

Auditors' Report

The Board of Directors of
SKS Microfinance Limited

1. We have audited the attached Condensed Balance Sheet of SKS Microfinance Limited ('the Company') as at September 30, 2009 and also the Condensed Profit and Loss Account and Condensed Cash Flow Statement for the six months period then ended (collectively 'Condensed Financial Statements') prepared in accordance with accounting principles generally accepted in India.
2. These Condensed Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Condensed Financial Statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Condensed Financial Statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the Condensed Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Condensed Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
3. The accompanying Condensed Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended), read with guidelines issued by Reserve Bank of India insofar as they apply to the Company.
4. On the basis of the information and explanations given to us, we are of the opinion that these Condensed Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Condensed Balance Sheet, of the state of affairs of the Company as at September 30, 2009;
 - b. in the case of the Condensed Profit and Loss Account, of the profit of the Company for the six months period then ended; and
 - c. in the case of the Condensed Cash Flow Statement, of the cash flows of the Company for the six months period then ended.
5. This report is furnished solely for the use of the management of the Company and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.


For S.R. Batliboi & Co.
Chartered Accountants



per Viren H. Mehta
Partner
Membership No.:48749
Place: Hyderabad
Date: November 4, 2009

SKS MICROFINANCE LIMITED
Condensed Balance Sheet as at September 30, 2009

| | Schedules | September 30, 2009 | March 31, 2009 |
|---|-----------|-----------------------|-----------------------|
| | | Rupees | Rupees |
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | I | 587,313,980 | 570,566,520 |
| Stock Options Outstanding | IA | 19,726,970 | 19,293,235 |
| Reserves and Surplus | | 7,100,368,766 | 6,058,634,113 |
| Loan Funds | | | |
| Secured Loans | | 26,025,913,137 | 20,971,310,278 |
| Unsecured Loans | | - | 394,371,918 |
| TOTAL | | 33,733,322,853 | 28,014,176,064 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | | | |
| Less: Accumulated Depreciation | | 304,448,475 | 250,994,853 |
| Net Block | | 163,543,517 | 126,862,689 |
| Capital Work in Progress Including Capital Advances | | 140,904,958 | 124,132,164 |
| | | 141,344 | 69,102 |
| | | 141,046,302 | 124,201,266 |
| Intangible Assets | | | |
| Gross Block | | | |
| Less: Accumulated Amortization | | 131,351,961 | 121,236,871 |
| Net Block | | 81,496,897 | 65,551,244 |
| Capital Work in Progress Including Capital Advances | | 49,855,064 | 55,685,627 |
| | | 10,636,800 | 9,836,800 |
| | | 60,491,864 | 65,522,427 |
| Deferred Tax Assets (Net) | | 79,913,226 | 42,403,359 |
| Investment | | 2,000,000 | - |
| Current Assets, Loans and Advances | | | |
| Cash and Bank Balances | | 7,206,812,343 | 15,470,212,491 |
| Other Current Assets | | 671,398,168 | 333,456,890 |
| Loans and Advances | | 28,273,225,885 | 14,353,211,374 |
| | | 36,151,436,396 | 30,156,880,755 |
| Less: Current Liabilities and Provisions | | | |
| Current Liabilities | | 2,406,039,574 | 2,223,766,114 |
| Provisions | | 295,525,361 | 151,065,629 |
| | | 2,701,564,935 | 2,374,831,743 |
| Net Current Assets | | 33,449,871,461 | 27,782,049,012 |
| TOTAL | | 33,733,322,853 | 28,014,176,064 |

The notes to accounts form an integral part of the Condensed Balance Sheet.

As per our report of even date


For S. R. Batliboi & Co.
Chartered Accountants


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



per Viren H. Mehta
Partner
Membership No.048749
Place: HYDERABAD
Date: 4 NOV 2009


Vikram Akula
Chairman


S. Dilli Raj
Chief Financial Officer


Suresh Gurumani
Managing Director


Manish Kumar
Company Secretary



SKS MICROFINANCE LIMITED

Condensed Profit and Loss Account for the period April 1, 2009 to September 30, 2009

| | For the period April 1, 2009 to September 30, 2009 |
|--|---|
| | Rupees |
| INCOME | |
| Income from operations | 3,413,640,004 |
| Other income | 433,249,047 |
| TOTAL | 3,846,889,051 |
| EXPENDITURE | |
| Financial expenses | 1,274,349,650 |
| Personnel expenses | 946,364,338 |
| Operating and other expenses | 468,080,530 |
| Depreciation and amortization | 52,792,570 |
| Provisions and write offs | 248,684,034 |
| TOTAL | 2,990,271,122 |
| Profit before tax | 856,617,929 |
| Provision for tax | |
| Current tax | 335,000,000 |
| Deferred tax | (37,509,868) |
| Income tax for the previous year | 2,965,999 |
| Fringe Benefit Tax | 103,485 |
| Total tax expense | 300,559,616 |
| Profit after tax | 556,058,313 |
| Profit brought forward from previous year | 808,321,307 |
| Profit available for appropriation | 1,364,379,620 |
| APPROPRIATIONS | |
| Transferred to Statutory Reserve | 111,211,663 |
| Surplus carried to Balance Sheet | 1,253,167,957 |
| Earning per Share (Basic) (Not Annualized) (Refer Note 4 of Schedule 2) | 11.58 |
| Earning per Share (Diluted) (Not Annualized) (Refer Note 4 of Schedule 2) | 8.93 |
| Face value per share | 10.00 |

The notes to accounts form an integral part of the Condensed Profit and Loss Account

As per our report of even date

S.R. Batliboi & Co.

For S. R. Batliboi & Co.
Chartered Accountants

Viren H. Mehta

per Viren H. Mehta
Partner

Membership No.048749

Place: HYDERABAD

Date: 4 NOV 2009



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

Vikram Akula

Vikram Akula
Chairman

S. Dilli Raj

S.Dilli Raj
Chief Financial Officer

Suresh Gurumani

Suresh Gurumani
Managing Director

Manish Kumar

Manish Kumar
Company Secretary

SKS MICROFINANCE LIMITED

Condensed Cash Flow Statement for the period April 1, 2009 to September 30, 2009

| | For the period April 1, 2009 to September 30, 2009 |
|--|--|
| | Rupees |
| A. Cash flow from operating activities | |
| Net profit before taxation | 856,617,929 |
| Adjustments for: | |
| Depreciation and amortization | 52,792,570 |
| Provision for employee benefits | 38,204,565 |
| Employee stock options | 433,735 |
| Share issue expenses | 3,586,739 |
| Provision for Standard and non performing assets | 48,739,806 |
| Bad debts written off | 94,171,342 |
| Loss on asset assignment | 105,772,886 |
| Other balances written off | 19,305,616 |
| Profit on disposal of fixed assets | 5,184 |
| Operating profit before working capital changes | 1,219,630,372 |
| Movements in working capital: | |
| (Increase) / decrease in portfolio loans | (13,930,030,761) |
| (Increase) / decrease in current assets | (337,941,278) |
| (Increase) / decrease in loans and advances | (170,091,889) |
| (Decrease) / Increase in current liabilities | 182,273,460 |
| Cash generated from operations | (13,036,160,096) |
| Direct taxes paid | (319,695,876) |
| Net cash generated from operating activities (A) | (13,355,855,972) |
| B. Cash flow from investing activities | |
| Purchase of fixed assets (Including capital work in progress) | (53,716,425) |
| Purchase of intangible assets (Including capital work in progress) | (10,915,090) |
| Sale of fixed assets | 19,337 |
| Purchase of Investment | (2,000,000) |
| Amount placed in bank deposits not considered as cash and cash equivalents (net) | 781,113,815 |
| Net cash flow in investing activities (B) | 714,501,637 |
| C. Cash flow from financing activities | |
| Proceeds from issuance of share capital (Including share premium) | 502,423,800 |
| Share issue expenses | (3,586,739) |
| Secured borrowings (net) | 5,004,602,859 |
| Unsecured borrowings (net) | (344,371,918) |
| Net cash generated from financing activities (C) | 5,159,068,002 |
| Net increase/ (decrease) in cash and cash equivalents (A)+(B)+(C) | (7,482,286,333) |
| Cash and cash equivalents at the beginning of the year | 13,187,117,098 |
| Cash and cash equivalents at the end of the year | 5,704,830,765 |



SKS MICROFINANCE LIMITED

Condensed Cash Flow Statement for the period April 1, 2009 to September 30, 2009

| | For the period April 1, 2009 to September 30, 2009 |
|---|--|
| | Rupees |
| Components of cash and cash equivalents: | |
| Cash on Hand | 357,812,261 |
| Balances with Banks: | |
| On Current Accounts | 3,397,018,504 |
| On Deposit Accounts | 3,451,981,578 |
| Less: Balances in Bank Deposits Placed with Banks Marked as Lien against Term Loans and Managed Loans | (1,501,981,578) |
| Cash and cash equivalent | 5,704,830,765 |

As per our report of even date

S. R. Batliboi & Co.

For S. R. Batliboi & Co.
Chartered Accountants

Viren H. Mehta

per Viren H. Mehta
Partner

Membership No. 048749

Place: HYDERABAD

Date: 4 NOV 2009

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