

## AUDITORS' REPORT TO THE MEMBERS OF SWAYAM KRISHI SANGAM.

We have audited the attached Balance Sheet of as at March 31, 2004 and the Income and Expenditure account of the Society in respect of Grant accounts and Micro Finance Fund for the year ended on that date annexed thereto.

### Respective responsibilities of Management and Auditors

These statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Basis of opinion

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

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. 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 appears from our examination of the books.

We have no relationship with or any interests in the Association other than our capacity as auditors.

### Opinion

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 a fair view-

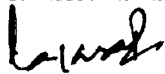
- a) In the case of the balance sheet, of the state of affairs of the above named institution as at March 31, 2004 and
- a) In the case of Income and Expenditure account, for the year ended on that date.

Place: Hyderabad

Date: 15<sup>th</sup> June, 2004



For V. NAGARAJAN & Co.,  
Chartered Accountants

  
(V.NAGARAJAN)

Partner

(M-No. 19969)

<b>GRANT ACCOUNTS</b>		<i>Rs.</i>	
<b>BALANCE SHEET AS ON</b>		<b>March, 2004</b>	<b>March, 2003</b>
<b>LIABILITIES</b>			
<b>CORPUS FUND</b>		240	240
<b>RESERVE AND SURPLUS</b>			
Income and Expenditure Account		111,115	14,036,445
<b>MICROFINANCE FUND</b>		<b>2,647,631</b>	<b>-12,184,181</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>		48,943	1,133,345
<b>TOTAL</b>		<b>2,807,930</b>	<b>2,985,849</b>
<b>ASSETS</b>			
<b>FIXED ASSETS:</b>			
Gross Block		3,992,568	3,894,227
Less: Depreciation		1,433,551	1,224,124
<b>Net Block</b>		<b>2,559,017</b>	<b>2,670,103</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Cash and Bank Balances		46,103	46,027
Deposits		4,650	24,399
Advances and other amounts recoverable in cash or in kind or for the value to be received		198,160	245,320
<b>Total Current Assets (A) + (B)</b>		<b>248,913</b>	<b>315,746</b>
<b>TOTAL</b>		<b>2,807,930</b>	<b>2,985,850</b>

**Accounting Policies and Notes on Accounts**

As per our report of even date

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



*(Signature)*  
**(V. NAGARAJAN)**  
Partner

Hyderabad,  
Dated: 15th June 2004

for **SWAYAM KRISHI SANGAM**

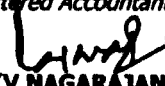



*(Signature)*  
**(SITARAM RAO)**  
Chief Executive Officer

SWAYAM KRISHI SANGAM

<b>GRANT ACCOUNTS</b>	<i>Rs</i>	
<b>INCOME &amp; EXPENDITURE ACCOUNT FOR THE</b>	<b>March, 2004</b>	<b>March, 2003</b>
<b>PERIOD ENDING</b>		
<b>INCOME</b>		
<b>Donations and Grants from:</b>		
<b>Foreign Sources</b>		
SKS Foundation	-	2,075,655
American India Foundation	6,149,000	-
Unitus Inc.	2,308,000	-
<b>Others</b>		
Interest on Bank Deposits	-	17,285
Other Income and donations	18,560	81,739
Community Contribution	74,982	59,742
<b>TOTAL</b>	<b>8,550,542</b>	<b>2,234,421</b>
<b>EXPENDITURE</b>		
<b>Direct Program Support Costs:</b>		
Direct Programme Expenditure - Balwadi / Creches	658,901	567,144
Allocated expenses for Education Program	209,000	300,000
Grant to Members for income generation projects	20,672,080	-
<b>Other Costs</b>		
Salaries, Allowances and Staff benefits	851,434	656,977
Books, Printing and Stationery & Admin Expenses	293,032	91,871
Consultancy Services	131,370	175,545
Office Rent	66,138	56,910
Loss on Sale of assets	9,067	56,577
Other Administrative Expenses -Travelling, Communication	-	68,094
Depreciation	216,169	320,888
<b>TOTAL</b>	<b>23,107,191</b>	<b>2,294,006</b>
<b>APPROPRIATION</b>		
<b>Net Surplus for the Current year</b>	<b>(14,556,649)</b>	<b>(59,585)</b>
Less: Excess of Income/(Expenditure) in Micro Finance Fund	<b>631,318</b>	<b>(1,667,598)</b>
Surplus brought forward from previous year	<b>14,036,445</b>	<b>15,763,628</b>
<b>Balance carried over to Balance Sheet</b>	<b>111,114</b>	<b>14,036,445</b>

**Accounting Policies and Notes on Accounts**  
As per our report of even date


for V. NAGARAJAN & Co.,  
Chartered Accountants  
Hyderabad,  
Dated: 15th June 2004  
  
(V. NAGARAJAN)  
Partner  


for SWAYAM KRISHI SANGAM  
  
(SITARAM RAO)  
Chief Executive Officer  



**GRANT ACCOUNTS  
SCHEDULE 1: FIXED ASSETS**

Particulars	Gross Block		Depreciation		Net Block		As on 01.04.03
	as on 01.04.03	of Additions	of Deletions	for the Current year	as on 31.03.04	as on 31.03.04	
Land	407,436				407,436	407,436	407,436
Buildings	1,986,532	15,100		92,727	2,008,905	1,761,817	1,839,445
Motor Vehicle	37,662	20,464	15,808	6,834	21,947	20,371	15,808
Furniture And Fixture	292,360	65,210		29,042	96,195	261,375	225,207
Office Equipment	168,099			14,734	123,897	44,202	58,936
Computers and Peripherals	864,725	13,375		66,574	831,063	45,040	98,239
Air Conditioners	43,800			3,593	33,021	10,779	14,372
Borewell	32,490			2,665	74,494	7,996	10,661
Generators	51,120				61,120		
<b>Total</b>	<b>3,894,227</b>	<b>114,149</b>	<b>15,808</b>	<b>216,169</b>	<b>1,433,551</b>	<b>2,559,017</b>	<b>2,670,104</b>

Hyderabad,  
Dated: 15th June 2004

for V. NAGARAJAN & Co.,  
Chartered Accountants  
  
(V. NAGARAJAN)  
Partner



for SWAYAM KRISHI SANGAM  
  
(SITARAM RAO)  
Chief Executive Officer



# SWAYAM KRISHI SANGAM

## MICRO FINANCE FUND

Rs.

### BALANCE SHEET AS ON

March 31, 2004      March 31, 2003

	<i>Sch</i>		
<b>SOURCE OF FUNDS:</b>			
<b>CAPITAL FUNDS</b>	<i>1</i>	(2,647,632)	12,184,181
<b>LOAN FUNDS:</b>			
Secured	<i>2</i>	170,232,730	43,647,200
Unsecured			
-Subordinated	<i>3</i>	3,659,000	3,659,000
Savings from Members		1,384,598	3,717,699
<b>TOTAL</b>		<u>172,628,696</u>	<u>63,208,079</u>
<b>APPLICATION OF FUNDS:</b>			
<b>FIXED ASSETS (Net)</b>	<i>4</i>	1,170,682	147,135
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Cash and Bank Balances	<i>5</i>	53,184,598	11,451,620
Advances and Other Amounts Recoverable	<i>5</i>	3,040,685	614,465
Loans to Poor Women in Self Help Groups	<i>6</i>	117,167,760	51,173,738
Interest Accrued on Loans		320,344	126,476
		<u>173,713,387</u>	<u>63,366,299</u>
<b>LESS CURRENT LIABILITIES AND PROVISIONS</b>	<i>7</i>	2,255,372	305,355
<b>NET CURRENT ASSETS</b>		<u>171,458,014</u>	<u>63,060,944</u>
<b>TOTAL</b>		<u>172,628,696</u>	<u>63,208,079</u>
Significant Accounting Policies and Notes on Accounts	<i>13</i>	0	

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

Place:Hyderabad  
Dated: 15th June, 2004



*(Signature)*  
**(V. NAGARAJAN)**  
Partner

for **SWAYAM KRISHI SANGAM**



*(Signature)*  
**(SITARAM RAO)**  
Chief Executive Officer

# SWAYAM KRISHI SANGAM

*Rs.*

**MICRO FINANCE FUND**

**INCOME AND EXPENDITURE ACCOUNT YEAR ENDED**

	March 31, 2004	March 31, 2003
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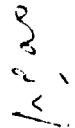
	March 31, 2004	March 31, 2003
<i>Sch</i>		
<b>INCOME:</b>		
Financial Services to Poor Women in Self Help Groups		
Interest on Loans	25,891,950	8,984,947
Interest on Bank Deposits & Staff Loans	585,543	116,952
Capacity Building Grant from Small Industrial Development of India	1,234,000	-
<b>TOTAL</b>	<b>27,711,493</b>	<b>9,101,899</b>

<b>EXPENDITURE:</b>		
<b>Operating Expenditure</b>		
Financial Cost	11,268,153	2,821,900
Personnel Cost	9,350,965	4,938,818
Administrative and Other Operative Cost	5,400,124	2,895,037
<b>Non-Cash Expenditure and Provisions</b>		
Loans and Advances Written Off	701,934	77,507
Depreciation	359,000	36,235
<b>TOTAL</b>	<b>27,080,176</b>	<b>10,769,497</b>

<b>APPROPRIATION:</b>		
Net Profit/(Loss) for the year	631,318	(1,667,598)
Transferred to Capital Fund	631,318	(1,667,598)
Significant Accounting Policies and Notes on Accounts	13	

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



**for SWAYAM KRISHI SANGAM**  
  
**(SITARAM RAO)**  
*Chief Executive Officer*

Place: Hyderabad,  
 Dated: 15th June, 2004

**SWAYAM KRISHI SANGAM**

**MICRO FINANCE FUND**

Rs

**CASH FLOW FOR THE YEAR ENDED MARCH 31,**

**2004**

**2003**

**(A) Opening Balances**

Cash in Hand	1,098,762		449,454
Cash in Bank Accounts			
- In Current Accounts	5,272,858		3,006,678
- In Fixed Deposits	5,080,000	11,451,620	3,456,132
<b>Total (A)</b>		<b>11,451,620</b>	<b>3,456,132</b>

**(B) Cash Flow From Change in Capital Base**

- Secured loans received	159,912,800		49,800,000
- Subordinated loans received			3,659,000
- Increase in Capital	(15,463,130)		1,016,267
- Savings from Members	(2,333,101)		1,926,403
Less:			
- Repayment of loan liabilities	33,327,270		10,152,800
<b>(B) Net cash inflow/(outflow) from change in capital Base</b>		<b>108,789,299</b>	<b>46,248,869</b>

**(C) Cash flow from Micro-lending activities**

- Loan repayment received during the year	149,879,716		52,351,533
- Fresh loans disbursed during the year	(216,575,672)		(89,141,486)
<b>(C) Net cash inflow/(outflow) from micro loan disbursal</b>		<b>(66,695,956)</b>	<b>(36,789,953)</b>

**(D) Cash flow from Operating Activities**

Profit as per Income and Expenditure account	631,318		(1,667,598)
Less: Expenses deferred during the year			
	631,318		(1,667,598)
<b>Add/(Less): Non- cash expenses( Non-cash incomes)</b>			
- Depreciation	359,000		36,235
- Loans Written Off	701,934		71,600
- Unrecoverable Advances Written Off			
- Deferred Revenue Expenses Written off			
- Loan loss provision			
<b>Fund From Operation</b>	1,692,252		(1,559,763)
<b>Adjustments for change in current assets/liabili</b>	<b>(670,071)</b>		124,526

**(D) Cash flow from Operating Activities**

**1,022,181** (1,435,237)

**(E) Cash Flow from Investment Activities**

- Increase/(decrease) in fixed assets	(1,382,546)	(1,382,546)	(28,191)	(28,191)
<b>(E) Net cash inflow/(outflow) from investment activities</b>		<b>(1,382,546)</b>		<b>(28,191)</b>

**(F) Closing Balances( A+B+C+D+E)**

Cash in Hand	3,058,699		1,098,762
Cash in Bank accounts			
- Current Accounts	11,888,717		5,272,858
- In Fixed Deposits	38,237,182	5,080,000	11,451,620
<b>Total (F)</b>		<b>53,184,598</b>	<b>11,451,620</b>

As per our report of even date

**V. NAGARAJAN & CO.,**  
Chartered Accountants

**(V. NAGARAJAN)**  
Partner



for SWAYAM KRISHI SANGAM



*(Signature)*  
**(SITARAM RAO)**  
Chief Executive Officer

Hyderabad,  
Dated: 15th June, 2004

# SWAYAM KRISHI SANGAM

MICRO FINANCE FUND		Rs.
SCHEDULES TO ACCOUNTS AS ON		
	2004	2003

## SCHEDULE 1: CAPITAL FUND

Opening Balance	12,184,181	12,835,512
Received from grant account (Net)	(15,463,130)	1,016,267
Net Profit/(Loss) for the Year	631,318	(1,667,598)
	(2,647,632)	12,184,181

## SCHEDULE 5: CURRENT ASSETS & LOANS AND ADVANCES

### A. CURRENT ASSETS

#### CASH & BANK BALANCES

Cash in Hand	3,058,699	1,098,762
Balance with Bank in :		
Current Accounts	11,888,717	5,272,858
Fixed Deposits		
Pledged with Financial Institutions & Banks	9,930,000	
Unpledged Fixed Deposits	28,307,182	5,080,000
Total	53,184,598	11,451,620

### B. LOAN AND ADVANCES


Advance to employees	91,984	8,376
Other Advances	26,342	12,570
Expansion expenses recoverable	1,980,182	-
Deposits	71,958	23,614
Printing & Stationery - Stock	183,441	-
Prepaid Expenses	15,100	-
Interest Accrued on Fixed Deposit	318,199	55,223
Tax Deducted at Source	38,905	10,947
Vehicle Loans to Staff	314,574	503,735
Total	3,040,685	614,465

## SCHEDULE 8: CURRENT LIABILITIES & PROVISIONS

Statutory Dues payable	250,571	106,946
Interest Accrued but not due	984,565	131,855
Other Liabilities	1,020,236	66,554
Total	2,255,372	305,355

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

Hyderabad,  
Dated: 15th June, 2004

  
(V. NAGARAJAN)  
Partner

for **SWAYAM KRISHI SANGAM**



  
(SITARAM RAO)  
Chief Executive Officer

**SWAYAM KRISHI SANGAM - MICRO FINANCE FUND**

Rs.

**SCHEDULES TO ACCOUNTS : SCHEDULE 2: SECURED LOANS**

Sr.	Name of bank/Financial Institution	Amount availed as on March 31, 2004		Balance outstanding as on		Due for payment by 31-Mar-05	Interest rate	Repayment period including moratorium Payable in	Type of security/ Nature
		Date	Rupees	March 31, 2003	March 31, 2004				
1	Friends of Women World Banking								
	Loan II	Mar, 2002	2,000,000	1,140,000	-	-	13.5%	Quarterly from Sept 30,02 for 2 years	Hypothecation of Book Debts
	Loan III	Mar, 2002	2,000,000	1,140,000	-	-	13.5%	Quarterly from Sept 30,02 for 2 years	Hypothecation of Book Debts
	Loan IV	May, 2002	2,000,000	1,600,000	800,000	800,000	13.5%	Quarterly from Dec 31,02 for 2 years	Hypothecation of Book Debts
	Loan V	July, 2002	2,000,000	1,638,000	910,000	728,000	13.5%	Quarterly from Dec 31,02 for 3 years	Hypothecation of Book Debts
	Loan VI	Oct, 2002	2,000,000	1,740,000	580,000	580,000	13.5%	Quarterly from March 31,03 for 2 years	Hypothecation of Book Debts
	Loan VII	Jan, 2003	3,000,000	3,000,000	1,275,000	1,275,000	13.5%	Quarterly from June 30,03 for 2 years	Hypothecation of Book Debts
	Loan VIII	May, 2003	5,000,000	-	2,800,000	2,800,000	13.5%	Quarterly from Sep 30,03 for 2 years	Hypothecation of Book Debts
	Loan IX	July, 2003	2,500,000	-	1,750,000	1,400,000	13.5%	Quarterly from Dec 31,03 for 2 years	Hypothecation of Book Debts
	Loan X	July, 2003	2,500,000	-	1,750,000	1,400,000	13.5%	Quarterly from Dec 31,03 for 2 years	Hypothecation of Book Debts
	Loan XI	July, 2003	5,000,000	-	3,500,000	2,800,000	13.5%	Quarterly from Dec 31,03 for 2 years	Hypothecation of Book Debts
	Loan XII	Aug, 2003	5,000,000	-	3,500,000	2,800,000	13.5%	Quarterly from Dec 31,03 for 2 years	Hypothecation of Book Debts
	Loan XIII	Jan, 2004	5,000,000	-	5,000,000	2,200,000	13.5%	Quarterly from June 30,04 for 2 years	Hypothecation of Book Debts
	Loan XIV	Jan, 2004	5,000,000	-	5,000,000	2,900,000	13.5%	Quarterly from June 30,04 for 2 years	Hypothecation of Book Debts
	Loan XV	Mar, 2004	5,000,000	-	5,000,000	2,900,000	13.5%	Quarterly from June 30,04 for 2 years	Hypothecation of Book Debts



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## SWAYAM KRISHI SANGAM - MICRO FINANCE FUND

### SCHEDULES TO ACCOUNTS : SCHEDULE 2: SECURED LOANS

Rs.

Sr.	Name of bank/Financial Institution	Amount availed as on March 31, 2004		Balance outstanding as on		Due for payment by	Interest rate	Repayment period including moratorium	Type of security/ Nature
		Date	Rupees	March 31, 2003	March 31, 2004				
2	Small Industrial Development Bank of India								
	Loan I	July, 2002	7,500,000	6,964,200	4,821,030	4,286,160	11.0%	Quarterly from Mar 1,03 for 4 years	Pledge of fixed deposits of Rs. 7.50 Lacs/ Hypothecation of Book Debts
	Loan II	Mar, 2003	25,000,000	5,000,000	25,714,200	14,285,600	11.0%	Quarterly from Sep 1,03 for 4 years	Pledge of fixed deposits of Rs. 30.0 Lacs/ Hypothecation of Book Debts
	Loan III	Mar, 2004	50,000,000	-	50,000,000	7,144,000	11.0%	Quarterly from Sep 1,03 for 4 years	Pledge of fixed deposits of Rs. 50.0 Lacs/ Hypothecation of Book Debts
	Loan IV	Feb, 2004	10,000,000	-	10,000,000	-	1.0%		Hypothecation of Book Debts
3	UTI Loan - 1	Nov, 2002	15,000,000	13,125,000	5,625,000	5,625,000	13.0%	6 Monthly instalments from Jan. 31, 2003 & 6 Quarterly from Sep 30, 03	Hypothecation of book debts created out of the loan fund
4	UTI Loan - 2	Dec, 2003	13,500,000	-	13,200,000	1,200,000	13.0%	Quarterly Instalments after 6 months from the date of disbursement	Hypothecation of book debts created out of the loan fund
5	HDFC Bank Limited	Jan, 2003	11,560,000	8,300,000	6,007,500	4,680,000	13.5%	Quarterly from Mar, 31, 2003 for Three year - six month Moratorium	Hypothecation of Book debts arising out of loan fund, pledge of fixed Deposits of Rs.12.00 lacs & 20% margin
6	Citibank	Aug, 2003	23,000,000	-	23,000,000	23,000,000	10.47%	Bullet Repayment after one year	Loan taken against Letter of Credit
	Total		203,560,000	43,647,200	170,232,730	82,842,202			



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## SWAYAM KRISHI SANGAM - MICRO FINANCE FUND

### SCHEDULES TO ACCOUNTS : SCHEDULE 2: SECURED LOANS

SCHEDULE 3: UNSECURED LOANS		Balance outstanding as on		Due for payment by	Interest rate	Repayment period including moratorium	Type of security/ Nature
Sr.	Name of bank/Financial Institution	Amount availed as on March 31 2004	Rupees				
		Date availed	March 31, 2003	31-Mar-05		Payable in	
1	Grameen Foundation, USA	Apr, 2002	2,439,000	2,439,000	0%	One bullet payment on April 30,2009	
2	Grameen Foundation, USA	Apr, 2002	1,220,000	1,220,000	2%	One bullet payment on April 30,2009	
	Total		3,659,000	3,659,000			

Rs.

Place:Hyderabad

Dated: 15th June, 2004

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



*V. Nagarajan*  
(V.NAGARAJAN)  
Partner

for **SWAYAM KRISHI SANGAM**



*Sitaram Rao*  
(SITARAM RAO)  
Chief Executive Officer

## SWAYAM KRISHI SANGAM

### MICRO FINANCE FUND SCHEDULES TO ACCOUNTS

#### SCHEDULE 4: FIXED ASSETS

*Rs*

PARTICULARS	GROSS BLOCK		DEPRECIATION		WRITTEN DOWN VALUE		Rate
	As on 1.4.2003	As on 31.03.2004 Additions during the period	As on 1.4.2003	For the Period	As on 31.3.2004	31.3.2003	
Furniture and Fixtures	52,756	208,590	6,623	15,723	239,000	46,133	10%
Computers	7,128	1,121,376	4,277	311,065	813,162	2,851	60%
Office Equipment	48,317	20,125	20,779	10,464	37,199	27,538	25%
Vehicles	112,883	-	42,269	14,123	56,491	70,614	20%
Generators	-	32,455	-	7,625	24,830	-	25%
Total	221,084	1,382,546	73,948	359,000	1,170,682	147,136	

Hyderabad,  
Dated: 15th June, 2004

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



*(Signature)*  
**(V. NAGARAJAN)**  
Partner

for **SWAYAM KRISHI SANGAM**



*(Signature)*  
**(SITARAM RAO)**  
Chief Executive Officer

## SWAYAM KRISHI SANGAM

### MICRO FINANCE FUND SCHEDULES TO ACCOUNTS

#### SCHEDULE 6 : LOANS TO POOR WOMEN IN SELF HELP GROUPS

Rs

Age and category of Loan outstanding	<i>Standard loans</i>	<i>Non-Performing Loans</i>		<i>Loss Assets</i>	<i>Total</i>
		<i>Sub-Standard</i>	<i>Doubtful</i>		
	Current and Overdue up to 4 weeks*	4 weeks and above	Where duration of loan period has expired		
<b>Un secured</b>					
Regular	116,821,680	-	-	0	116,821,680
Re-scheduled	-	-	-	-	-
<b>Total</b>	<b>116,821,680</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>116,821,680</b>
Less: Provisions for doubtful loans	-	-	-	0	-
Groupfund Loans	346,080				346,080
<b>Net book value of the Portfolio of Loan Assets</b>	<b>117,167,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,167,760</b>

\* All loans are current

#### SCHEDULE 8 : INTEREST ON LOANS TO POOR WOMEN IN SELF HELP GROUPS

Rs

Age and category of Loan outstanding	<i>Standard loan</i>	<i>Non-Performing Loans</i>		<i>Loss As</i>	<i>Total</i>
		<i>Sub-Stan</i>	<i>Doubtful</i>		
	Current and Overdue up to 4 weeks	4 weeks and above	Where duration of loan period has expired		
Interest Received During the Year	24,648,466	-	-	-	24,648,466
Death Relief Fee	923,140	-	-	-	923,140
	25,571,606	-	-	-	25,571,606
Add:					
Interest Accrued But Not Due	320,344	-	-	-	320,344
	25,891,950	-	-	-	25,891,950
Less:					
Interest Derecognized	-	-	-	-	-
<b>Total</b>	<b>25,891,950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,891,950</b>

Place:Hyderabad,  
Dated: 15th June, 2004

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



*(Signature)*  
**(V. NAGARAJAN)**  
Partner

for **SWAYAM KRISHI SANGAM**



*(Signature)*  
**(SITARAM RAO)**  
Chief Executive Officer

## SWAYAM KRISHI SANGAM

<b>MICRO FINANCE FUND</b>		<i>Rs.</i>
<b>SCHEDULES TO ACCOUNTS AS ON</b>		
	<b>2004</b>	<b>2003</b>
<b>SCHEDULE 9: INTEREST ON BANK DEPOSITS &amp; STAFF LOANS</b>		
Income from vehicle loan to staff & Other Income	26,548	26,633
Financial Income (Interest on Deposits)	558,995	90,319
<b>Total</b>	<b>585,543</b>	<b>116,952</b>
<b>SCHEDULE 10: FINANCIAL EXPENSES</b>		
Interest on Borrowings from financial institutions	10,545,269	2,689,695
Guarantor Commission	501,233	-
Bank Charges and processing charges	221,651	132,205
<b>Total</b>	<b>11,268,153</b>	<b>2,821,900</b>
<b>SCHEDULE 11: PERSONNEL COST</b>		
Salaries	5,391,873	3,160,272
Allowances	485,472	104,037
Contribution to Provident Fund	338,539	180,785
Compensation and Incentives	3,135,081	1,493,724
<b>Total</b>	<b>9,350,965</b>	<b>4,938,818</b>
<b>SCHEDULE 12: ADMINISTRATIVE AND OTHER OPERATIVE EXPENSES</b>		
Travelling, Conveyance and Vehicle Running Expe	2,359,183	1,256,846
Rent	584,646	377,227
Computer Consumables, Printing and Stationary	944,009	1,060,895
Communication Expenses	358,512	218,434
Professional Charges	511,136	16,250
Auditors' Remuneration	336,023	219,921
Loan Write Off due to death	701,934	77,507
Expenses on impact assesement study	510,222	-
Miscellaneous Expenses	5,394	45,466
	<b>6,311,058</b>	<b>3,272,544</b>
Less:		
Expenses Allocated to Education Project	(209,000)	(300,000)
<b>Total</b>	<b>6,102,058</b>	<b>2,972,544</b>

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

Place:Hyderabad,  
Dated: 15th June, 2004



for **SWAYAM KRISHI SANGAM**



*(Signature)*  
**(SITARAM RAO)**  
Chief Executive Officer

# SWAYAM KRISHI SANGAM – MICRO FINANCE FUND

## SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

### SCHEDULE 13: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 1) NOTES ON BUSINESS ACTIVITIES:

- a. The Society has instituted the Micro Finance Fund for providing financial services to the poor women in the rural areas of India who are organized as self help groups. It provides small value collateral free loans, savings and insurance services to poor women in groups and all financial transactions are conducted in the group meetings organized near the habitats of these women. 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 thorough weekly meetings and providing financial and support services at the doorsteps of the borrowers to ensure high rates of recovery.
- b. The present operations are in four districts of Andhra Pradesh, India.
- c. The society is engaged in transforming its Micro Finance Activities through the Micro Finance Fund into a formal Financial Institution, upon securing necessary permissions and approvals.

#### 2) SIGNIFICANT ACCOUNTING POLICIES:

##### a. Basis of Preparation of Financial Statements

- i) The financial statements have been prepared under historical cost conventions and on accrual system, assuming the principle of going concern. The society launched efforts to apply all the applicable accounting standards to the Micro Finance operations.

##### b. Revenue Recognition:

- i) Interest on micro finance loans is recognized on accrual basis, calculated on a flat rate basis (collected on weekly basis) on the loans disbursed, as per the contract with the borrowers.
- ii) Income on Non-performing assets is recognized only when realized and any interest accruing on such assets is de-recognized in the same manner and at the same rate in which provisions for doubtful debts is made.

##### c. Grants and Donations:

- i) Grants and donations relating to micro finance operations are not recognized in the financial statements of Micro Finance Fund.

##### d. Classification of Loan Portfolio:

- i) All loans and advances overdue up to 4 weeks have been classified as Standard assets, overdue beyond 4 weeks and up to 50 weeks (which is the maximum loan duration) are classified as Sub-standard assets. Loans overdue beyond the loan durations are classified as Doubtful of recoveries.
- ii) Loans and advances where possibility of recovery is remote in the assessment of the management are classified as loss assets and written off.

##### e. Provision for Loan Losses:

- i) No provision is made on advance outstanding and classified as Standard assets, provision of 10% is made on advances classified as Sub-standard, upto 25 weeks, and 50% between 25-50 weeks, whereas, 100% provision is made for in case of advances classified as Doubtful.
- ii) Advances classified as loss assets by the management are written off in Income and Expenditure Account.
- iii) The provision is larger than the provision required under the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions 1998.



# SWAYAM KRISHI SANGAM – MICRO FINANCE FUND

## f. **Write off of Loans:**

All loans in respect of which the Clients have expired or the loan period is over but in the opinion of the management is not recoverable are written off in the first instance, though the recovery efforts are not reduced.

## g. **Fixed Assets:**

- i) All fixed assets have been valued at cost inclusive of direct and incidental expenses related to acquisition.
- ii) Depreciation is provided on the assets based on written down value method at the rates appropriate for the useful life of the assets.
- iii) In respect of additions, the depreciation is provided in full irrespective of the period for which the assets are put to use.

## h. **Employee Benefits:**

- i) Contribution to Provident Fund is accounted on actual liability basis and paid.
- ii) Gratuity and leave encashment is being accounted for on cash basis.
- iii) Gratuity liability estimated on actuarial basis but not provided for.

## i. **Foreign Currency Transactions:**

- i) All transactions in the foreign currency are recognized at the exchange rate prevailing on the date of transactions.
- ii) Liabilities and receivables in foreign currency are converted at the exchange rate prevailing at the close of the financial year and net gain or losses are recognized in the Income and Expenditure account.

### 3) **NOTES TO ACCOUNTS:**

#### a. **Contingent Liabilities:**

- i) Capital commitments in progress: Nil
- ii) Claims not acknowledged as debts: Nil

#### b. **Books and Records:**

- i) Subsequent to computerization of the accounts of the company including its branches, printing of sub ledger accounts of all borrowers (approximately 30,000 small value loans accounts with large volume, which is in an increasing mode continuously) is found to be economically not viable, in the micro finance scenario, the company is maintaining the sub ledgers in electronic form only. The company is making efforts to institute fool proof back up system and viewing / printing of the same through computing devices.

#### c. **Capital Fund:**

- i) The entire capital fund is provided by Swayam Krishi Sangam out of grant support for implementation of its poverty reduction program.

#### d. **Loans to Poor Women in Self Help Groups: Rs. 117,167,760**

- i) Consists of:
  - (1) Rs 11,68,21,680 as short-term loans only (of term not exceeding 50 weeks) to poor women in self-help groups in the villages of Andhra Pradesh.
  - (2) Rs. 3,46,080 as Group Fund Loans (Interest Free) upto 50% of the savings of the members in short term.
- ii) No provision for loan losses have been made as the society has effected full recovery of loans and interest on time which has become due, without any delinquency, except where the loans are written off as per its stated policy.

#### e. **Significant Changes after the Balance Sheet Date:**

- i) The society is in the process of negotiating with certain foreign funding agencies and venture capital institutions to convert and transfer the Micro Finance Fund into a formal Micro Finance Institution for growth and expansion to meet its objectives of Poverty Reduction in India among the poor, for which contracts are in final stages and necessary approvals are being sought. On



*[Handwritten Signature]*

# SWAYAM KRISHI SANGAM – MICRO FINANCE FUND

such eventually total loan portfolio along with assets could be transferred during ensuing financial year.

- f. The society has incurred an aggregate expenditure of Rs 24,11,631 for the purpose of scaling up the microfinance operations with a view to ultimately transfer the portfolio on the promise of recovery of the same on conversion of the micro finance fund into a formal financial institution year, pending which the expenditure is carried in the books under current assets.

**g. Auditor's Remuneration:**

Particulars	Rs	
	Year ended March 31,	
	2004	2003
a. Audit Fees	2,40,000	1,84,000
b. Taxation and other consulting services	10,000	0
c. Service Tax	19,200	9,300
d. Travel and out of Pocket Expenses	66,823	26,621
e. Total	<b>3,36,023</b>	<b>2,19,921</b>

**h. Managerial Remuneration:**

Particulars	Rs	
	Year ended March 31	
	2004	2003
a) Remuneration to Chief Executive Officer	13,75,753	4,43,750

**i. Earnings and Outgo In Foreign Currency:**

Particulars	Rs	
	Year ended March 31	
	2004	2003
<i>Expenditure:</i>		
Travel and Related expenses	Nil	Nil
Consultation Charges	Nil	2,20,875
Principal Repayment of Loans	Nil	Nil
Interest and Other Financial Charges	24,390	72,131

**4. MISCELLANEOUS:**

- 4.1. Previous period figures have been regrouped and rearranged wherever necessary.

As per our report of even date  
for **V. NAGARAJAN & Co.,** Chartered Accountants  
Hyderabad  
15th June, 2004

for **SWAYAM KRISHI SANGAM**  
**(SITARAM RAO)**  
Chief Executive Officer

**V. NAGARAJAN**  
Partner

