

BALANCE SHEET AS ON 31st March 2009

(Amounts in thousands of INR)

		AUDITED For the year ended 31-03-2009	AUDITED For the year ended 31-03-2008
I - Sources of Funds			
1) Shareholders Funds :			
a) Capital	"A"	86,793	18,980
b) Reserves and surpluses	"B"	121,371	853
2) Loan Funds :			
a) Secured Loans	"C"	266,964	21,613
b) Unsecured Loans	"D"	30,000	10,000
3) Deferred Tax Liabilities:		156	54
TOTAL SOURCE OF FUNDS		505,284	51,500
II - Application of Funds			
1) Fixed Assets :			
a) Gross Block :	"E"	9,217	1,489
b) Less Accumulated Depreciation :		1,716	66
c) Net Block :		7,501	1,423
d) Capital Work-in-Progress :		0	0
Total Fixed Assets :		7,501	1,423
2) Intangible Assets :			
a) Gross Amount :	"F"	36,468	0
b) Less Accumulated Amortisation :		5,647	0
c) Net Amount :		30,821	0
3) Current assets, loans and advances :			
a) Cash and Bank Balances	"G"	58,873	2,776
b) Other Assets	"H"	2,121	2,099
c) Loans and Advances			
Less : Provision for Doubtful debts	"I"	422,515	47,149
Net Loans and Advances	"J"	3,165	0
		419,350	47,149
Total Current Assets, loans and advances		480,344	52,024
Less : Current liabilities and provisions :			
a) Current liabilities	"K"	8,634	1,514
b) Provisions		4,748	433
Total Current Liabilities and provisions		13,382	1,947
Net Current Assets		466,962	50,077
TOTAL APPLICATION OF FUNDS		505,284	51,500

Notes to Accounts and Significant Accounting Policies

As per our report of even date
For Vaithisvaran & Co.,
Chartered Accountants

S. Shankar Raman
Partner
M.No: 209163
Place: Hyderabad
Date: 4th June 2009



For and on behalf of the Board

P Kishore Kumar
Director

Mona Kachhwaha
Director

PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Amounts in thousands of INR)

Schedule	AUDITED	
	For the year ended 31-03-2009	For the year ended 31-03-2008
INCOME		
Interest Income	"L" 50,866	2,420
Fee Income (Loan processing, Membership etc)	"M" 25,782	1,594
Other income	"N" 545	2
TOTAL INCOME	77,193	4,016
EXPENDITURE		
Staff Costs	"O" 21,470	61
Administrative Expenditure	"P1" 11,443	2,145
Financial Expenses	"Q" 20,062	347
Insurance for Loan clients	"R" 4,152	7
Depreciation on Fixed Assets	"E" 1,650	66
Amortisation on Intangible Assets	"F" 5,647	0
Provision for bad and doubtful loans	"J" 3,165	0
Loss on sale of asset	"P2" 16	0
Loan written off	"S" 0	0
TOTAL EXPENSES	67,605	2,626
Profit / (loss) before Tax	9,588	1,390
Provision for Income Tax	4,327	425
Provision for Fringe Benefit Tax	225	8
Deferred Tax	101	55
Profit / loss after Tax	4,935	902
Prior period adjustments (Refer Note 29)	-1,882	15
Transfer to statutory reserve	987	0
Balance brought forward from pervious year	853	-34
Balance Carried forward to balance sheet	2,919	853
Basic and diluted earnings per share of face value of Rs.10 each (Rupees)	1.23	3.31

As per our report of even date

For Vaithisvaran & Co.,
Chartered Accountants

S.Shankar Raman
Partner
M.No: 209163



For and on behalf of the Board

P Kishore Kumar
Director

Manoh.
Mona Kachhwaha
Director

Place: Hyderabad
Date: 4th June 2009

TRIDENT MICROFIN PRIVATE LIMITED
(Formerly known as Annapurna Financial Services P Ltd)

SCHEDULE "T": SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Business

Trident Microfin Private Limited (Formerly known as Annapurna Financial Services Private Limited) is a Non-Banking Finance Company registered with Reserve Bank of India. The company provides micro-finance facilities to low income women groups and farmer groups under group guarantee scheme and also to individuals. All the micro-finance loans are unsecured and do not have an underlying collateral. Micro-finance operation was commenced on 1st January 2008. Number of branches operational are 31. The minimum and maximum loan amounts are Rs.4000 and Rs.50000 respectively. The loan is generally sanctioned for 50 weeks or 18 months tenor with weekly or monthly repayments.

The borrowers are offered life insurance cover as per arrangement with insurance companies.

During the year the company acquired micro-finance portfolio from The Maxwealth Trust. The company also manages micro-finance portfolio on behalf of banks with whom it has entered into specific arrangements.

2. Basis of preparation of financial statements

The financial statements are prepared under historical cost convention on going concern basis in accordance with the provisions of The Companies Act, 1956 and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government to the extent applicable and in accordance with directions issued by The Reserve Bank of India (RBI) for Non-Banking Financial (Non-Deposit Accepting or Holding) companies prudential norms (Reserve Bank) Directions, 2007 as it stands today.

3. Use of Estimates

The preparation of financial statement 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 as at the date of financial statement and the result of operations during the reporting period end. Although these estimates are made on reasonable and prudent basis based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

4. Revenue Recognition

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

- a. Interest on loan is recognized on flat rate basis since it is charged to borrower accounts also on flat rate. Interest is recognized on accrual basis.
- b. Loan processing fee and member ship fee is charged and realized upfront and hence is recognized on receipt basis.
- c. Administrative Charges for insurance (ACI) collected from members upfront and recognized on receipt basis.
- d. All other incomes are recognized on accrual basis.

5. Fixed Assets

Fixed assets are accounted at historical cost net of depreciation. The cost of the asset includes purchase price and any cost attributable in bringing the asset in working condition for its intended use.

6. Depreciation

Depreciation has been provided on the written down value method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Fixed assets costing up-to Rs.5000 individually are fully depreciated in the year of purchase.

7. Impairment of Assets

The carrying amount of asset is reviewed at each balance sheet date if there is any indication of impairments 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 greater of 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.

8. Intangible Assets

Acquired goodwill is amortised over five years.

Non Compete fee is amortised over the period for which it is in effect.

9. Employee Benefits

Monthly employer contribution towards provident fund is charged to Profit and Loss Account. The contribution is paid as per provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952.

Gratuity liability is to be provided based on actuarial valuation at the end of each year.

Other short term employee benefits are recognized on payment basis and charged to profit and loss account.

10. Income Taxes

Tax expenses include current, deferred and fringe benefit tax.

Current period tax and fringe benefit tax is measured and accounted at the amount expected to be paid to Indian tax authorities in accordance with the provisions of Income Tax Act, 1961.

Deferred income tax reflects the effect of 'timing difference' between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured at the tax rates applicable for the relevant financial year as it stands at the time of finalization of the accounts.

11. Earnings per share

Basic earning per share is calculated by dividing the net profit or loss attributable to the equity share holders by the weighted average number of equity shares outstanding during the period.

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

12. Provisions, Contingent liabilities and Contingent assets

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation and in respect of which a reliable estimate is made.

Provisions are measured based on best judgment estimates of the management having regard to the prevailing conditions. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

13. Cash and Cash equivalents

Cash and cash equivalents include cash in hand and cash at bank.

14. Loan portfolio – Classification, provisioning and write off

The loan portfolio is classified as standard, sub-standard, doubtful or loss assets as per the directions issued by The Reserve Bank of India (RBI) for Non-Banking Financial (Non-Deposit Accepting or Holding) companies prudential norms (Reserve Bank) Directions, 2007.

Provisioning for standard assets is maintained at 0.75% of the portfolio (0.4% has been prescribed by The Reserve Bank Of India vide its circular DBOD.BP.BC. 83 / 21.01.002/2008-09 dated 15th November 2008 titled Review of Prudential Norms – Provisioning for Standard Assets and Risk Weights for Exposures to Corporates, Commercial Real Estate and NBFC-ND-SI) and in respect of other class of assets provisioning as per the above directions of RBI.

All over due loans which in the opinion of the management are not recoverable are written off. All other loan assets are written off as per above directions issued by The Reserve Bank of India (RBI) for Non-Banking Financial (Non-Deposit Accepting or Holding) companies prudential norms (Reserve Bank) Directions, 2007.

Under following circumstances, loans are written off:

- a) In case of extra-ordinary circumstances such as death of a customer or her/his spouse who is not insured, who is over-aged and in whose case the claim is rejected by the insurance company for any other reason and / or any other incident where in the opinion of the management amount is not recoverable.
- b) Where at the time of loan closure, a short collection of a few rupees occurs and in the opinion of the management, the cost of going again for collection for small amount is disproportionate.
- c) All the loss assets as identified in terms of Directions issued by Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

15. Share holding pattern:

The following is the share holding pattern of the company as on 31st March 2009:

S.No	Name of share holder	Number of equity shares of value Rs.10 each	Percentage to total
1	Kishore Kumar Puli	1,39,100	1.60%
2	Bellwether Microfinance P Ltd	29,09,091	33.52%
3	India Financial Inclusion Fund, LLC	43,15,476	49.72%
4	Bellwether Microfinance Trust	13,15,600	15.16%
	TOTAL	86,79,267	100.00%

During the period 1,62,525 fully paid convertible preference shares of face value of Rs.100 per share, held by M/s Bellwether Microfinance Trust were converted into 11,82,000 fully paid equity shares of face value of Rs.10 per share at a premium of Rs.3.75 per share.

During the period 29,09,091 fully paid equity shares of face value of Rs.10 per share at a premium of Rs.3.75 per share were allotted to M/s Bellwether Microfinance Fund Private Limited.

During the period 43,15,476 fully paid equity shares of face value of Rs.10 per share at a premium of Rs.23.60 per share were allotted to M/s India Financial Inclusion Fund, LLC, Mauritius.

India Financial Inclusion Fund, LLC invested amounts in foreign currency and such amounts were converted into local currency as per the exchange rate prevailing on the date of remittance.

16. Goodwill, Non-compete Fee and Integrated Protection Fund

During the half year ended 30th September 2008 the company purchased all business assets including the loan receivable portfolio from The Maxwealth Trust.

As part of the consideration Rs.3,00,00,000 was paid towards non-competing fee in agreement of The Maxwealth Trust not doing business of Micro-finance for a period of three years. This fee will be amortised over the period of three years

The sum of Rs.64,67,803 being the amount paid to The Maxwealth Trust in excess of the book value of assets (including fixed assets and loan to customers) purchased is treated as Goodwill. This value of Goodwill along with the goodwill carried in the books from previous year will be amortised over 5 year period.

During the portfolio acquisition the in-house fund reserve maintained by The Maxwealth Trust viz Integrated Protection Fund was also taken over. This fund reserve was generated from the

amounts collected from all the members and used towards paying compensation to members or their spouses incase of their death and settling the loan out standing. The amount of fund reserve being Rs.16,92,668 as adjusted in the total consideration paid to The Maxwealth Trust.

17. Cash and Cash equivalent

Cash and bank balances of Rs.5,88,73,086 include fixed deposits with various banks of value Rs.1,90,37,154. The entire value of these fixed deposits have been offered as cash collateral to various banks for the term loan facility and are hence fully encumbered and lien marked in favour of the banks.

18. Contingent Liability on account of Sale of portfolio (securitization)

During the year the company has sold portfolio aggregating to Rs.300 Lakhs to Development Credit Bank Limited at PAR value. The company continues to act as Collection Agent for this portfolio. As per the terms of the agreement the company is liable to the extent of 10% (Rs.30 Lakhs) of the portfolio value in case of the unfortunate issue of loan / receivables in the portfolio becoming bad. The company has made term deposit of Rs.30 Lacs with the Development Credit Bank as cash margin towards this liability. The lien on the term deposit will be released by the bank on successful management of the portfolio. This term deposit amount is included in the amount mentioned in note 17 above.

19. Earnings per share

S.No	Particulars	As at 31.03.2009	As at 31.03.2008
1	Profit After Tax (Amount in Rupees)	49,35,376	9,01,834
2	Weighted Average number of equity Shares	40,03,834	2,72,700
3	Basic / Diluted earnings per Share	1.23	3.31

20. Remuneration to Statutory Auditor**(Amounts in Rupees)**

Sl. No	Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
1	Statutory Audit Fee	2,29,550	22,500
2	Tax Audit Fee	25,000	0
3	Certification Fee	75,000	0
4	Other Consultancy Matters	1,07,750	0
	TOTAL	4,37,300	22,500

21. Remuneration to Managing Director

S.No	Particulars	As at 31.03.2009	As at 31.03.2008
1	Salaries	9,21,618	3,25,000
2	Bonus	5,40,000	3,00,000
	TOTAL	14,61,618	6,25,000

Note: Previous year remuneration is for three months period

22. Names of Related Parties / Related Party Transaction**Names of Related Parties**

S.No	Particulars	Details
1	Equity holding substantial interest	1. Bellwether Microfinance Fund P Ltd 2. Bellwether Microfinance Trust 3. India Financial Inclusion Fund, LLC
2	Key Management Personnel	1. Kishore Kumar Puli, Managing Director
3	Relatives of Key Management Personnel	-NIL-

Related party transactions

S.No	Nature of transaction	Description of transaction	Related Party
1	Issue of Share	Allotment of 11,82,000 equity shares of Rs.10 face value at a premium of Rs.3.75	The Bellwether Microfinance Trust
2	Issue of Share	Allotment of 29,09,091 equity share of Rs.10 face value at a premium of Rs.3.75	The Bellwether Microfinance Private Limited
3	Issue of Share	Allotment of 43,15,476 equity share of Rs.10 face value at a premium of Rs.23.60	India Financial Inclusion Fund, LLC, Maritius
4	Unsecured loan	Unsecured loan of Rs.6 Crores at interest rate of 11.5% p.a	Bellwether Microfinance Fund P Ltd
5	Remuneration	Rs.14,61,618	As per point 21 above for remuneration to Managing Director.

23. Transfer to Statutory Reserve

Transfer to statutory reserve has been done as per provision of Section 45IC of the Reserve Bank of India Act, 1934.

24. Deferred tax liability / Asset

Deferred tax liability as per item 10 above is Rs.1,55,830/- (at income tax rate of 33.99%).

25. Earnings and Expenditure in foreign exchange

During the year and in pervious year earnings in foreign exchange were 'NIL'.

During the year an amount of Rs.3,80,011 (USD 7,400) was paid to Harvard University towards participation fees for the Managing Director for him to participate in the course organized for CEOs of micro finance institutions.

26. Employee Benefits

Gratuity provision has not been created based on actuarial valuation for Rs.1,67,437.

27. Member Death Cases

In the case of death of member loan covered by insurance loss is not recognized since member life is covered by life insurance. The summary of cases where the member has expired and the insurance settlement is under process is:

Number of cases	Loan Outstanding as of 31.03.09 (Amount in INR)
92	5,59,200

Summary of cases where insurance claim has been received from the insurance company and amount is be settled to members / member loans are:

Number of cases	Loan Outstanding as of 31.03.09 (Amount in INR)	Member settlement (Amount in INR)	Total Amount of claims received from insurer pending settlement as at 31.03.09
27	1,37,240	96,760	2,34,000

Summary of cases where insurance cover on loan client life is not available

Number of cases	Loan outstanding as of 31.03.09 (Amount in INR)	Member settlement (Amount in INR)
53	1,99,500	1,61,500

28. Secured Loans availed from Banks and Financial Institutions

All secured term loans are secured against the specific portfolio of loan to members earmarked exclusively for each such loan. The directors have not given their personal guarantee for any of the term loans. Cash margins placed by the company for each such loan availed from banks or lending institutions are kept in fixed deposits with specific lien marked for each of such loan availed.

Car loan is secured against the vehicle financed.

29. Prior Period Adjustments

The following adjustments for the previous financial year ended 31st March 2008 were effected during the year:

During the year the statutory auditors identified an error in the accounting cum operations software used by the company for part of the year. Due to this error the software was recognizing interest on loans for twice the due value (that is interest on loan was getting credit for twice the value). While one of the other aspect (debit aspect) of this was reflected in the individual loan ledger through 'interest accrued but not due ledger' as is the correct procedure; the second impact was observed in the "interest receivable" ledger classified under 'Current Assets Loans and Advances'. The balance in 'interest receivable' ledger is a non-existent asset; not realizable by the company. Because of this error the following was the impact on the financials:

1. Interest on loans was overstated to the extent of Rs.11,50,246. Hence profit (before tax) for the financial year ended 31st March 2008 was overstated by Rs.11,50,246.
2. An amount of Rs.7,32,195 was excess consideration paid to M/s Trident Seva Society as part of portfolio acquisition. This amount was paid towards the amount outstanding in the 'interest receivable' ledger.
3. The entire amount of 'Interest receivable' of Rs.18,82,441 (being Rs.7,32,195 acquired from M/s Trident Seva Society in January 2008 and Rs.11,50,246 accumulated in the same ledger due to overstatement of income) shown under 'Loan and Advances' in the previous year and reclassified under 'Other Assets' in the current year is a non-existent asset and hence not realizable by the company. Hence the assets of the company were overstated by Rs.18,82,441.

The board of directors has decided to write off this non-existent asset, by adjusting the outstanding amount of Rs.18,82,441 against the balance in General Reserve.

The company subsequently migrated to other software in which no major error has been noticed so far.

- 30.** Previous years figures have been regrouped and reclassified wherever necessary to match with current year grouping and classifications

As per our report of even date

For VAITHISVARAN & Co.,

Chartered Accountants

For and on Behalf of the Board

S.Shankar Raman

Partner

M.No: 209163

Kishore Puli

Director

Mona Kachhwaha

Director

Place: Hyderabad

Date: 4th June 2009