



V. NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF SAIJA FINANCE PRIVATE LIMITED

1. We have audited the attached Balance Sheet of SAIJA FINANCE PRIVATE LIMITED (*formerly known as 'Regards Finance Private Limited'*) as at March 31, 2010, the Profit and Loss account for the year ended on that date both annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion. On the basis of our audit we report that:
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 above we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts as required by the law have been kept by the Company, so far as appears from our examination of the books maintained at the Head office and all the branches of the Company visited by us and proper returns adequate for the purpose of audit have been received from branches not visited by us;
 - c) The Balance Sheet, the Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow statement comply with the accounting standards referred to in sub section 3(C) of section 211 of the Companies Act, 1956;

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- e) 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:
- In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010,
 - In the case of Profit and Loss account, of the profit of the Company for the year ended on that date and
 - In the case of Cash Flow Statement of the cash flows for the year ended as on March 31, 2010.
5. On the basis of the written representations received from the directors as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

*for V. NAGARAJAN & Co.,
Chartered Accountants*

(V. NAGARAJAN)

Partner

Membership No.: 019959

Firm Regn. No.: 04879 N

Date: May 20, 2010

Place: Patna





V. NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT THE BOARD OF DIRECTORS OF SAIJA FINANCE PRIVATE LIMITED

[Pursuant to Non-Banking Finance Companies Auditor's report (Reserve Bank) Directions, 2008]

We have audited the attached Balance Sheet of SAIJA FINANCE PRIVATE LIMITED (formerly known as 'Regards Finance Private Limited') as at March 31, 2010 and the Profit and Loss account for the year ended on that date annexed thereto and report that:

Further to our audit report of even date issued under Sec 227 (2) of the companies Act, 1956, as required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008 based on the information and explanations given to us and based on the records produced, we state below a statement of matters specified in paragraph 3 of the said Directions.

1. IN THE CASE OF ALL NON-BANKING FINANCIAL COMPANIES
(PARAGRAPH 3 (A) OF THE ORDER):

- (I) The Company has obtained a certificate of registration as a Non-Banking Financial Company vide Certificate No.14.01576 dated 25th February,2000 to its earlier name 'Regards Finance (P) Ltd.' & in changed name of 'SAIJA Finance (P) Ltd. dt.25th March,2009 having same registration number) pursuant to Sec 45IA of the Reserve Bank of India Act, 1934 (2 of 1934).
- (II) The company is continuously under taking the business of Non-Banking financial institution during the financial year 2009-10, and the company is entitled to continue to hold such Certificate of Registration issued by Reserve Bank of India, in terms of its asset/income pattern as on March 31, 2010.
- (III) Assets / Income pattern of the company based on audited financial statement as on March 31, 2010 is as follows;

S.N.	Particulars	(Rs.) / %
1	Total Assets of the Company	75,097,288
2	Microfinance Loan Portfolio of the Company	45,728,593
3	Other Assets exclusively used for Microfinance activities	29,368,695
4	Other Assets exclusively used for business other than microfinance activities	-
5	Ratio of Assets attributable to microfinance activities of the company to Total assets.	61%
4	Total Income of the Company	8,012,060
5	Income from Microfinance Activities	7,841,772
6	Income from temporary investment of Idle funds	170,288
7	Income from activities other than microfinance activities	--
8	Ratio of Income from Microfinance Activities to Total Income (excluding income from temporary investment of idle funds)	98%



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V. NAGARAJAN & CO.,

Chartered Accountants

The company's predominant assets are only Loans (particularly for end-purpose use as micro finance loans) and income of the company is derived from these loans only and hence making the company eligible to be classified as a Loan Company.

2. IN THE CASE OF NON-BANKING FINANCIAL COMPANIES NOT ACCEPTING PUBLIC DEPOSITS (PARAGRAPH 3 C OF THE ORDER)

- (i) The Board of Directors has passed a resolution in the meeting held on May 20, 2010 for the non-acceptance of public deposits during financial year 2009-10
- (ii) The Company has not accepted any public deposit during the year under review.
- (iii) The company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, during the financial year ended on March 31, 2010.
- (iv) The requirement of para (iv) of paragraph 3 (C) of the order is not applicable on Company, because Company is not a Systemically Important Non-deposit taking NBFCs as defined in paragraph 2(1)(xix) of the Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Date: May 20, 2010

Place: Patna

for V. NAGARAJAN & Co.,
Chartered Accountants


(V. NAGARAJAN)

Partner

M No.:019959

Firm Regn. No.:04879





V. NAGARAJAN & CO.,

Chartered Accountants

SAIJA FINANCE PRIVATE LIMITED ('the Company') (formerly known as 'Regards Finance(P) Ltd.') Financial year ending on March 31, 2010

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

COMPANIES (AUDITOR'S REPORT) ORDER, 2003

Paragraph: 4

(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) (a) 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 not granted loan to parties covered in the register maintained under section 301 of the Companies Act, 1956, hence the provisions of clause 4(iii) (b) to (f) is not necessary to report here.

(iv) In our opinion and according to the information and explanations given to us, there is a moderate 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.

(b) In our opinion and according to the information and explanations given to us, the provision of this clause is not applicable on Company.

(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) The Company is in process of registering under Provident fund and Employees' state insurance act. Beside this there was no liability of sales-tax, wealth-tax, service tax, customs duty, excise duty, cess, Investors education and Protection fund occurred during the year. During the year the Company has also reached the maximum limit of exemption specified under Service Tax and now Company in process for getting registration in current year. The other statutory dues have been paid in specified time limit as prescribed in relevant act except some delay in depositing the tax deducted at source.

(b) According to the information and explanations given to us, there is a no dispute pending at any forum at year end.

(x) The Company has accumulated losses at the end of the year, which is less than 50% of the net worth. The Company has incurred cash loss of Rs. 5,868,205/- during the financial year 2009-10, and Rs. 2,026,009/- during previous year 2008-09.



Law



V. NAGARAJAN & CO.,

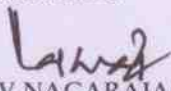
Chartered Accountants

- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, banks or debenture holders.
- (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) During the year the Company was not engaged in dealing / trading in shares, securities, debentures and other investments. the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (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.
- (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, that no such case of fraud has been detected during the year.

Paragraph: 5: No matter is required to be reported in under this paragraph.

Place: Patna
Date: May 20,2010

for V. NAGARAJAN & Co.,
Chartered Accountants


(V.NAGARAJAN)
Partner

Membership No.: 019959. Firm Regn. No.: 04879 N



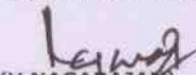
BALANCE SHEET AS AT MARCH 31,		Sch	2010	Rupees 2009
SOURCE OF FUNDS:				
SHAREHOLDERS FUNDS				
Share Capital	3		39,603,960	5,000,000
Reserves and Surplus	4		3,505,930	460,928
			<u>43,109,890</u>	<u>5,460,928</u>
LOAN FUNDS				
Secured Loans	5		31,569,420	5,277,776
Unsecured Loans	6		416,428	2,991,097
			<u>31,985,848</u>	<u>8,268,873</u>
Deferred Tax Liability	7		1,550	29,160
TOTAL			<u>75,097,288</u>	<u>13,758,961</u>
APPLICATION OF FUNDS:				
FIXED ASSETS (At cost less depreciation)	8		12,124,267	346,707
CURRENT ASSETS, LOANS & ADVANCES				
Cash and Bank Balances	9		5,779,722	330,185
Loans to Joint Liability Groups	10		45,728,593	11,318,879
Interest Receivable on Loans			-	10,518
Advances Recoverable and other current assets	11		3,250,280	252,480
			<u>54,758,595</u>	<u>11,912,062</u>
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	12		2,542,914	609,936
Provisions			-	-
			<u>2,542,914</u>	<u>609,936</u>
NET CURRENT ASSETS			52,215,681	11,302,126
MISCELLANEOUS EXPENDITURE (to the Extent not Written off)	13		2,312,940	140,000
PROFIT and LOSS ACCOUNT			8,444,400	1,970,128
TOTAL			<u>75,097,288</u>	<u>13,758,961</u>

Significant Accounting Policies
Notes to Accounts

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Place: Patna
Date: May 20, 2010

As per our report of even date
for, V.NAGARAJAN & Co.,


(V.NAGARAJAN)

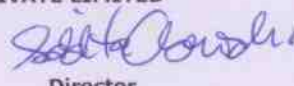
Partner
M. No. 019959

Firm Regn. No.: 04879 N



for SAIJA FINANCE PRIVATE LIMITED

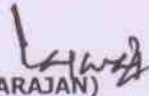

Chairman


Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31,		Sch	2010	2009
<i>Rupees</i>				
INCOME:				
Income from Operations	14		7,841,772	1,890,271
Income from Bank Deposits	15		166,634	52,437
Other Income			3,654	150,118
Total			8,012,060	2,092,826
EXPENDITURE:				
Interest on Borrowed Funds	16		1,833,336	171,970
Salaries, Allowances and Benefits to Staff	17		6,433,343	2,147,389
Remuneration to Directors	18		3,360,000	900,000
Other Operating Expenses	19		2,594,950	899,476
Pre- Business Commencement expenses written off			140,000	
Depreciation	8		152,313	10,888
Total			14,513,942	4,129,723
Profit / (Loss) Before Tax			(6,501,882)	(2,036,897)
Provision for Tax / Deferred tax	20		(27,610)	40,690
Profit / (Loss) After Tax			(6,474,272)	(2,077,587)
APPROPRIATIONS:				
Balance brought forward from previous year			(1,970,128)	107,459
			(8,444,400)	(1,970,128)
Transferred to Statutory Reserve Fund			-	-
Balance carried over to Balance Sheet			(8,444,400)	(1,970,128)
Earnings per Share:				
Basic		Rs.	(1.63)	(6.82)
Dillued		Rs.	(3.18)	(6.82)
Significant Accounting Policies			1	
Notes to Accounts			2-25	

Place: Patna
Date: May 20, 2010

As per our report of even date
for **V.NAGARAJAN & Co.,**
Chartered Accountants


(V.NAGARAJAN)

Partner

M. No. 019959

Firm Regn. No.: 04879 N



for **SAIJA FINANCE PRIVATE LIMITED**


Chairman


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31,	2010	2009
A. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit/(Loss) before Tax	(6,501,882)	(2,036,897)
Add/(Less): Non Cash Expenditure/(Income):		
Profit on sale of Fixed Assets	-	-
Transfer from Deferred Revenue Exp.	90,000	-
Depreciation	152,313	10,888
Others (Fixed Assets written off/Income Tax reversal)		10,053
<i>Operating Profit before Working Capital Changes:</i>	<i>(6,259,569)</i>	<i>(2,015,956)</i>
Adjustments for:		
(Increase) / Decrease in Other Current Assets (Other than loan disbursed under Microfinance programme and tax payments)	(3,075,283)	(263,439)
(Decrease)/ Increase in Current Liabilities	1,932,978	600,436
Miscellaneous Exp. to the Extent not written off (paid in cash only)	8,929,560	(140,000)
Income Tax & Fringe benefit tax paid	(12,000)	(27,893)
Net Cash Flow from Operating Activities	1,515,686	(1,846,852)
B. CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed Assets Acquired	(11,233,911)	(371,359)
<i>Loan Disbursed to Women under Microfinance Programme :</i>		
Loan Disbursed	(88,790,000)	(31,470,000)
Loan Recovered	54,380,286	20,475,121
Net Cash Flow from Investing Activities	(45,643,625)	(11,366,238)
C. CASH FLOWS FROM FINANCING ACTIVITIES:		
Secured Loan (Borrowed)	32,000,000	5,500,000
Secured Loan (Repaid)	(5,708,356)	(222,224)
UnSecured Loan (Borrowed)	-	2,991,097
UnSecured Loan (Repaid)	(2,574,669)	-
Share Capital realised in Cash or Cash equivalents	22,711,460	1,957,500
Share Premium Received	3,149,040	-
Capital Grant	-	320,000
Revolving Fund from SIDBI	-	120,000
Net Cash Flow from Financing Activities	49,577,475	10,666,373
Net Increase or Decrease in Cash or Cash Equivalents (A+B+C)	5,449,537	(2,546,718)
Add: Opening Cash and Cash Equivalents	330,185	2,876,903
Closing Cash and Cash Equivalents at the end of the year	5,779,722	330,185
Net increase /(Decrease)	5,449,537	(2,546,718)

**Significant Accounting Policies
Notes to Accounts**

As per our report of even date
for **V.NAGARAJAN & Co.,**
Chartered Accountants

Place: Patna
Date: May 20, 2010

(V.NAGARAJAN & Co.)

Partner

M. No. 019959

Firm Regn. No.: 04879 N



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for **SAIJA FINANCE PRIVATE LIMITED**

Chairman

Director

Significant Accounting Policies and Notes on Accounts

1 SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of Preparation of Financial Statements

1.1.1 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, 2007 from time to time.

1.2 Revenue Recognition:

1.2.1 All income arising from loans and financial services, including micro finance loans is recognized on accrual basis, unless otherwise stated.

1.2.2 Interest income on loans is recognized by applying reducing balance method.

1.2.3 The Interest outstanding on micro finance loans, which is not due as on March 31,2010, is also provided in accounts.

1.2.4 Income on non performing assets is recognized only when realized and no interest, which has remained overdue for more than six months at the end of the accounting period, is treated as income.

1.2.5 Interest on loans are charged and accounted until the loan is paid and written off or until the loan period is over, whichever is earlier. The policy for derecognition of Interest on Non Performing Assets is same as per Prudential Norms stipulated by Reserve Bank of India.

1.2.6 Grants and donations:

(a) Revenue grants and donations relating to micro finance operations are recognised as income in the current period to the extent expended, while the amount received but not spent is carried over to next years.

(b) Capital grants, for assets acquisition are recognised as Capital Reserve, under the head Reserves and Surplus. The depreciation on such assets is reduced from the Capital Reserve.

1.3 Fixed Assets:

1.3.1 These are stated at cost.

1.3.2 Depreciation is provided on the written down value method at the following rates as prescribed under the Companies Act, 1956:

Category of Asset	Rate of Depreciation
Furniture and Fixtures	18.10%
Office Equipments (including Electrical Equipments)	13.91%
Vehicles	25.89%
Computers	40.00%

1.3.3 In respect of additions the depreciation is provided prorata from the date the assets are put into use.

1.4 Investments:

1.4.1 Classification of Investments: Current (less than 12 months at time of investing) and any investment beyond this period is classified as long term.

1.4.2 Valuation of Investments:

Type of Investments	Method of valuation
Quoted Investments	At cost or market value which is lower
Unquoted Investments	At cost or break up value which ever is lower
Mutual fund investments	Net Asset Value declared by the Fund
Unquoted Government securities or Government guaranteed bonds and commercial papers	At carrying cost

1.5 Loans and Advances:

1.5.1 These are classified as standard assets, sub-standard assets, doubtful assets and loss assets in terms of the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.

Classification of Assets	Criteria for Classification	Minimum Provisioning required as per Directions
Standard Assets	The assets in respect of which, no default in repayment of principal or	Nil
Sub Standard Assets	An asset which has been classified as non-performing asset (NPA) for a period not exceeding 18 months.	10% of the loan outstanding
Doubtful Debts	An assets which remained as sub standard assets for a period of 18 months after becoming NPA	100% of unsecured portion of the loan outstanding and an increasing % over a period of three years on secured portion as follows:
	Doubtful upto 1 Year (secured portion)	20%
	Doubtful from 1 to 3 Year (secured portion)	30%
	Doubtful more than 3 Year (secured portion)	50%
	Doubtful not covered by realizable security	100%
Loss Assets	As identified by the management, auditors and RBI at any point of time.	To be written off or provided at 100%

* NPA is an asset in respect of which interest and or principal has remained overdue for a period of six months or more.



