

SONATA FINANCE PVT LTD

AUDITED FINANCIAL STATEMENT

Year ended 31th MARCH 2010

Head Office & Registered Office:

1/1-A, Rai Bahadur Ram Charan Das Road,

Balrampur House,Allahabad -211002

Phone No.0532-2441347 , 2441855

Vinay Kumar & Co.

CHARTERED ACCOUNTANTS

ALLAHABAD-KANPUR-NEWDELHI-KOLKATA-LUCKNOW

Chandra Shekhar Azad Market Complex, 5 Sardar Patel Marg,
Civil Lines, Allahabad 211001, U.P., India.

Phones Office: 91-0532-2408602; 2408839 Fax: 91-0532-2408839

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AUDITORS' REPORT

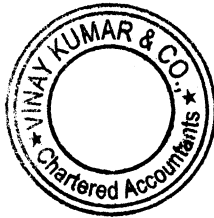
We have audited the attached Balance Sheet of **M/s SONATA FINANCE PVT. LTD.**, as at 31st MARCH, 2010 and the Profit and Loss Account of the company and also the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 statement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors Report) Order 2003 as amended by Companies (Auditor's Report) Amendment Order 2004 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in Annexure a statement on the matter specified in paragraph 4 and 5 of the said order.
2. Subject to our observation in the Annexure referred to above we further report that :
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of the books of account of the company;
 - c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account maintained by the company;



- d. In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section 3(C) of section 211 of the Companies Act, 1956;
- e. On the basis of written representation received from the company, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us the said accounts together with the statement of Accounting Policies and Notes on Accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
- (i) In the case of the Balance Sheet of the state of affairs, of the company as at 31st MARCH, 2010 and;
- (ii) In the case of Profit and Loss Account of the PROFIT for the year ended on that date;
- (iii) In the case of Cash Flow Statement of the cash flows for the year ended on that date.



for VINAY KUMAR & CO.
Chartered Accountants

V.K. Agrawal

(V.K. AGRAWAL)
Partner
M No. 013795

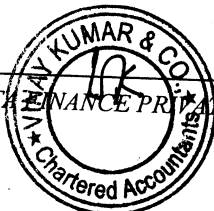
Place: Allahabad
Date: 09 July 2010

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDIT REPORT,
OF EVEN DATE**

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The company is in the process of updating the particulars of additions of fixed assets pertaining to the year under audit.
 - (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
 - (c) As per the records of the company, it has not disposed off substantial part of fixed assets during the year so as to affect the going concern status of the company.
2. The company is in the business of financing and hence it does not hold any Finished Goods, Stores, Spare Parts and Raw materials, the relevant clauses are not applicable.
3. (a) The company has not granted loan to any party covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was NIL (PY NIL) and the year ended balance of loans granted to such parties was NIL (PY NIL) and hence relevant sub clause (b), (c) and (d) in this respect are not applicable.
 - (b) The company has taken loans from one party covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.400.00 lacs and the balance as on 31.03.2010 of loans taken from such party was Rs. NIL ;
 - (c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company; and
 - (d) The loan taken from parties as referred in Clause 3(b) has been repaid during the year.



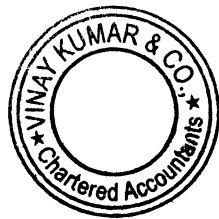
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, the existing system needs strengthening in the area of verification of loan application at the time of disbursement and post disbursement monitoring.
5. (a) In our opinion and according to the information and explanations given to us there are no contracts and arrangements referred to in section 301 of the Act which need to be entered in the Register required to be maintained under that section except the transactions as specified under clause 3.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs with such party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of Sections 58A, 58AA, or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
7. In our opinion, the internal audit system of the company is commensurate with its size the nature of its business, however, such audit needs to be strengthened in respect of collection of loan instalments.
8. According to the information and explanations given to us, the cost records under section 209 (1) (d) of the Companies Act, 1956 is not applicable to the company. Accordingly clause 4 (viii) of the order is not applicable.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has been regular in depositing statutory dues with appropriate authorities although with slight delays, as at the year end there were no undisputed statutory dues including provident fund, income tax, cess.



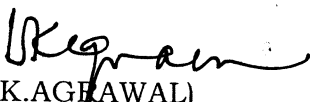
- (b) According to the information and explanations given to us, no undisputed dues payable in respect of income-tax, wealth tax and cess were outstanding at 31st March 2010 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues in respect of income tax, wealth tax and cess that have not been deposited with the appropriate authorities on account of any dispute.
10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or bank and has not issued any debentures.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the order is not applicable.
13. The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4 (xiii) of the order is not applicable.
14. The Company has generally kept adequate records of its transactions in securities and other investments and timely entries have been made therein. The investments owned by the company are held in the Company's name.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
16. In our opinion, the term loans have been applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the funds raised for the relevant purpose has been utilized for the specific purposes.



18. The company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act during the year except to one party to whom equity shares have been allotted on conversion of already allotted preference shares and in this case the terms of issue, prima-facie, have not been found to be prejudicial to the interest of the company..
19. The company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable.
20. The company has not raised any money by public issues during the year. Accordingly, clause 4 (xx) of the order is not applicable.
21. During the course of our examination of the books of accounts carried on in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, nor have been informed of such by the management.



for VINAY KUMAR & CO.
Chartered Accountants


(V.K. AGGARWAL)
Partner
M No. 013795

Place: Allahabad
Date: 09 July 2010

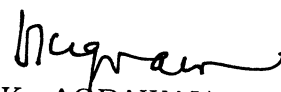
Auditors' Report

Pursuant to the Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, under sub-section(1) of section 45MA of the Reserve Bank of India Act, 1934, we report the following;

1. On the basis of documents produced before us, we report that the company is registered under Section 45IA of the Reserve Bank Of India Act, 1934, and has obtained a certificate of registration (COR) from the Reserve Bank Of India, registration number being B-12.00445 dated: 6th October 2008 (earlier no: B-09-00329 dated: 10th April 2001)
2. The company has not been accepting / holding public deposit accordingly, clause (B) of the directive is not applicable.
3. (a) As per the minutes produced before us, the board of directors had passed a resolution for non acceptance of public deposit in the company.
(b) As per the records produced and explanations given to us, the company has not accepted any public deposit during the year under audit.
(c) Upon an overall view and as per the records and documents produced before us, the norms for provisions, income recognition, accounting standard, asset classification have been complied with by the company.
4. The company is holding the COR and therefore requirements to clause D of the directives are not applicable.



for VINAY KUMAR & CO.
Chartered Accountants


(V.K. AGRAWAL)
Partner
M No. 013795

Place: Allahabad
Date: 09 July 2010

SONATA FINANCE PRIVATE LIMITED

BALANCE SHEET

PARTICULARS	SCHEDULES	AS ON	AS ON
		31.03.10	31.03.09
		Rs.	Rs.
I. SOURCE OF FUNDS:			
SHAREHOLDERS FUNDS:			
Share Capital	A	8,34,06,950.00	4,72,71,660.00
Reserves & Surplus	B	23,22,14,209.13	3,45,21,512.19
LOAN FUNDS:			
Secured Loans	C	44,07,14,164.88	30,75,18,501.00
TOTAL		75,63,35,324.01	38,93,11,673.19
II. APPLICATION OF FUNDS:			
FIXED ASSETS			
Gross Block	D	94,88,685.40	61,42,959.00
Less: Accumulated Depreciation		33,29,185.00	18,52,854.00
NET BLOCK		61,59,500.40	42,90,105.00
INVESTMENTS			
CURRENT ASSETS, LOANS & ADVANCES			
a) Cash & Bank Balances	F	12,79,55,046.27	8,39,26,161.21
b) Micro Loans to Poor Women			
Total Loan Portfolio in SHG		55,75,87,000.00	44,76,34,252.00
Less: Managed Portfolio in SHG		6,02,99,408.60	13,38,49,267.00
Owned Loan Portfolio in SHG	G	49,72,87,591.40	31,37,84,985.00
Individual Loan		17,08,642.00	-
		49,89,96,233.40	31,37,84,985.00
d) Advances and Other Current Assets	H	2,75,33,207.15	95,79,947.52
		65,44,84,486.82	40,72,91,093.73
LESS: Current Liabilities & Provisions			
a) Current Liabilities	I	1,04,58,972.71	1,43,30,631.90
b) Provisions for Current Tax		41,82,871.00	1,06,64,400.00
		1,46,41,843.71	2,49,95,031.90
NET CURRENT ASSETS		63,98,42,643.11	38,22,96,061.83
DEFERRED TAX ASSET (Net)		12,89,475.00	15,30,068.00
MISCELLANEOUS EXPENDITURE	J	6,10,766.83	11,95,438.36
(To the extent not written off or adjusted)			
Profit & Loss A/c			
TOTAL		75,63,35,324.01	38,93,11,673.19
NOTES ON ACCOUNTS	O		

As per our report of even date
for VINAY KUMAR & CO.,
Chartered Accountants

for SONATA FINANCE PRIVATE LIMITED

Allahabad
Date:

V. K. Agrawal

(V. K. AGRAWAL)
Partner

Membership No. 13795

Anup Kumar Singh

(ANUP KUMAR SINGH)
Managing Director

Vishal Bharat

(VISHAL BHARAT)
Director

9 JUL 2010



SONATA FINANCE PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT

PARTICULARS	SCHEDULES	FOR THE	FOR THE
		YEAR ENDED	YEAR ENDED
		31.03.10	31.03.09
		Rs.	Rs.
1) INCOME:			
Interest from Micro Credit Loans	G(a)	12,63,81,445.22	9,55,30,181.00
Processing Fees		1,31,42,378.15	1,08,96,435.10
Interest on Fixed Deposits		28,30,729.46	7,19,582.66
Income from Portfolio Sale		-	75,75,816.00
Other Income	K	27,11,801.26	21,28,182.00
TOTAL		14,50,66,354.09	11,68,50,196.76
2) EXPENDITURE:			
Salaries, benefits to personnel	L	6,05,84,269.34	3,09,73,524.50
Administrative Expenses	M	1,65,28,554.25	88,75,584.25
Finance Charges	N	5,02,21,036.08	3,82,38,018.70
Provision for Doubtful Debts		13,29,501.00	14,10,267.00
Bad Loan written off		31,10,049.00	7,28,044.00
Preliminary Exp. written off		32,413.53	32,412.00
Pre - operative Exp - written off		2,90,500.00	2,90,500.00
Business Infrastructure Acquisition Exp - written off		2,61,758.00	2,61,758.00
TOTAL		13,23,58,081.20	8,08,10,108.45
PROFIT/(LOSS) BEFORE DEPRECIATION & TAX		1,27,08,272.89	3,60,40,088.31
Less: DEPRECIATION		15,35,801.00	9,44,751.00
PROFIT/(LOSS) BEFORE TAX		1,11,72,471.89	3,50,95,337.31
Less: PROVISION FOR TAXATION - Current		42,31,719.95	1,06,64,400.00
Less: F B T Tax		9,500.00	82,569.00
Less: DEFERRED TAX LIABILITY\ (ASSETS)		2,40,593.00	1,83,402.00
PROFIT/(LOSS) AFTER TAX		66,90,658.94	2,41,64,966.31
Less: Reserve Fund @ 20%		13,86,250.00	48,69,674.00
PROFIT/(LOSS) FOR THE YEAR		53,04,408.94	1,92,95,292.31
ADD : PREVIOUS YEAR PROFIT/(LOSS) BALANCE BROUGHT FORWARD		1,35,88,454.19	(57,06,838.12)
TOTAL PROFIT/(LOSS) CARRIED TO BALANCE SHEET		1,88,92,863.13	1,35,88,454.19
NOTES ON ACCOUNTS	O		

As per our report of even date
for **VINAY KUMAR & CO.,**
Chartered Accountants

for **SONATA FINANCE PRIVATE LIMITED**

Allahabad
Date:

JUL 2010



(V. K. AGRAWAL)
Partner
Membership No. 13795



(ANUP KUMAR SINGH)
Managing Director



(VISHAL BHARAT)
Director



Audited Financial Statements for the year ended 31st March 2010

SONATA FINANCE PRIVATE LIMITED

SCHEDULE - A

SHARE CAPITAL:

AUTHORISED

10,000,000 Equity Shares of Rs. 10/- each
(On 31-03-2009 5,000,000 Equity Shares of Rs 10 each)
5,000,000 Preference Shares of Rs.10/- each

AS ON 31.03.10 Rs.	AS ON 31.03.09 Rs.
10,00,00,000.00	5,00,00,000.00
5,00,00,000.00	5,00,00,000.00
15,00,00,000.00	10,00,00,000.00

ISSUED, SUBSCRIBED & PAID UP CAPITAL

8,340,695 Equity Shares of Rs 10/- each fully paid up
(Previous Year 2,727,166 Equity Shares of Rs 10/- each fully paid up)
(Of the above shares, 1,250,000 shares are held by Sonata Employee Welfare Trust issued to it at par)

0% Compulsorily Convertible Preference Shares of Rs. 10/- each fully paid up
(Previous Year 2,000,000 0% Compulsorily Convertible Preference Shares of Rs. 10/- each fully paid up)

TOTAL

8,34,06,950.00	2,72,71,660.00
0.00	2,00,00,000.00
8,34,06,950.00	4,72,71,660.00

SCHEDULE - B

RESERVE & SURPLUS

Reserve Fund:

Opening Balance 50,04,718
Add : Transfer during the year 13,86,250
Securities Premium
Profit and Loss Account

TOTAL

63,90,968.00	50,04,718.00
20,69,30,378.00	1,59,28,340.00
1,88,92,863.13	1,35,88,454.19
23,22,14,209.13	3,45,21,512.19

for VINAY KUMAR & CO.,
Chartered Accountants

for SONATA FINANCE PRIVATE LIMITED

Allahabad
Date

V.K. Agrawal

Anup Kumar Singh

Vishal Bharat

(V.K. AGRAWAL)
Partner

(ANUP KUMAR SINGH)
Managing Director

(VISHAL BHARAT)
Director

Membership No. 13795

JUL 2010



SONATA FINANCE PRIVATE LIMITED

SCHEDULE - C

Secured Loans

	AS ON 31.03.10 Rs.	AS ON 31.03.09 Rs.
HDFC Bank (Secured against hpothecation of Book Debts & Pledge of FDR)	8,95,25,000.00	8,46,87,500.00
Axis Bank (Secured against hpothecation of Book Debts & Pledge of FDR)	3,75,00,002.00	5,67,85,716.00
Friends of Women World Banking (Secured against hpothecation of Book Debts)	4,99,99,956.00	6,69,44,397.00
A B N AMRO (Secured against hpothecation of Book Debts)	2,45,00,000.00	92,50,000.00
SIDBI (Secured against hpothecation of Book Debts & Pledge of FDR)	6,57,12,000.00	5,27,60,000.00
Yes Bank (Secured against hpothecation of Book Debts)	2,78,57,142.88	3,00,00,000.00
ICICI Bank (Secured against hpothecation of Book Debts)	-	70,90,888.00
Reliance Capital (Secured against hpothecation of Book Debts)	9,56,20,064.00	-
Corporation Bank (Secured against hpothecation of Book Debts)	5,00,00,000.00	-
	44,07,14,164.88	30,75,18,501.00

SCHEDULE - E

Investments

	AS ON 31.03.10 Rs.	AS ON 31.03.09 Rs.
- In Shares (Unquoted) (50000 fully paid up Equity Shares of Alpha Micro Finance Consultants Pvt Ltd)	5,00,000.00	-
- In Quoted Mutual Funds (Debt Fund) (Market Value of Quoted Mutual Fund as on 31st March 2010 Rs 10,84,19,167.73)	10,79,32,938.67	-
	10,84,32,938.67	-

SCHEDULE - F

CASH AND BANK BALANCES

	AS ON 31.03.10 Rs.	AS ON 31.03.09 Rs.
Cash in hand	43,045.00	1,86,017.00
Cheque/DD in Transit	-	4,00,000.00
Sub Total (A)	43,045.00	5,86,017.00
Balance in Fixed Deposit		
- Pledged to		
SIDBI	80,00,000.00	-
AXIS BANK	25,00,000.00	-
DCB	62,50,000.00	-
MAS FINANCIALS	18,15,330.00	-
HDFC Bank	66,25,715.56	-
IFMR Capital	57,82,219.00	-
ICICI Bank	29,52,344.00	-
	3,39,25,608.56	2,79,32,138.00
- UnPledged Fixed Deposit	1,00,00,000.00	2,00,00,000.12
Sub Total (B)	4,39,25,608.56	4,79,32,138.12
Balances with Scheduled Bank in Current Accounts		
At Head Office	3,91,33,132.50	98,56,597.87
At Branches in U. P. :		
Allahabad Region	2,16,54,958.64	1,79,47,192.48
Rai Bareli & Kanpur Region	58,35,189.29	52,76,495.59
Sultanpur Region	57,01,835.00	51,462.00
Lucknow Region	81,67,113.08	-
At Branches in M. P. :		
Jabalpur Region	34,94,164.20	22,76,258.15
Sub Total (C)	8,39,86,392.71	3,54,08,006.09
Grand Total(A+B+C)	12,79,55,046.27	8,39,26,161.21

As per our report of even date
for **VINAY KUMAR & CO.,**
Chartered Accountants

Allahabad
Date:

(Signature)
(V. K. AGRAWAL)
Partner

Membership No. 13795

for SONATA FINANCE PRIVATE LIMITED

(Signature)
(ANUP KUMAR SINGH)
Managing Director

(Signature)
(VISHAL BHARAT)
Director

JUL 2010



SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED ON March 31st, 2010

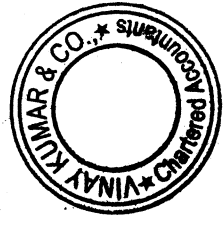
SCHEDULE D: FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION			WRITTEN DOWN VALUE	
	As on	Additions during	Sales/ Transfer	As on	Rate of	For the Period	Total	As on
	01.04.2009	the period	the period	31.03.2010	Depreciation	Additions during Period	As on 31.03.2010	31.03.10
Furniture and Fixtures	19,33,236	12,48,229	-	31,81,465	18.10%	3,45,652	7,37,300	24,44,165
Electrical Fittings	6,57,736	4,19,847	-	10,77,583	18.10%	1,24,322	2,62,237	8,15,346
Computers	20,48,720	12,30,940	87,000	31,92,660	40.00%	6,00,168	15,52,788	16,39,872
Generator	2,76,820	1,25,264	-	4,02,084	13.91%	42,986	84,665	3,17,419
Office Equipment	1,42,766	99,696	-	2,42,462	18.10%	28,734	53,241	1,89,221
Vehicle	29,724	-	-	29,724	25.89%	5,013	15,374	14,350
Computer Software	10,53,957	3,08,750	-	13,62,707	40.00%	3,88,926	6,23,580	7,39,127
Total	61,42,959	34,32,726	87,000	94,88,685		15,35,801	33,29,185	61,59,500
								42,90,105

As.

for VINAY KUMAR & CO.,
Chartered Accountants

V.K. Agrawal
(V.K. AGRAWAL)
Partner
Membership No. 13795



for SONATA FINANCE PRIVATE LIMITED

Vishal Bhasrat
(VISHAL BHABHAT)
Director

Anup Kumar Singh
(ANUP KUMAR SINGH)
Managing Director

Allahabad

9 JUL 2010

SCHEDULES TO ACCOUNTS AS AT March 31st, 2010

SCHEDULE G: LOANS TO POOR WOMEN IN SELF HELP GROUPS

Age and category of Loan outstandings (Owned)	Standard loans		Non-Performing Loans		Total	Total
	No Overdues	Overdue upto 4 weeks	Sub-Standard 5 to 25 weeks	Doubtful 26 to 50 weeks		
				Lost Where duration of loan period has expired		
Encumbered / Unsecured Regular Accumulated Intt. On Re-scheduled Loans	49,57,08,390.40	5,15,529.00	11,05,431.00	5,72,304.00	52,93,299.00	50,31,94,953.40
Gross Book Value of the Portfolio of Loan Outstanding	49,57,08,390.40	5,15,529.00	11,05,431.00	5,72,304.00	52,93,299.00	31,59,80,841
Less: Losses/Bad Debts Written Off	-	-	-	-	-	31,59,80,841
Less: Provisions for standard/doubtful loans	-	51,553.00	2,76,358.00	2,86,152.00	31,10,049.00	7,28,044
Net book value of the Portfolio of Loan Assets as on 31-03-2010	49,57,08,390.40	4,63,976.00	8,29,073.00	2,86,152.00	49,72,87,591.40	14,67,812
Net book value of the Portfolio of Loan Assets as on 31-03-2009	31,37,84,985.00	-	-	-	31,37,84,985.00	31,37,84,985

SCHEDULE G(a): INTEREST ON LOANS TO POOR WOMEN IN SELF HELP GROUPS

Age and category of Loan outstanding	Standard loans		Non-Performing Loans		Total	Total
	No Overdues	Overdue up to 4 weeks	Sub-Standard 5 to 50 weeks	Doubtful 26 to 50 weeks		
				Lost Where duration of loan period has expired		
Interest Received During the period Less: Intt. Due but not collected (Previous F.Y.) Less: Intt. Accrued (Previous F.Y.) Add: Interest Due But Not Received Interest Accrued	14,41,57,594.00	-	-	-	-	14,41,57,594.00
	10,67,906.00	-	-	-	-	10,67,906.00
	14,30,89,688.00	-	-	-	-	14,30,89,688.00
	17,11,213.00	-	-	-	-	17,11,213.00
Less: Interest on Buy out Portfolio	1,84,19,455.78	-	-	-	-	1,84,19,455.78
Total	12,63,81,445.22	-	-	-	-	12,63,81,445.22

Allahabad
Date:

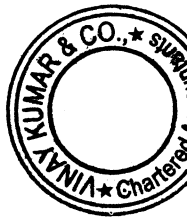
9 JUL 2010

for VINAY KUMAR & CO.,
Chartered Accountants

Vinay Kumar

(V. K. AGRAWAL)
Partner

Membership No. 13795



for SONATA FINANCE PRIVATE LIMITED

Vishal Bharat

(VISHAL BHARAT)
Director

(AKUP KUMAR SINGH)
Managing Director

SONATA FINANCE PRIVATE LIMITED

SCHEDULE - H

ADVANCES AND OTHER CURRENT ASSETS:

	AS ON 31.03.10	AS ON 31.03.09
	Rs.	Rs.
Amount Recoverable from Sonata Employee Welfare Trust	1,34,33,300.00	-
Advance to Personnel	1,55,197.00	70,211.00
Personal Advance	4,87,045.00	6,60,662.00
Accrued Interest on Micro credit lendings	17,11,213.00	10,67,906.00
Others Advances & Recoverables	36,88,635.48	22,44,901.53
Interest Accrued on Fixed Deposit with Banks	14,30,785.67	6,35,897.24
Other Income Accrued	47,196.00	1,16,071.00
Other Current Asset(Client Insurance Prem)	10,47,645.00	7,55,085.00
Advance Income Tax	55,00,000.00	40,00,000.00
Printing & Stationery Stock	32,190.00	29,213.75
TOTAL	2,75,33,207.15	95,79,947.52

SCHEDULE - I

CURRENT LIABILITIES:

Other Liabilities	66,11,374.04	11,11,358.00
Statutory Dues payable	12,04,355.67	4,79,272.90
Audit fees payable	77,210.00	40,000.00
Advance Collection from Center	24,47,147.00	29,86,555.00
Payable to IFMR (Buy Out)	87,436.00	-
Payable to Axis Bank (Buy Out)	-	47,90,120.00
Payable to ICICI Bank (Buy Out)	31,450.00	49,23,326.00
	1,04,58,972.71	1,43,30,631.90

SCHEDULE - J

MISCELLANEOUS EXPENDITURE:

(to the extent not written off or adjusted)

Preliminary Expenses	32,413.53	64,825.53
LESS : 1/5th p.a Written Off	32,413.53	32,412.00
Total (A)	-	32,413.53
Pre-Operative Expenses	2,90,500.00	5,81,000.00
LESS : 1/5th p.a Written Off	2,90,500.00	2,90,500.00
Total(B)	-	2,90,500.00
Business Infrastructure Acquisition Exp	8,72,524.83	11,34,282.83
LESS : 1/5th p.a Written Off	2,61,758.00	2,61,758.00
Total(C)	6,10,766.83	8,72,524.83
TOTAL (A + B+C)	6,10,766.83	11,95,438.36

for VINAY KUMAR & CO.,
Chartered Accountants

for SONATA FINANCE PRIVATE LIMITED

Allahabad
Date

(Signature)

(V.K. AGRAWAL)
Partner

Membership No. 13795

(Signature)

(ANUP KUMAR SINGH)
Managing Director

(Signature)

(VISHAL BHARAT)
Director

JUL 2010



Audited Financial Statements for the year ended 31st March 2010

SONATA FINANCE PRIVATE LIMITED

SCHEDULE - K

OTHER INCOME:

	FOR THE YEAR ENDED 31.03.10 Rs.	FOR THE YEAR ENDED 31.03.09 Rs.
Interest income from staff loan	2,30,212.00	1,15,854.00
Insurance Referral Fees	22,98,964.38	19,97,457.00
Gain on sale of Mutual Funds	1,82,624.88	-
Other	-	14,871.00
TOTAL	27,11,801.26	21,28,182.00

SCHEDULE - L

SALARIES & BENEFITS TO PERSONNEL

Director's Remuneration	67,45,282.34	29,14,863.00
Employees Cost under ESOP to directors	69,59,028.00	-
Salaries	2,31,55,389.00	1,18,48,965.00
Allowances	1,73,59,546.00	1,16,87,985.50
Bonus and Incentives	63,65,024.00	45,21,711.00
TOTAL	6,05,84,269.34	3,09,73,524.50

SCHEDULE - M

OTHER ADMINISTRATIVE EXPENDITURE:

Rent	30,31,007.00	18,33,396.00
Printing & Stationary	20,37,608.95	14,60,284.25
Travelling & Conveyance	26,43,321.50	12,92,954.00
Entertainment Exp.	3,88,471.00	2,62,534.00
Postage & Telegrams	43,347.00	22,287.00
Electricity Charges	3,58,906.00	91,567.00
Telephone Charges	3,78,339.00	1,15,081.00
Repair & Maintenance	8,69,068.00	4,42,982.00
Auditor's Fee	1,32,360.00	95,564.00
Professional Charges	1,17,250.00	85,029.00
Consultancy Fees	5,75,983.00	2,21,463.00
Miscellaneous Expenses	24,39,718.00	14,27,686.00
Legal & Filing Fee	8,93,442.45	5,35,849.00
Board Meeting Expenses	1,417.00	26,435.00
Statutory Expenses	6,63,421.82	2,49,402.00
Training and Recruitment Expenses	8,73,953.53	6,69,959.00
Placement Fees	10,80,940.00	-
Staff Loan written off	-	43,112.00
TOTAL	1,65,28,554.25	88,75,584.25

SCHEDULE - N

FINANCE CHARGES

Interest on Borrowings	4,54,36,594.34	3,65,56,646.25
Loan Processing Fees & Bank Charges	47,84,441.74	16,81,372.45
TOTAL	5,02,21,036.08	3,82,38,018.70

for VINAY KUMAR & CO.,
Chartered Accountants

Allahabad
Date

(Signature)

(V.K. AGRAWAL)
Partner

Membership No. 13795

for SONATA FINANCE PRIVATE LIMITED

(Signature)

(ANUP KUMAR SINGH)
Managing Director

(Signature)

(VISHAL BHARAT)
Director

JUL 2010



Audited Financial Statements for the year ended 31st March 2010

SONATA FINANCE PRIVATE LIMITED

Cash Flow Statement for the year ended March 31, 2010

	31.03.2010 Rs.	31.03.2009 Rs.
(A) OPENING BALANCE OF CASH & CASH EQUIVALENTS		
Cash-in-Hand	5,86,017.00	3,37,558.00
Balance with Scheduled Banks:		
- In Current Account	3,54,08,006.09	2,56,00,876.05
- In Fixed Deposits	4,79,32,138.12	17,80,443.45
TOTAL	8,39,26,161.21	2,77,18,877.50
(B) CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before Tax	1,11,72,471.89	3,50,95,337.31
Add: Non-Cash Adjustment for Non Cash Expenditure		
Depreciation & Amortisation	21,20,472.53	15,29,421.00
Premium Amount on shares issued under ESOP	33,92,328.00	-
Bad Debts Written Off	31,10,049.00	7,28,044.00
Provision for Doubtful Debts	13,29,501.00	14,10,267.00
Operating Profit Before Working Capital Changes	2,11,24,822.42	3,87,63,069.31
Adjustments for:		
(Increase)/Decrease in Operating Assets		
Increase in Loans to Womens in Self Help Groups (Own)	(18,79,42,156.40)	(8,48,59,401.00)
Increase in Individual Loans	(17,08,642.00)	-
Other Advances and Current Assets	(1,79,53,259.63)	(67,26,818.26)
Increase/(Decrease) in Current Liabilities	(38,71,659.19)	1,17,04,269.40
CASH GENERATED FROM OPERATIONS	(19,03,50,894.80)	(4,11,18,880.55)
Less: Income Tax and FBT	1,07,22,748.95	82,569.00
NET CASH FLOW FROM OPERATING ACTIVITIES (B)	(20,10,73,643.75)	(4,12,01,449.55)
(C) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(34,32,726.40)	(2,91,60,560.00)
Disposal of Fixed Assets	27,530.00	-
Investment in Mutual Fund	(10,79,32,938.67)	-
Investment in Shares of Alpha	(5,00,000.00)	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES (C)	(11,18,38,135.07)	(2,91,60,560.00)
(D) CASH FLOW FROM FINANCING ACTIVITIES		
[a] Cash Flow From Change in Capital Base		
- Proceeds from Issue of Equity Shares	5,25,15,380.00	-
- Premium on Issue of Equity Shares	17,12,29,620.00	-
Net Cash Inflow/(Outflow) from Change in Capital Base (a)	22,37,45,000.00	-
[b] Cash Flow From Change in Debt Fund		
Increase/(Decrease) in Secured Loan	13,31,95,663.88	10,03,24,783.26
Net Cash Inflow/(Outflow) from Change in Debt Fund (b)	13,31,95,663.88	10,03,24,783.26
NET CASH INFLOW FROM FINANCING ACTIVITIES (D) (a+b)	35,69,40,663.88	10,03,24,783.26
(E) Net Increase/(Decrease) in Cash & Cash Equivalents (B+C+D)	4,40,28,885.06	5,62,07,283.71
(F) CLOSING BALANCE OF CASH & CASH EQUIVALENTS (A+E)	12,79,55,046.27	8,39,26,161.21
CLOSING BALANCE		
Cash-in-Hand	43,045.00	1,86,017.00
DD-in-Hand		4,00,000.00
Balance with Scheduled Banks:		
- In Current Account	8,39,86,392.71	3,54,08,006.09
- In Fixed Deposits	4,39,25,608.56	4,79,32,138.12
TOTAL	12,79,55,046.27	8,39,26,161.21

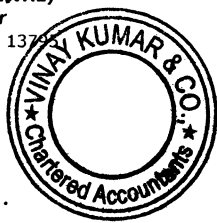
As per our report of even date
for **VINAY KUMAR & CO.**,
Chartered Accountants

Allahabad

JUL 2010

(V. K. AGRAWAL)
Partner

Membership No. 13795



for SONATA FINANCE PRIVATE LIMITED

(Signature)
(ANUP KUMAR SINGH)
Managing Director

(Signature)
(VISHAL BHARAT)
Director

Audited Financial Statements for the year ended March 31, 2010

SONATA FINANCE PRIVATE LIMITED

GROUPINGS TO ACCOUNTS FOR THE Period ENDED ON MARCH 31st 2010

No.	PARTICULARS	March 31,2010	March 31,2009
GA1	Others Advances & Recoverables		
	Loan for Motorcycle	2,67,514.00	3,50,730.00
	Personal Loan	8,14,167.00	5,82,758.00
	Mobile Loan	20,250.00	18,500.00
	Laptop Loan	1,63,131.00	-
	Security and Other Deposits	1,63,300.00	1,37,900.00
	Office Rent Advance	1,20,200.00	77,200.00
	Advance Against Salary	14,832.00	20,550.00
	TDS on FD and Others	7,48,783.56	6,75,427.53
	Claim Recoverable from BOB	3,55,200.00	-
	Recoverable from IFMR Mosec	1,92,871.32	-
	Recoverable from MAS Financials	49,685.00	-
	Recoverable from Reliance Capital	5,01,075.00	-
	Recoverable from Jeevika	-	3,71,737
	Advance to Others	2,77,626.60	10,099.00
	Total	36,88,635.48	22,44,901.53
GL1	Other Liabilities		
	Unpaid Salary	5,14,337.00	2,21,465.00
	Expenses Payable	2,78,660.10	2,32,021.00
	Bonus Payable	5,13,105.00	4,29,872.00
	Insurance Claim Payable	1,16,295.00	-
	Interest on Loan payable	38,21,965.94	-
	Director Remuneration/Bonus Payable	10,98,000.00	2,28,000.00
	Employee Welfare Contribution	-	-
	Surplus Collections	2,69,011.00	-
	Total	66,11,374.04	11,11,358.00
GL2	Statutory Dues Payable		
	P. F. Payable	6,64,007.00	3,84,574.00
	Service Tax Payable	14,192.67	51,357.00
	FBT Payable	-	-
	T.D.S. Payable	5,26,156.00	43,341.90
	Total	12,04,355.67	4,79,272.90

SONATA FINANCE PRIVATE LIMITED

GROUPINGS TO ACCOUNTS FOR THE Period ENDED ON MARCH 31st 2010

No.	PARTICULARS	March 31,2010	March 31,2009
GE1	Interest on Borrowings from Financial Institutions		
	Interest Exp. on Bell Wether Loan	17,05,206.00	19,13,411.00
	Interest Exp. on HDFC Loan	94,08,244.52	76,32,980.15
	Interest Exp. on ABN-AMRO Loan	12,68,854.72	28,69,296.66
	Interest Exp. on FWWB Loan	93,91,534.00	87,57,492.00
	Interest Exp. on ICICI Loan	3,58,471.28	14,87,955.49
	Interest Exp. on AXIS Loan	47,08,654.00	80,38,269.00
	Interest Exp. on SIDBI Loan	62,63,548.00	33,07,578.00
	Interest Exp. on IFMR Loan	18,97,707.00	
	Interest Exp. on Yes Bank Loan	32,72,641.88	12,31,648.95
	Interest Exp. on Corporation Bank Loan	1,12,672.00	
	Interest Exp. on Reliance Capital Loan	50,10,751.94	
	Interest Exp. on MAS Financials Loan	4,96,850.00	
	Interest Exp. on DCB Loan	15,41,459.00	13,18,015.00
	Total	4,54,36,594.34	3,65,56,646.25
GE2	Computer Consumable, Printing and Stationary		
	Printing & Stationery	10,32,395.79	6,93,521.75
	Photocopy	1,44,303.00	94,573.50
	Office Stationery	4,93,215.66	5,21,153.00
	Computer Stationery	3,67,694.50	1,51,036.00
	Total	20,37,608.95	14,60,284.25
GE3	Statutory Expenses		
	Service Tax	6,884.82	31,406.00
	P.F. Admin. Exp.	3,90,537.00	2,10,996.00
	ROC Fees	2,66,000.00	7,000.00
	TDS	-	-
	Total	6,63,421.82	2,49,402.00
GE4	Repairs & Maintenance		
	Computer Hardware Repair	94,600.00	59,193.00
	Furniture & Fittings Repair	2,803.00	150.00
	Electric Equipment Repair	63,794.00	17,004.00
	Generator Maintenance Exp.	17,995.00	7,130.00
	Office Maintenance Exp.	6,89,876.00	3,59,505.00
	Total	8,69,068.00	4,42,982.00
GE5	Legal Expenses		
	Legal & Filing Expenses	7,79,025.45	5,34,478.00
	Shop Registration Exp	1,10,000.00	
	Interest on late payment of TDS	4,417.00	1,371.00
	Total	8,93,442.45	5,35,849.00
GE6	Miscellaneous Expenses		
	News Paper & Periodicals	51,473.00	28,544.00
	Fuel Expenses	3,25,278.00	1,03,943.00
	Generator Hiring & Running Expenses	43,204.00	50,322.00
	Other Expenses	5,68,608.50	7,19,555.00
	Books & Journal Expenses	39,945.00	3,221.00
	Fooding & Lodging Expenses	7,11,996.00	2,75,428.00
	Photograph & Film	6,498.00	615.00

SONATA FINANCE PRIVATE LIMITED

GROUPINGS TO ACCOUNTS FOR THE Period ENDED ON MARCH 31st 2010

No.	PARTICULARS	March 31,2010	March 31,2009
	Freight and Transportation Cost	34,935.00	40,342.00
	Micro Credit Rating Expenses	3,05,551.00	
	Membership Fees	10,000.00	9,100.00
	Annual Function Expenses	13,018.00	29,634.00
	Other Assets Insurance	2,43,481.00	1,49,961.00
	Website Expenses	9,325.00	3,500.00
	Internet Expenses	49,061.00	13,521.00
	Conference Expenses	27,344.50	
	Total	24,39,718.00	14,27,686.00

SONATA FINANCE PRIVATE LIMITED

GROUPINGS TO ACCOUNTS FOR THE Period ENDED ON MARCH 31st 2010

No.	PARTICULARS	March 31,2010	March 31,2009
GE7	Personnel Expenses		
	Salary		
	Confirmed Officer Salary	21,80,116.00	12,07,038.00
	Confirmed Staff Salary	88,37,385.00	43,25,297.00
	Probationary Staff Salary	1,07,44,699.00	55,56,623.00
	Probationary Officer Salary	13,93,189.00	7,60,007.00
	Total	2,31,55,389.00	1,18,48,965.00
	Allowances		
	Retainership Allowance	40,68,973.00	36,82,080.00
	Personal Pay Allowance	24,69,081.00	9,89,308.00
	Mobile Allowance	5,88,054.00	2,75,656.00
	PF Contribution	28,94,126.00	15,65,479.00
	Travel Allowance	41,26,553.00	28,75,873.00
	Acting Allowances	-	4,154.00
	Food Allowance	88,336.00	37,892.00
	Vehicle Maintenance Allowance	15,24,560.00	8,16,641.00
	Earn Leave Encashment	4,95,947.00	3,08,957.00
	Training Allowance	-	22,000.00
	Laptop & Data Card Allowance	1,26,243.00	
	Additional Allowance	1,26,587.00	1,39,190.00
	Staff Welfare	10,000.00	1,40,490.50
	Staff Insurance	8,15,028.00	7,49,824.00
	Medical Allowance	26,058.00	80,441.00
	Total	1,73,59,546.00	1,16,87,985.50
GE8	Bonus & Gratuity		
	Performance Linked Bonus	4,55,168.00	1,05,952.00
	Active Loan Client Bonus	39,29,466.00	42,06,802.00
	Average Bonus	4,64,107.00	2,08,957.00
	Staff Gratuity	15,16,283.00	
	Total	63,65,024.00	45,21,711.00
GE9	Travelling Expenditure		
	Travelling Exp	26,04,271.50	12,86,143.00
	Auditors Travel & Other	39,050.00	6,811.00
	Total	26,43,321.50	12,92,954.00
GE10	Director Remuneration		
	Director Remuneration	32,29,600.00	14,52,600.00
	Director DSA & Travelling	10,33,015.34	10,28,743.00
	Director EL Encashment	5,560.00	19,140.00
	Director HRA	1,08,760.00	1,22,460.00
	Director Fooding & Lodging Expenses	2,32,847.00	2,45,807.00
	Director Bonus	20,98,000.00	16,113.00
	Director Sitting Fees	37,500.00	30,000.00
	Total	67,45,282.34	29,14,863.00

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

SCHEDULE: O SIGNIFICANT ACCOUNTING POLICES AND NOTES ON ACCOUNTS:

NOTE ON BUSINESS ACTIVITIES:

- a) The company is engaged in providing financial services to women in the rural areas of India who are organized as self help groups. It provides small value collateral free loans and other loans to women in groups and most of the financial transactions are conducted in the group meetings organized near the habitats of these women directly and on behalf of other financial institutions. The operations, in the initial stages of group formation, also involves efforts, for their mobilization, on development training on financial discipline, advice on the micro enterprises carried by the individual members, and later constant monitoring through weekly meetings and providing financial and support services at the doorsteps of the borrowers and other mentoring support services to ensure high rates of recovery.
- b) The company has obtained license from the Reserve Bank of India dated April 10, 2001 under section 45 IA of the Reserve Bank of India for carrying such financial services.

SIGNIFICANT ACCOUNTING POLICIES:

a) Basis or preparation of financial statements

The financial statements are prepared under historical cost convention on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable, except otherwise stated and stipulated in the directions issued by Reserve Bank of India (RBI) for Non Banking Financial (Non – Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, issued from time to time.

b) Revenue Recognition:

- (a) Interest on micro finance loans is recognized on accrual basis, calculated on a flat rate basis on the loans disbursed, as per the contract with the borrowers, following RBI Prudential norms for income recognition.
- (b) Income on **Non-performing assets, sub-standard** and **loss assets**, owned by the Company -
- (1) is recognized only when realized and any interest already recognized but not received is de-recognized totally by reversing the interest income already recognized .
 - (2) Interest accruing on such assets is derecognized in the same manner in which provision for doubtful debt is made as per the norms specified by RBI Prudential Norms .

c) Fixed assets:

- (a) All fixed assets have been valued at cost inclusive of direct and incidental expenses related to acquisition.
- (b) Software purchased along with data processing equipment or software that are integral part for operating data processing equipments are capitalized, whereas other



miscellaneous software acquired are charged to Profit & Loss account for the year during which they are acquired.

- (c) Software is amortized at the same rate at which data processing equipments are depreciated.
- (d) Depreciation is provided on the assets based on Written Down Value method at the rate specified in the Schedule XIV to the Companies Act, 1956.
- (e) In respect of additions the depreciation is provided on proportionate basis for the period during which the assets are put to use.

Classification of loan portfolio

Loans and Advances are classified as performing asset and non-performing asset based following guidelines:

- (a) All micro credit loans where installments of principal and interest remain overdue up to 4 weeks are classified as **Standard loans**,
- (b) All micro credit loans where installments of principal and interest remain overdue beyond 4 weeks and up to 25 weeks are classified as **Sub Standard Loans**,
- (c) All micro credit loans where installments of principal and interest remain overdue beyond 25 weeks and up to 50 weeks are classified as **Doubtful loans** .
- (d) All micro credit loans where installments of principal and interest remain overdue and duration of loans have expired , are classified as **Loss Assets** .

e) Provision for Loan losses:

- (a) Provision for doubtful debts and advances is being provided as stated below

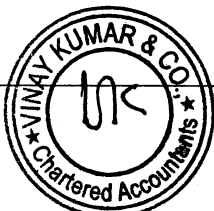
On all the portfolio, owned by the company, at risk, when the first default happens and when the default continues:

Classification of portfolio		% of provision on loan outstanding
Standard Loan	(Overdue between 1-4 Instalments)	10
Sub-Standard Loan		25
Doubtful Loan		50
Loss Assets		100

f) Write off of loans

All micro credit loans where installments of principal and interest remain overdue for 25 weeks from the date of expiry of loan period and/or where possibility of recovery is remote in the assessment of the management are written off in profit and loss account, subject to its approval by the board.

f) Employee Benefits:



(a) During the financial year, company made provision for gratuity benefit to employees. Under the Gratuity Scheme taken from LIC of India, company paid premium of Rs 15,16,283 during the financial year

(b) Contribution to Provident Fund is accounted on actual liability basis and paid.

(c) Leave Cash Encashment liability arising for the year is provided.

Infrastructure acquisition expense: This represents fees for acquisition of infrastructure paid to Jeevika Lively Hood Which is being amortized on straight-line basis over 5 years.

Preliminary and pre-operative expenditure:

(a) Preliminary and pre-operative expenditure: The same is being amortized over a period of five year beginning from the financial year in which they are being incurred.

Deferred Tax

(a) In accordance with the Accounting Standard-22, Accounting for Taxes on Income, the company has provided for deferred tax assets/liability for all temporary differences that arise in one accounting year and are capable of reversal in subsequent accounting year.

(b) As a prudent policy, any deferred tax asset/liability as considered above is accounted for in the books.

NOTES TO BALANCE SHEET, PROFIT AND LOSS ACCOUNT

a) Shareholders' Details

The shareholding pattern of the Company is as given below:

Shareholders	% Ownership as On Mar 31, 10	% Ownership as On March 31, 09
Promoters & Directors	11.90%	6.63%
Individual (Swaminathan Aiyar)	4.73%	6.60%
Bellwether Micro Finance Fund	34.07%	86.77%
India Financial Inclusion Fund	23.98%	Nil
Micheal and Susan Dell Foundation	10.33%	Nil
Sonata Employee Welfare Trust	14.99%	Nil
Total	100%	100%

b) Preference Share Capital

During the financial year 0% Compulsorily Convertible Preference Shares of Rs 10 each issued to Caspian Advisors Pvt Ltd trustee of "Bellwether Micro Finance Fund" were converted into equity shares. On conversion equity shares were issued at the rate of Rs 56.25 which was at a discount of 15% on the price at which equity shares were issued to India Financial Inclusion Fund and Micheal and Susan Dell Foundation.

c) Reserve and Surplus:



Audited Financial Statement for the Year Ended on March 31, 2010

Reserve Fund: This represent 20% of the profit after tax as on date of balance sheet apart in compliance with the provisions of section 45-IC of the Reserve Bank of India Act,

Deferred Tax Assets

	Mar 31, 2010	Mar 31, 2009
Opening Balance Deferred Tax Asset	15,30,068	17,13,470
(i) Deferred Tax Assets	-	-
(ii) Deferred Tax Liability	2,40,593	1,83,402
Closing Balance of Deferred Tax Assets	12,89,475	15,30,068

Micro Loans and Provision thereon

1. Analysis of Portfolio:

Business Pattern:				<i>Rs. In lacs</i>
S.No.	Particulars	March 31, 2010	March 31, 2009	Growth %
1	Advances Outstanding (Owned) *	5002.60	3147.38	58.94%
2	Advances outstanding (managed on behalf of other financial institutions)*	602.99	1338.49	-54.95%
	Total Business*	5605.59	4485.87	24.96%
3	Security Deposits against loans	N.A.	N.A.	N.A.

*Lending has not been made to sensitive sectors like, Capital Market, Investment in Shares and Real Estate.

2. Sector wise Classification of Advances (only owned Loans):

Product	Mar 31, 2010		March 31, 2009	
	Rs Lacs	%	Rs Lacs	%
Priority Sector:				
Self-Help Groups – General Purpose	4972.87	99.41%	3137.85	99.70%
Micro-entrepreneur Loans (Individual Loans)	17.09	.34%	Nil	0%
Total (a)	4989.96	99.75%	3137.85	99.70%
Non-Priority Sector:				
Vehicle Loan (Staff)	2.67	0.05%	3.51	0.11%
Personal Loans to staff	8.34	0.17%	6.01	0.19%
Laptop Loan to staff	1.63	0.03%	Nil	
Total (b)	12.64	0.25%	9.53	0.30%
Total (a+b)	5002.60	100%	3147.38	100%

The above classification is based on the norms prescribed by the Reserve Bank of India through Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.



Audited Financial Statement for the Year Ended on March 31, 2010

During the financial year, company invested its surplus fund into short term debt funds of Reliance Mutual Fund and HDFC Mutual Fund. The Investment in Mutual Fund have been shown at cost in the Financial Statement. Their cost and market value based on NAV is as given below

Name of Fund	No. of Units	Cost of Investment	Market Value on 31 st Mar 10
Reliance Medium Term Fund - Growth Plan	1,958,181.668	37,304,328.66	37,366,218.41
Reliance Money Manager Fund Growth Plan	40,228.351	49,728,610.00	50,102,262.98
Reliance Monthly Interval Fund Growth Plan	805,321.565	10,000,000.00	10,025,850.82
HDFC Cash Management Fund	1,089,053.035	10,900,000.00	10,924,835.52

g) Bad Debts Written Off:

(a) During the period bad debts amounting to Rs 31,10,049 have been written off.

h) Non Performing Assets:

Status of Movement of Non Performing Loans which are overdue for more than 4 weeks

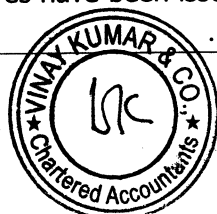
Particulars	Mar 31, 2010	Additions	March 31, 2009
Gross NPAs	38,60,985	10,56,583	28,04,402
Provision on NPAs	27,45,760	15,87,407	11,58,353
Net NPAs	11,15,225	(5,30,824)	16,46,049

i) Other than the above in respect of all other assets, in the opinion of the Board of Directors, the loans and advances including loans in arrears have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Financial Statements after adjustment for loan loss provision provided during the year.

j) Employee Stock Option Plan

During the year the company issued 16,46,300 equity shares of Rs 10 each to Sonata Employee Welfare Trust for the purpose of issuing shares under ESOPs to the employee of the company.

Out of the above mentioned shares issued to Sonata Employee welfare trust, 3,96,300 Equity Shares of Rs 10 each were issued to Mr Anup Kumar Singh through the Trust route under ESOPs. These shares have been issued in lieu of sweat equity shares for which they were entitled as per



Share Holders Agreement based on performance. For the remaining 12,50,000 shares, as the scheme is not yet finalized by the company, the disclosure suggested in the Guidance Note by ICAI for this purpose could not be made

Related Party Disclosure

During the year the company obtained loan from Holding Company Bellwether Microfinance Fund Ltd amounting to Rs 40,000,000 . The interest amounting to Rupees 17,05,206 was paid on such loan during the period.

Managerial Remuneration

Particulars	Year ended	
	Mar 31, 2010	March31, 2009
a) Managerial Remuneration	5,441,920	1,610,313
b) Directors' Sitting fees	37,500	30,000
c) Directors Traveling and Other Expenses	1,265,862	1,274,550
d) Cost of ESOP to Director	6,959,028	Nil

for VINAY KUMAR & CO.,
Chartered Accountants

for SONATA FINANCE PRIVATE LIMITED

2010

(Signature)
(V. K. AGRAWAL)

(Signature)
(ANUP KUMAR SINGH)

(Signature)
(VISHAL BHARAT)

Partner
Membership No. 13795

Managing Director

Director

