Reserve

As per Last Balance Sheet 994,751 57,401

Add: Transfer from Profit and Loss Account 7,334,334 937,350

Total 8,329,085 994,751

C. Profit and Loss Account

33,086,598 3,749,261

Total 450,320,442 4,744,012



SKS MICROFINANCE PRIVATE LIMITED
Schedules to Balance Sheet and Profit and Loss Account

March 31, 2007

March 31, 2006

Schedule 3 : Secured Loans

Term Loans		
From Banks (Secured by Hypothecation of Portfolio Loans)	2,014,509,514	492,183,333
From Financial Institutions (Secured by Hypothecation of Portfolio Loans and by Bank Deposits marked as Lien)	475,684,554	200,000,000
Total	2,490,194,068	692,183,333

Schedule 4: Deferred Tax Assets / (Liabilities) (Net)

Deferred Tax Assets

Differences in depreciation and other differences in block of fixed assets and intangible assets as per tax books and financial books	699,446	-
Difference due to disallowance of expenses under section 43B of Income tax Act, 1961	3,466,529	-
Difference due to disallowance of provision for doubtful debts	3,577,886	-
Difference due to disallowance of provision for gratuity	598,823	-
Difference due to charge of tax on income on non-performing assets	117,835	-
Difference due to others disallowances	435,829	1,558,795
Gross Deferred Tax Assets	8,896,348	1,558,795

Deferred Tax Liabilities

Differences in depreciation and other differences in block of fixed assets and intangible assets as per tax books and financial books	-	4,870,725
Gross Deferred Tax Liabilities	-	4,870,725

Net Deferred Tax Assets / (Liabilities)

	8,896,348	(3,311,930)
--	------------------	--------------------



SKS MICROFINANCE PRIVATE LIMITED
Schedules to Balance Sheet and Profit and Loss Account

Schedule 5: Fixed Assets and Intangible Assets

A. Fixed Assets

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on April 1, 2006	As on March 31, 2007	As on April 1, 2006	For the Year	Deletion	Total March 31, 2007	As on March 31, 2007	As on March 31, 2006	
(I) Furniture and Fixture	3,371,397	12,193,791	234,979	9,026,814	-	9,261,793	2,931,998	3,136,418	
(II) Plant and Machinery: Computers** Office Equipments@	5,400,348 853,332	20,440,734 3,129,143	673,551 37,591	5,095,992 597,617	-	5,769,543 635,208	14,671,191 2,493,935	4,726,797 815,741	
(III) Vehicles	698,325	741,150	40,502	171,313	-	211,815	529,335	657,823	
Total	10,323,402	36,504,818	986,623	14,891,736	-	15,878,359	20,626,459	9,336,779	
Previous Year	-	10,323,402	-	986,623	-	986,623	9,336,779	-	

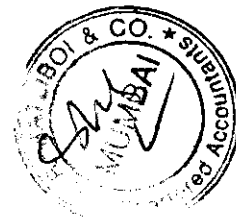
Less: Prior Period Depreciation (Refer Schedule 18)
Depreciation for the year

1,579,030
13,312,706

** Gross block of Computers include grant assets of nominal value of Rs.586.
@ Gross block of Office Equipment include grant assets of nominal value of Rs. 14.

B. Intangible Assets

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on April 1, 2006	As on March 31, 2007	As on April 1, 2006	For the Year	Deletion	Total March 31, 2007	As on March 31, 2007	As on March 31, 2006	
(I) Goodwill	39,701,135	39,701,135	4,631,000	7,940,227	-	12,571,227	27,129,908	35,070,135	
(II) Computer Software	8,253,500	8,253,500	1,917,100	2,536,427	-	4,453,527	3,799,973	6,336,400	
Total	47,954,635	47,954,635	6,548,100	10,476,654	-	17,024,754	30,929,881	41,406,535	
Previous Year	-	47,954,635	-	6,548,100	-	6,548,100	41,406,535	-	



SKS MICROFINANCE PRIVATE LIMITED
Schedules to Balance Sheet and Profit and Loss Account

	March 31, 2007	March 31, 2006
Schedule 6: Cash and Bank Balances		
Cash on Hand	40,391,380	11,754,164
Balances with Scheduled Banks:		
On Current Accounts	424,037,907	149,471,987
On Deposit Accounts	100,106,863	14,500,000
(Of the total deposits placed with bank, deposit certificates of Rs.28,016,064 (Previous Year Rs.14,500,000) has been lien marked against term loans from financial institutions and managed loans)		
Total	564,536,150	175,726,151

SCHEDULE 7: Other Current Assets

Interest Accrued But Not Due		
On Loans	8,689,397	1,625,206
On Deposits placed with Banks	1,365,896	59,590
Others	1,691,713	2,185,716
Total	11,747,006	3,870,512

Schedule 8: Loans and Advances

A. Portfolio Loans (Unsecured, considered good)

Loans under Joint Liability Group Scheme	2,609,547,953	717,662,106
Individual loans	32,375,412	39,985,585
Total	2,641,923,365	757,647,691

B. Other Loans and Advances

Secured, considered good		
Loans to Employees	9,845,217	1,186,836
Unsecured, considered good		
Loans to Directors (Maximum amount outstanding Rs.16,361,380 (Previous Year Rs.Nil))	16,361,380	-
Loans to SKS Microfinance Employees Benefit Trust (Refer Note 16 of Schedule 19)	8,231,800	-
Advances Recoverable in Cash or Kind or Value to be received	5,993,882	3,167,079
Deposits	3,131,789	708,902
Advance Income Tax (Net of Provisions)	-	2,358,551
Interest Accrued and Due	746,319	-
Others	25,545,195	3,135,669
Unsecured, considered doubtful		
Advances Recoverable in Cash or Kind or Value to be received	1,099,692	-
Less: Provision for Doubtful Advances	(1,099,692)	-
Total	69,855,582	10,557,037
Total	2,711,778,947	768,204,728



SKS MICROFINANCE PRIVATE LIMITED
Schedules to Balance Sheet and Profit and Loss Account

	March 31, 2007	March 31, 2006
Schedule 9: Current Liabilities		
Sundry Creditors	35,546,293	6,566,739
Unamortized Loan Processing Fees	29,389,040	-
Interest Accrued But Not Due	10,695,292	3,632,299
Un-disbursed Loan on Account of Managed Loans	-	115,851,000
Due to Swayam Krishi Sangam	-	6,931,355
Statutory Dues	2,809,234	3,603,883
Others	3,171,744	4,097,065
Total	81,611,603	140,682,341

Schedule 10: Provisions

Provision for Taxation (Net of Advance Tax Payments)	30,326,173	-
Provision for Fringe Benefit Tax (Net of Advance Tax Payments)	363,233	372,000
Provision for Non Performing Assets	29,342,526	19,915,928
Provision for Gratuity	501,982	-
Total	60,533,914	20,287,928

Schedule 11: Miscellaneous Expenditure (to the extent not written off or adjusted)

Pre-incorporation Expenses	-	1,736,539
Total	-	1,736,539



SKS MICROFINANCE PRIVATE LIMITED
Schedules to Balance Sheet and Profit and Loss Account

March 31, 2007 **March 31, 2006**

Schedule 12: Income from Operations

Interest Income on Portfolio Loans (Refer Note 3 of Schedule 19)	396,361,185	62,923,860
Membership Fees	10,789,383	2,605,620
Loan Processing Fees (Net of Service tax Rs.4,880,637 (Previous Year: Rs.1,028,517))	23,809,626	12,643,727
Income from Loan Management Services (Refer Note 4 of Schedule 19) (Net of Service Tax Rs.1,727,986 (Previous Year: Rs.Nil))	18,899,422	13,835,766
Total	449,859,616	92,008,973

Schedule 13: Other Income

Interest on Bank Deposits (TDS Rs.404,998; Previous Year: Rs.126,368)	1,834,019	415,701
Dividend from Mutual Fund Investments	597,967	114,685
Miscellaneous Income	4,371,598	6,891,866
Total	6,803,584	7,422,252

Schedule 14: Financial Expenses

Interest		
On Term Loans from Banks	97,802,539	15,208,009
On Term Loans from Financial Institutions	27,306,050	408,358
On Other Loans	6,349,564	10,466,148
Loan Processing Fees	7,481,193	2,229,960
Bank Charges	3,802,460	636,909
Total	142,741,806	28,949,384

Schedule 15: Personnel Expenses

Salaries and Incentives	109,968,910	24,035,205
Staff Leave Encashment	6,311,274	774,273
Contribution to Provident Fund and ESIC	4,492,451	1,177,816
Gratuity	1,761,762	-
Staff Welfare Expenses	7,139,702	1,539,094
Total	129,674,099	27,526,388



SKS MICROFINANCE PRIVATE LIMITED
Schedules to Balance Sheet and Profit and Loss Account

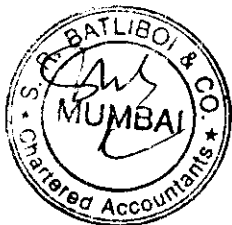
	March 31, 2007	March 31, 2006
Schedule 16: Operating and Other Expenses		
Rent	8,784,304	1,319,477
Rates and Taxes	421,658	4,882
Insurance	890,051	256,974
Repairs and Maintenance		
Plant and Machinery	1,488,582	326,948
Others	5,018,053	945,103
Electricity Charges	1,657,113	337,928
Traveling and Conveyance	38,889,220	7,901,714
Communication Expenses	5,670,621	1,236,045
Printing and Stationery	17,687,741	2,059,904
Professional and Consultancy Charges	5,105,128	1,266,756
Directors' Sitting Fees	125,000	-
Auditors' Remuneration		
Audit Fees	2,220,000	457,000
Out of Pocket Expenses	-	42,144
Share Issue Expenses	3,758,435	706,006
Amortization of Pre Incorporation Expenses	-	477,280
Miscellaneous Expenses	1,255,469	521,657
Total	92,971,375	17,859,818

Schedule 17 : Provisions and Write offs

Provision for Non Performing Assets	10,526,290	3,091,080
Bad Debts Written off	11,598,473	4,642,560
Total	22,124,763	7,733,640

SCHEDULE 18: Prior Period (Income) / Expenses

Interest Income on Portfolio Loans (Refer Note 3 of Schedule 19)	(22,851,624)	-
Service Tax on Loan Processing Fees	557,322	-
Pre-incorporation Expenses Written Off	1,736,539	-
Depreciation (Refer Schedule 5A)	1,579,030	-
Gratuity	331,612	-
	(18,647,121)	-



SKS MICROFINANCE PRIVATE LIMITED
Cash Flow Statement for the Year Ended March 31, 2007

	March 31, 2007	March 31, 2006
	Rupees	Rupees
Cash flow from Operating Activities		
Net Profit Before Taxation after Prior Period Adjustment	64,008,918	9,827,272
Adjustments for:		
Prior Period Interest Income on Portfolio Loans	(22,851,624)	-
Depreciation and Amortization	23,789,359	7,534,723
Prior Period Depreciation	1,579,030	-
Amortization of Pre-incorporation Expenses	-	477,280
Prior Period Pre-incorporation Expenses Written Off	1,736,539	-
Interest Income	(1,691,020)	(415,701)
Dividend Income	(597,967)	(114,685)
Interest Expense	131,458,153	26,082,515
Loan Processing Fees	7,481,194	2,229,960
Provision for Non Performing Assets	10,526,290	3,091,080
Bad Debts Written Off	11,598,473	4,642,560
Provision for Gratuity	1,761,762	-
Prior Period Gratuity	331,612	-
Share Issue Expenses	3,758,435	706,006
Operating Profit Before Working Capital Changes	232,889,154	54,061,010
Movements in Working Capital:		
(Increase) / Decrease in Portfolio Loans	(1,873,022,522)	(745,465,403)
(Increase) / Decrease in Current Assets	(6,618,643)	(2,045,460)
(Increase) / Decrease in Loans and Advances	(62,756,788)	(9,908,049)
(Decrease) / Increase in Current Liabilities	(67,725,124)	137,015,280
Cash Generated from Operations	(1,777,233,923)	(566,342,622)
Direct Taxes Paid	(6,869,568)	(3,974,462)
Net Cash Generated from Operating Activities (A)	(1,784,103,491)	(570,317,084)
Cash Flow from Investing Activities		
Purchase of Fixed Assets (Including Capital Work in Progress)	(26,217,122)	(10,323,402)
Purchase of Intangible Assets (Including Capital Work in Progress)	(540,000)	(47,954,635)
Purchase of Pre-incorporation Expenses	-	(1,954,950)
Purchase of Mutual Funds Units	(320,000,000)	75,000,000
Redemption of Mutual Fund Units	320,000,000	(75,000,000)
Dividend Received	597,967	114,685
Net Cash Flow in Investing Activities (B)	(26,159,155)	(60,118,302)
Cash Flow from Financing Activities		
Proceeds from issuance of share capital (Including Share Premium)	536,263,529	118,471,200
Share Issue Expenses	(3,758,435)	(706,006)
Proceeds from Term Loan Borrowings	2,260,000,000	718,050,000
Repayment of Term Loans	(461,989,265)	(25,866,667)
Interest Paid	(124,395,160)	(22,450,216)
Loan Processing Fees	(7,481,194)	(2,229,960)
Deposits Placed with Banks Marked as Lien against Term Loans and Managed Loans	(18,016,064)	(14,500,000)
Interest received on Deposits Placed with Bank Marked as Lien against Term Loans and Managed Loans	433,170	356,111
Maturity of Deposits Placed with Bank Marked as Lien against Term Loans and Managed Loans	4,500,000	-
Net Cash Generated from Financing Activities (C)	2,185,556,581	771,124,462
Net Increase/(Decrease) in Cash and Cash Equivalents (A)+(B)+(C)	375,293,935	140,689,076
Cash and Cash Equivalents at the Beginning of the Year	161,226,151	20,537,075
Cash and Cash Equivalents at the End of the Year	536,520,086	161,226,151



SKS MICROFINANCE PRIVATE LIMITED
Cash Flow Statement for the Year Ended March 31, 2007

Components of cash and cash equivalents as at	March 31, 2007	March 31, 2006
	Rupees	Rupees
Cash on Hand	40,391,380	11,754,164
Balances with Scheduled Banks:		
On Current Accounts	424,037,907	149,471,987
On Deposit Accounts	100,106,863	14,500,000
Less: Balances in Bank Deposits Placed with Banks Marked as Lien against Term Loans and Managed Loans	(28,016,064)	(14,500,000)
Total	536,520,086	161,226,151

As per our report of even date
Suathimder
 For S. R. BATLIBOI & Co.
 Chartered Accountants

Virend
 per Viren H. Mehta
 Partner
 Membership No.048749
 Place: *Hyderabad*
 Date: *July 31, 2007*



For and on behalf of the Board of Directors of
 SKS Microfinance Private Limited

Vikram Akula *Sitaram Rao*
 Vikram Akula Sitaram Rao
 Managing Director Director

Manish Kumar
 Company Secretary

SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

Schedule 19: Notes to Accounts

1. Nature of Operations

SKS Micro Finance Private Limited ('the Company') is engaged in micro finance lending activities for providing financial services to the poor women in the rural areas of India who are organized as joint liability groups ('JLGs'). The Company provides small value collateral free loans upto Rs. 20,000 for tenure of fifty weeks for income generation to poor women in groups.

All financial transactions are conducted in the group meetings organized near the habitats of these women. The operations, in the initial stages of group formation, involves efforts, on development training on financial discipline, and later constant monitoring through weekly meetings, and providing financial and support services at the doorsteps of the borrowers to ensure high rates of recovery. In case of loans given to JLGs, the Company follows weekly collection for recovery of loans and the interest accrued thereon.

The Company also provides individual loans to existing members ranging between Rs.20,000 to Rs.50,000 for income generation activities for a tenure ranging from twelve months to twenty four months. These loans are generally given to poor women who have completed a minimum of one cycle of loans under JLG. In case of individual loans, the Company follows monthly collection for recovery of loans and the interest accrued thereon.

The Company also acts as an intermediary to manage direct loans provided by certain banks to JLGs. The terms and the tenure of managed loans disbursed are similar to the loans given by the Company to the JLGs.

2. Statement of Significant Accounting Policies

a. Basis of Preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'), the relevant provisions of the Companies Act, 1956 ('the Act') and the provisions of the Reserve Bank of India ('RBI') as applicable to a non banking financial company. The financial statements have been prepared under the historical cost convention on an accrual basis except interest/discount on a loan which have been classified as Non Performing Assets and is accounted for on cash basis. The accounting policies applied by the Company are consistent with those used in the previous year.

b. Use of Estimates

The preparation of 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 and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although



SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates

c. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- i. Interest income on loans given is recognized under the internal rate of return method. Income on Non-performing assets is recognized only when realized and any interest accruing on such assets is de-recognized totally by reversing the interest income already recognized.
- ii. Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- iii. Loan processing fee on loans being an adjustment to yield is recognized over the life of the loan on a straight line basis.
- iv. Membership fees are recognized on an upfront basis.
- v. Dividend income is accounted on establishment of right to receive basis by the Balance Sheet date.
- vi. All other income is recognized on an accrual basis.

d. Fixed Assets

All fixed assets have been stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

e. Depreciation

- i. Depreciation on Fixed Assets has been provided on the Written Down Value method at the rates prescribed under Schedule XIV of the Companies Act, 1956.
- ii. Fixed assets costing upto Rs. 5,000 individually are fully depreciated in the year of purchase.

f. Impairment

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 recoverable amount. The recoverable amount is the



SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g. Intangibles

- i. Goodwill is amortized using the straight-line method over a period of five years.
- ii. Software expenditure is amortized on a written Down Value method at a rate of 40% per annum.

h. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

i. Grants and Subsidies

Grants and subsidies are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

j. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

k. Foreign Currency Transactions

- i. All transactions in the foreign currency are recognized at the exchange rate prevailing on the date of transactions.
- ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year and net gain or losses are recognized as income or expense.
- iii. Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially



SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

l. Retirement and other employee benefits

- i. The monthly contributions towards Provident Fund and Employee's State Insurance Scheme are charged to Profit and Loss Account for the year.
- ii. Liability in respect of gratuity is accrued and provided for on the basis of actuarial valuation made at the end of the accounting year.
- iii. Liability in respect of leave encashment to employees is accounted on an accrual basis.

m. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

n. Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

p. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; 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 best 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 best estimates.



SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

q. Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

r. Employee Share Purchase Plan

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortized over the vesting period of the option on the straight line basis

s. Classification of Loan Portfolio

i. Loans are classified as follows:

Asset Classification	Loans under JLG	Individual Loans
Non Performing Assets	Overdue over 8 weeks	Overdue over 3 months
Sub-Standard	Overdue for 8 weeks – 25 weeks	Overdue for 3 – 6 months
Doubtful assets	Overdue for 25 weeks – 50 weeks	Overdue for 6 – 12 months
Loss Assets	Overdue for more than 50 weeks	Overdue for more than 12 months

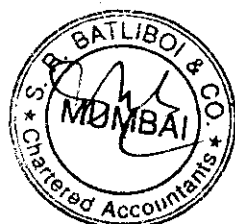
“Overdue” refer to interest and/ or installment remaining unpaid from the day it became receivable.

ii. All other loans & advances are classified as standard, sub-standard, doubtful, and loss assets in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

iii. Under exceptional circumstances, management may renegotiate loans by rescheduling repayment terms for clients have defaulted in repayment but who appear willing and able to repay their loans under longer term agreement. All rescheduled loans are separately identified and provided for in full.

t. Provision for Non Performing Assets

Loans are provided for as per the management’s estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The provision norms adopted by the Company is as follows:



SKS MICROFINANCE PRIVATE LIMITED**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

Provisioning Norms for JLG Loans:

Asset Classification	Arrear Period	Provision as per RBI prudential norms	Estimated Provision adopted by the Company
Standard	Less than 8 weeks	NIL	1%
Sub-Standard	Over 8 weeks – 25 weeks	NIL	10%
Doubtful assets	Over 25 weeks – 50 weeks	10%	50%
Loss Assets	More than 50 weeks	100%	100%

Provisioning Norms for Individual Loans:

Asset Classification	Arrear Period	Provision as per RBI prudential norms	Estimated Provision adopted by the Company
Standard	Less than 3 months	NIL	1%
Sub-Standard	Over 3 – 6 months	NIL	10%
Doubtful assets	Over 6 – 12 months	10%	50%
Loss Assets	More than 12 months	100%	100%

All other loans & advances are provided for in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

u. Write off of Loans

- i. All overdue loans where the tenure of the loan is completed and in the opinion of the management amount is not recoverable, are written off.
- ii. Further all loss assets identified per the extant RBI guidelines are provided / written off.

v. Prior Period and Extra Ordinary items

Prior Period items and Extra Ordinary items having material impact on the financial statements of the Company are disclosed separately.

3. During the year Company has changed its method of accounting interest income from flat rate interest income accounting to the internal rate of return method. The change in accounting has been implemented to bring the financial statements in compliance with the requirement of AS 9 "Revenue Recognition". On account of such change the Company has accounted prior period interest income of Rs. 22,851,624 as disclosed in the financial statements.



SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

4. Income from managed loans

Pursuant to an agreement, entered into by the Company with banks, banks disbursed loans under JLG sourced by the Company. The assets and receivables underlying such loan contracts are owned by the bank and are operationally managed by the Company with an obligation to ensure repayments. As per the agreement, the Company is entitled to collect service charges on the loan disbursements and yield at a contracted rate is passed on by the Company to the bank, over the period of the underlying contracts as and when the respective EMIs of such contracts become due. Accordingly, revenue to the Company for the year amounting to Rs.18,899,422, (Net of Service tax of Rs.1,727,986) (Previous Year Rs. 13,835,766 (Net of Service tax of Rs.Nil)) has been recognized in the Profit & Loss Account under the head 'Income from Loan Management Services'.

5. Segment Information

The Company operates in a single reportable segment i.e. lending to members, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' issued by ICAI. The Company does not have any reportable geographical segment.

6. Related Parties

List and details of related parties

Entity holding Substantial Interest	Sequoia Capital India II, LLC	
Key Management Personnel	Mr. Vikram Akula, Managing Director	
Relatives of Key Management Personnel	Mr. Krishna Akula	Father of Mr. Vikram Akula

Related Party Transactions

	Key Management Personnel **		Relatives of Key Management Personnel		Total	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Issue of Equity Shares	16,361,380	-	-	-	16,361,380	-
Loans given	16,361,380	-	-	-	16,361,380	-
Rent expense	-	-	900,000	652,294	900,000	652,294
Balances as at year end						
Share Capital	16,361,380	-	-	-	16,361,380	-
Loan Balance Outstanding	16,361,380	-	-	-	16,361,380	-
Rent Payable	-	-	63,525	-	63,525	-



SKS MICROFINANCE PRIVATE LIMITED**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007****7. Capital Commitments**

Estimated amounts of contracts remaining to be executed on capital account and not provided for:

	As on March 31, 2007	As on March 31, 2006
Commitment for development of software	1,260,000	-

8. Contingent Liabilities not provided for:

	As on March 31, 2007	As on March 31, 2006
Guarantees given by the Company for the management of the portfolio	27,000,000	8,000,000

9. Employee Share Purchase Plan

In March 2007, pursuant to the approval of Shareholders at the Extraordinary General Meeting, the Company approved an Employee Share Purchase Plan (ESPS). Under the scheme the Company has allotted equity shares to the employees.

The detail of employee stock purchase plan is as follows:

Date of grant	March 30, 2007
Date of Board Approval	March 29, 2007
Date of Shareholder's approval	March 29, 2007
Number of shares vested	818,000
Fair value	4.81
Intrinsic Value	4.81
Issue Price	10.00
Total Employee Compensation Cost pertaining to share based payment	NIL

10. Managing Director Remuneration

	For year ended March 31, 2007	For year ended March 31, 2006
Salaries	2,925,000	1,747,333
Perquisites	900,000	652,294
Incentives	1,100,000	-
Contribution to Provident Fund	-	-
Total	4,925,000	2,399,627

Note: As the future liability for gratuity is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore not included above.



SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

11. Expenditure in Foreign Currency

	For year ended March 31, 2007	For year ended March 31, 2006
Traveling expenses	997,729	Nil
Salary	610,800	Nil
Other expenses	178,986	Nil
Total	1,787,515	Nil

12. Earnings Per Share

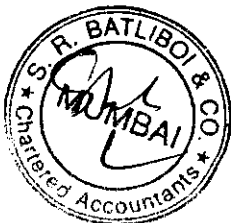
	For year ended March 31, 2007	For year ended March 31, 2006
Profit / (Loss) after Tax	36,671,671	4,424,342
Weighted average number of shares used in computing basic earnings per share	13,942,063	2,611,834
Earnings per Share		
- Basic/ Diluted (Rs.)	2.63	1.69
[Nominal value of shares Rs. 10 each (Previous Year : Rs. 10)]		

13. During the year the Company has received a grant of Rs. 62,78,400 from Small Industries Development Bank of India ('SIDBI'), for the purchase of fixed assets. The Company has fully utilized the grant as required by the terms and conditions of the grant.

14. Investments activity during the year

Mutual Fund	Units Purchased during the year**	Amount Invested	Units Sold during the year	Sale Proceeds
DSP Merrill Lynch	8,003,494	80,000,000	8,003,494	80,000,000
Prudential ICICI	11,524,680	115,000,000	11,524,680	115,000,000
Reliance	12,444,131	125,000,000	12,235,735	125,000,000
Total	31,972,305	320,000,000	31,763,909	320,000,000

**Units purchased during the year includes dividend re-invested.



SKS MICROFINANCE PRIVATE LIMITED

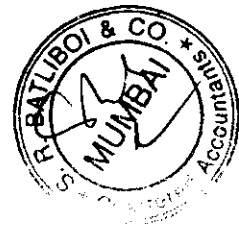
**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

15. Loan Portfolio and Provision for Non Performing Assets

Asset Classification	Loan Outstanding (Gross)		Provision for Non Performing Assets				Loan Outstanding (Net)		
	As at March 31, 2007		As at March 31, 2006		Additional Provision made during the year	Provision write back during the year	As at March 31, 2007		
	No. of Loan clients	Amount	No. of Loan clients	Amount			As at March 31, 2007	As at March 31, 2006	
Standard assets	595,266	2,638,780,971	170,002	746,000,100	18,201,973	-	26,470,310	2,612,310,661	
Sub-standard assets	242	873,778	-	-	87,378	-	87,378	786,400	
Doubtful assets	340	1,240,543	-	-	620,271	-	620,271	620,272	
Loss assets	145	1,028,073	2,969	11,647,591	165,000	10,784,518	1,028,073	-	
Total	595,993	2,641,923,365	172,971	757,647,691	19,074,622	10,784,518	28,206,032	2,613,717,332	737,731,763

16. During the year the Company has given interest free collateral free loan of Rs. 8,231,800 to an employee trust under the Employee Stock Purchase Scheme to provide financial assistance to the employees to purchase its equity shares. The loan is repayable under a back to back arrangement with the trust.

17. There are no amounts due to small scale industrial undertaking by the Company.



SKS MICROFINANCE PRIVATE LIMITED

**NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

18. Previous year's figures which have been audited by another firm of Chartered Accountants have been regrouped where necessary to conform to this year's classification.

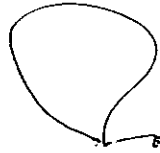
**For and on behalf of the Board of Directors of
SKS Micro Finance Private Limited**



Vikram Akula
Managing Director



Sitaram Rao
Director



Manish Kumar
Company Secretary



SKS MICROFINANCE PRIVATE LIMITED

**Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile**

I Registration Details			
Registration No :		State Code:	01
Balance Sheet Date:	31-Mar-07		
II Capital Raised During The Year (Amount Rs.'000)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
III Position of Mobilisation And Deployment of Funds (Amount Rs.'000)			
Total Liabilities	3,206,945	Total Assets	3,206,945
Sources of Funds			
Paid-Up Capital	266,430	Reserves and Surplus	450,320
Secured Loans	2,490,194	Unsecured Loans	-
Deferred Tax Liability (Net)	NIL		
Application of Funds			
Net Fixed Assets	20,662	Net Intangible Assets	31,470
Investments	-	Deferred Tax Asset (Net)	8,896
Net Current Assets	3,145,917	Miscellaneous Expenditure	-
Accumulated Losses	-		
IV Performance of Company (Amount Rs.'000)			
Turnover (Income from operations and other income including Prior period income)	479,515	Total Expenditure (Including Prior period expenses)	415,506
Profit Before Tax	64,009	Profit After Tax	36,672
Earnings Per Share - Basic Rs.	2.63	Dividend Rate %	Nil
V Generic names of principal products/services of the Company (As per monetary Terms)			
Item Code No. (ITC Code)	Not Applicable		

SKS MICROFINANCE PRIVATE LIMITED

Schedule to the Balance Sheet of a Non-Deposit taking Non-Banking Financial Company As At March 31, 2007

(as required in terms of Paragraph 13 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(Rs. in lakhs)

Particulars			
Liabilities side:			
(1)	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:	Outstanding	Overdue
	(a) Debentures		
	Secured	Nil	Nil
	Unsecured	Nil	Nil
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits	Nil	Nil
	(c) Term Loans	24,901.94	Nil
	(d) Inter-corporate loans and borrowing	Nil	Nil
	(e) Commercial Paper	Nil	Nil
	(f) Other Loans (specify nature)	Nil	Nil
Assets side:			
(2)	Break up of Loans and Advances including bills receivables [other than those included (4) below]:	OUTSTANDING	
	(a) Secured		98.45
	(b) Unsecured		27,030.33
(3)	Break up of Leased Assets and stock on hire and other assets counting towards EL/HP activities		
	(i) Lease assets including lease rentals under sundry debtors:		Nil
	(a) Financial lease		Nil
	(b) Operating lease		Nil
	(ii) Stock on hire including hire charges under sundry debtors:		Nil
	(a) Assets on hire		Nil
	(b) Repossessed Assets		Nil
	(iii) Other Loans counting towards AFC activities		Nil
	(a) Loans where assets have been repossessed		
	(b) Loans other than (a) above		Nil
(4)	Break-up of Investments :		
	<u>Current Investments :</u>		
	1. Quoted :		
	(i) Shares : (a) Equity		Nil
	(b) Preference		Nil
	(ii) Debentures and Bonds		Nil
	(iii) Units of mutual funds		Nil
	(iv) Government Securities		Nil
	(v) Others (please specify)		Nil
	2. Unquoted :		
	(i) Shares : (a) Equity		Nil
	(b) Preference		Nil
	(ii) Debentures and Bonds		Nil
	(iii) Units of mutual funds		Nil
	(iv) Government Securities		Nil
	(v) Others (please specify)		Nil

SKS MICROFINANCE PRIVATE LIMITED

Schedule to the Balance Sheet of a Non-Deposit taking Non-Banking Financial Company As At March 31, 2007

(as required in terms of Paragraph 13 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(Rs. in lakhs)

(4) Break-up of Investments :			
Long Term investments:			
1. Quoted :			
(i) Shares : (a) Equity			Nil
(b) Preference			Nil
(ii) Debentures and Bonds			Nil
(iii) Units of mutual funds			Nil
(iv) Government Securities			Nil
(v) Others (please specify)			Nil
2. Unquoted :			
(i) Shares : (a) Equity			Nil
(b) Preference			Nil
(ii) Debentures and Bonds			Nil
(iii) Units of mutual funds			Nil
(iv) Government Securities			Nil
(v) Others (please specify)			Nil
(5) Borrower group-wise classification of assets financed as in (2) and (3) above:			
Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil
(c) Other related parties	Nil	163.61	163.61
2. Other than related parties	98.45	26,562.30	26,660.75
Total	98.45	26,725.91	26,824.36
(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):			
Category	Market Value / Break up or fair value or NAV		Book Value (Net of Provisions)
1. Related Parties			
(a) Subsidiaries		Nil	Nil
(b) Companies in the same group		Nil	Nil
(c) Other related parties		Nil	Nil
2. Other than related parties		Nil	Nil
Total		Nil	Nil
(7) Other information			
Particulars	Amount		
(i) Gross Non-Performing Assets	Nil		
(a) Related parties	-		
(b) Other Than related parties	31.42		
(ii) Net Non-Performing Assets	Nil		
(a) Related parties	Nil		
(b) Other Than related parties	14.89		
(iii) Assets acquired in satisfaction of debt	2.12		