

SKS Financials

V. Nagarajan & Co.,
Chartered Accountants

#302 Kirti Deep, Nangal Raya,
New Delhi 110 046. INDIA

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SWAYAM KRISHI SANGAM**

We have examined the balance sheet of SWAYAM KRISHI SANGAM, as at March 31, 2001 and the Income and Expenditure account for the year ended of the Society consisting of Rural Development Fund and Micro Finance Fund which are in agreement with the books of Account maintained by the said trust or institution.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit. In our opinion, proper books of account have been kept by the head office and the branches of the Society visited by us so far as appears from our examination of the books.

In our opinion and to the best of our knowledge, and according to information given to us, the said accounts read along with the notes and accounting policies forming part of the accounts, give a true and fair view –

- i) in the case of the balance sheet, of the state of affairs of the above named institution as at March 31, 2001 and
- ii) in the case of the Income and Expenditure account, for year ended on that date.

for V. Nagarajan & Co.,
Chartered Accountants

Hyderabad
Dated: July 29, 2001

(V. Nagarajan)
Partner

Schedules to Accounts for the year ended March 31, 2001

Schedule 5: Notes forming part of accounts

1. Society's Rural Development Fund:
 - 1.1. The Society is engaged in rural development and livelihood promotion activities including sustainable agriculture demonstration activities, microfinance activities.
 - 1.2. Accounting policies, conventions followed:
 - 1.2.1. All financial transactions relating to developmental activities are stated in the main accounts, which also includes certain development promotional expenditure for the Microfinance activities, while all direct expenses relating to micro banking is charged off to the Microfinance Fund account annexed to the accounts.
 - 1.2.2. All ascertained expenses are provided for and the donations, grants are accounted for as and when received by the Society.
 - 1.2.3. Depreciation on fixed assets is calculated on written down values in accordance with Income Tax Act.
2. The Society received foreign grants from CGAP for the development of Smart Cards with the object of reducing the cost of service to the rural poor where the number of transactions are more and transaction value is less. It is not ascertainable as to the stage of development of smart cards hence the expenditure incurred on it is totally written off.
3. The Society received grant for imparting education to the rural poor who really do not have means for education. On this education programme the society spent Rs. 1,06,637 during this year.
4. Microfinance Fund:
 - 4.1. Collateral free loans are provided to poor women organised as self help groups in the rural areas of Andhra Pradesh.
 - 4.2. An accounting system for Loan Portfolio Management and internal control procedures are under development and installation.
 - 4.3. Interest on loans are accounted for on recovery basis and hence the interest accrued due and not due have not been provided for; however the amount not so provided is insignificant.
 - 4.4. Being the early stages in building the loan portfolio among the members of women groups, no provision for bad and doubtful debts is considered necessary.
5. Previous year figures have been regrouped and rearranged wherever necessary to make it comparable with the changed method of presentation of accounts.

Accounting Policies and Notes on Accounts

As per our report of even date

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

for **Swayam Krishi Sangam**

(**Dr. Vithal Rajan**)
Chairperson

Hyderabad
Dated: July 29, 2001

(**V. Nagarajan**)
Partner

(**Vikram Byanna Akula**)
Chief Executive Officer

Balance Sheet for Grants

Balance Sheet as of March, 31,	in US \$		in Rs.	
	2001	2000	2001	2000
ASSETS:				
Fixed Assets				
Gross Block	67,355	25,329	3,125,944	1,175,529
Less: Depreciation	19,705	5,039	914,527	233,872
Net Block	47,650	20,290	2,211,417	941,657
Investments				
Indira Vikas Patra (At Cost)	13	11	600	500
Current Assets, Loans and Advances				
A. Current Assets				
Cash and bank balances	7,766	54,307	360,431	2,520,394
B. Loans and Advances				
Deposits	633	528	29,361	24,500
Advances and other amounts recoverable in cash or in kind or for the value to be received	4,205	1,127	195,161	52,285
	4,838	1,654	224,522	76,785
Total Current Assets (A)+(B)	12,604	55,962	584,953	2,597,179
Micro Finance Fund	79,247	44,197	3,677,849	2,051,196
TOTAL	139,513	120,460	6,474,819	5,590,532
LIABILITIES:				
Corpus Fund	5	5	240	240
Reserves and Surplus				
Income and Expenditure Account	135,250	116,943	6,276,965	5,427,347
Current Liabilities and Provisions				
Sundry Creditors	4,258	1,541	197,614	71,500
Due to a Bank (Book Overdraft)	—	1,970	—	91,445
	4,258	3,511	197,614	162,945
TOTAL	139,513	120,460	6,474,819	5,590,532

Accounting Policies and Notes on Accounts

As per our report of even date

for V. Nagarajan & Co.,
Chartered Accountants

for Swayam Krishi Sangam

(Dr. Vithal Rajan)
ChairpersonHyderabad
Dated: July 29, 2001(V. Nagarajan)
Partner(Vikram Byanna Akula)
Chief Executive Officer

Income and Expenditure Statement for Grants

Fiscal Year Ended March 31,	in US \$		in Rs.	
	2001	2000	2001	2000
INCOME:				
Donations and Grants from Foreign Sources				
SKS Foundation and Others	69,645	106,906	3,232,200	4,961,523
Consultative Group to Assist the Poorest (Technology Development for Micro Finance Activities)	49,504	—	2,297,500	—
From Indian Sources	23,750	215	1,102,248	10,000
Others				
Interest on Bank Deposits	506	3,202	23,474	148,623
Other Income	91	135	4,236	6,271
TOTAL	143,496	110,459	6,659,658	5,126,417
EXPENDITURE:				
Direct Program Support Costs:				
Sustainable Agriculture for demonstration	1,214	1,412	56,354	65,529
Balwadi and Creches (Preschool Program)	2,298	—	106,637	—
Technology Development for Micro Finance Activities	22,306	—	1,035,234	—
Micro finance Group promotion and documentation	98	424	4,551	19,667
Other Costs:				
Salaries, Allowances and staff benefits	24,623	5,240	1,142,742	243,190
Travelling and Conveyance	6,387	4,395	296,419	203,962
Books, Printing and Stationery	10,214	1,514	474,039	70,246
Postage and telecommunication	4,805	331	223,007	15,340
Vehicle – Hire, Repairs and Maintenance	8,851	2,527	410,774	117,260
Office Rent	4,790	679	222,290	31,500
Other Administrative Expenses	6,469	10,737	300,204	498,294
Auditors' Remuneration	1,616	980	75,000	45,500
Consultancy Services	8,499	—	394,456	—
Financial Expenses	269	—	12,483	—
Depreciation	14,073	5,632	653,148	261,377
TOTAL	116,512	33,869	5,407,338	1,571,865
Net Surplus for the current year	26,984	76,590	1,252,320	3,554,552
Less: Excess of Expenditure over Income in Micro Finance Fund	(8,677)	(9,535)	(402,702)	(442,542)
Surplus brought forward from previous year	116,943	40,353	5,427,347	1,872,795
Balance carried over to Balance Sheet	135,250	116,943	6,276,965	5,427,347

Accounting Policies and Notes on Accounts

As per our report of even date

for **V. Nagarajan & Co.,**
*Chartered Accountants*for **Swayam Krishi Sangam****(Dr. Vithal Rajan)**
*Chairperson*Hyderabad
Dated: July 29, 2001**(V. Nagarajan)**
*Partner***(Vikram Byanna Akula)**
Chief Executive Officer

Microfinance Fund Balance Sheet

Balance Sheet as of March 31,	In US \$		In Rs.	
	2001	2000	2001	2000
ASSETS:				
Current Assets, Loans and Advance				
A. Current Assets				
Cash and Bank Balances	20,958	2,767	972,645	128,409
Loans and Advances to Staff	4,892	—	227,023	—
B. Loans and Advances				
Collateral free loans to poor women's self-help groups	64,820	14,210	3,008,276	659,475
Deposits	259	—	12,000	—
Fixed Assets (Net)	552	—	25,623	—
Balance of Income and Expenditure Account	—	6,691	—	310,550
TOTAL	91,480	23,668	4,245,567	1,098,434
LIABILITIES:				
Due to Swayam Krishi Sangam	79,247	20,227	3,677,849	938,726
Reserves and Surplus				
Current Liabilities				
Savings due to members / groups	12,233	3,441	567,718	159,708
TOTAL	91,480	23,668	4,245,567	1,098,434

Accounting Policies and Notes on Accounts

As per our report of even date

for **V. Nagarajan & Co.,**
*Chartered Accountants*for **Swayam Krishi Sangam****(Dr. Vithal Rajan)**
*Chairperson*Hyderabad
Dated: July 29, 2001**(V. Nagarajan)**
*Partner***(Vikram Byanna Akula)**
Chief Executive Officer

Income and Expenditure Account for Microfinance Fund

Fiscal Year Ended March 31,	In US \$		In Rs.	
	2001	2000	2001	2000
INCOME:				
Interest collected on Loans	11,028	2,234	511,809	103,666
Other income	564	195	26,162	9,036
TOTAL	11,592	2,428	537,971	112,702
EXPENDITURE:				
Salaries, Allowances and Staff Benefits	5,789	5,464	268,665	253,603
Office Rent	739	1,131	34,310	52,500
Vehicle Hire, Repairs and Maintenance	1,300	1,177	60,343	54,627
Books, Printing and Stationery	342	564	15,877	26,154
Travelling and Conveyance	192	18	8,926	857
Postage and telecommunications	156	9	7,246	400
Group Promotion and Documentation	46	173	2,120	8,044
Other Administrative Expenses	743	268	34,464	12,440
Acquisition cost of the Portfolio Takeover	3,670	—	170,332	—
Write offs	—	315	—	14,627
Financial Expenses	526	—	24,411	—
Depreciation for the year	74	—	3,430	—
TOTAL	13,577	9,120	630,123	423,252
APPROPRIATION:				
Excess of Expenditure over income	(1,986)	(6,691)	(92,152)	(310,550)
Loss carried forward from the previous years	(6,691)	—	(310,550)	—
Net deficit transferred to the Society	(8,677)	(6,691)	(402,702)	(310,550)

Accounting Policies and Notes on Accounts

As per our report of even date

for **V. Nagarajan & Co.,**
*Chartered Accountants*for **Swayam Krishi Sangam****(Dr. Vithal Rajan)**
*Chairperson*Hyderabad
Dated: July 29, 2001**(V. Nagarajan)**
*Partner***(Vikram Byanna Akula)**
Chief Executive Officer