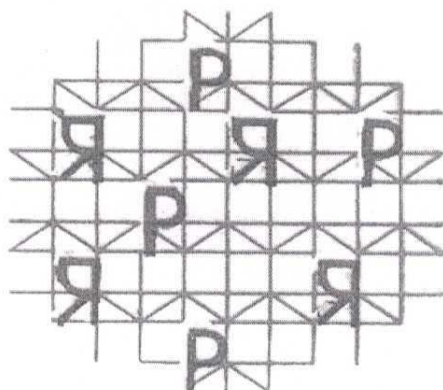


**PROFESSIONAL ASSISTANCE FOR
DEVELOPMENT ACTION (PRADAN)**



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

3 Community Shopping Centre Niti Bagh, New Delhi-110049
Tel/Fax (91) 011- 26518619 ☎: 26514682, 26528534, 41640611,
26534061, 26534023
email: headoffice@pradan.net

Auditors

V.NAGARAJAN & CO.,

Chartered Accountants

D-2058 Gurgaon Palam Vihar, Haryana-122017,

Ph: 0124 4078742-43, Fax 0124 4078744

Email: nagarajan@accountant.com

V.NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

We have audited the attached Balance Sheet of **PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)** along with the accounts of various Income Generation Program based funds, a Society registered under the Registration of Societies Act and having its registered office at 3, Community Shopping Centre, Niti Bagh, New Delhi 110 049 as at March 31, 2007 and the Income and Expenditure account for the year ended on that date annexed thereto.

Respective responsibilities of Management and Auditors

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

Basis of Opinion:

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 the management, as well as evaluating the overall presentation of financial statement. 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.

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

Opinion:

1. In our opinion, proper books of accounts as required by the law have been kept by the Society so far as appears from our examination of the books maintained at the Head Office and all the branches of the Society visited by us
2. The Balance Sheet and the Income and Expenditure account dealt with by this report are in agreement with the books of accounts;
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Income and Expenditure Account and other accounts relating to various funds, read together with the notes on accounts attached thereto, give a true and fair view:
 - i. In the case of the Balance Sheet, of the state of affairs of the Society as at March 31, 2007 and
 - ii. In the case of Income and Expenditure account, of the Excess of Income over Expenditure of the Society for the year ended on that date.

Place: New Delhi,
Dated: July 14, 2007

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


(V. NAGARAJAN)
Partner



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

BALANCE SHEET AS AT MARCH 31, 2007 2006

	Sch.		
SOURCES OF FUNDS			
CORPUS	1	65,565,343	44,991,936
CAPITAL AND GENERAL FUNDS	2	158,076,479	93,228,045
SPECIFIED FUNDS	3	7,699,024	2,399,754
Total		231,340,846	140,619,735

APPLICATION OF FUNDS

FIXED ASSETS	4		
Gross Block		50,189,277	49,543,454
Less: Depreciation		13,458,352	13,903,372
		36,730,925	35,640,083
INVESTMENTS	5	71,279,544	49,659,300
MICRO ENTERPRISES DEVELOPMENT FUNDS	6	206,018	11,589,339
CURRENT ASSETS, LOANS AND ADVANCES (A)			
Current Assets	7	120,292,713	50,397,836
Loans and Advances	8	23,664,779	11,354,304
		143,957,492	61,752,140
CURRENT LIABILITIES AND PROVISIONS (B)			
Current Liabilities	9	7,270,351	6,184,209
Provisions	10	13,562,782	11,836,918
		20,833,133	18,021,127
NET CURRENT ASSETS (A-B)		123,124,359	43,731,013
Total		231,340,846	140,619,735

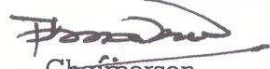
Fund Based Receipts and Payments Accounts	17
Natural Head wise-Income and Expenditure Account	18
Accounting Policies and Notes on Accounts	19

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

New Delhi,
Dated: July 14, 2007


(V. NAGARAJAN)
Partner





Chairperson


Executive Director


Members of Governing Board



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31

		2007	2006
	<i>Sch.</i>		
INCOME			
Contributions/Grants Received	11	275,403,075	153,276,828
Income on Investments	12	14,836,267	12,243,251
Other Receipts	13	2,394,975	847,474
Total		292,634,317	166,367,553
EXPENDITURE			
Rural Livelihood Promotion Programmes	14	174,580,239	102,400,513
Livelihood Programme Support		25,023,172	18,230,109
Human Resource Development		9,522,620	7,464,413
Research & Documentation		4,937,477	4,299,564
Administration	15	8,654,098	7,175,341
Total		222,717,606	139,569,940
Non-Cash Charges			
Diminution in Value of Investments		1,797,615	(48,506)
Loss on Sale of Investment		673,485	-
Unserviceable Assets & Unrecoverable Advances	16	2,023,771	114,638
Written Off			
Total		227,212,476	139,636,072
Excess of Income over Expenditure		65,421,841	26,731,481
		292,634,317	166,367,553

APPROPRIATION

Balance Brought Down	65,421,841	26,731,481
Transfer to/(from)		
Income Appropriated to Corpus	573,407	82,623
Assets Utilization Reserve - Acquisitions (Net)	1,090,842	10,436,945
Restricted Funds	57,613,194	5,540,689
Unrestricted Funds	6,144,397	10,671,224


Fund Based Receipts and Payments Accounts	17
Natural Head wise-Income and Expenditure Account	18
Accounting Policies and Notes on Accounts	19


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

New Delhi,
Dated: July 14, 2007


(**V. NAGARAJAN**)
Partner




Chairperson


Executive Director




Members of Governing Board



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

SCHEDULE 19: Significant Accounting policies and Notes on Accounts

(Followed in framing the financial statements for the year ended March 31, 2007)

PART A: ACCOUNTING POLICIES

1. **OVERVIEW OF THE SOCIETY'S OPERATIONS:** *In conformity with its aims and objects, the Society*
 - Takes up rural development projects to promote income-generating activities for the benefit of the rural poor in
 - agriculture, poultry, tasar silk and other economic sectors,
 - Provides technical and organisational training to the poor in support of these income-generating activities through service units and centres (formed as separate entities and eventually to be owned by the communities) with the ultimate aim of transferring the management and ownership of these service units to the rural poor,
 - Undertakes projects for setting up, renovation and maintenance of irrigation systems, and the development of natural resources by way of land development, watershed development, afforestation and wasteland development,
 - Promotes women's mutual credit and savings groups, associations of such groups and federations of such associations to enhance the savings and borrowing power of poor rural women so that they can mobilise funds for income generation activities,
 - Promotes Peoples' Organisations through its projects to manage their own economic activities, such as mutually aided cooperative societies, mutual benefit trust, Rural Producers' Associations, Producer Companies, etc.
 - Works with the poor through locally active groups, formally recognised under any law or not, towards the accomplishment of its mission.
2. **CLASSIFICATION OF EXPENSES:**
Of the above activities carried on by the Society, concerning the income generation activities, all expenses incurred in the services rendered to the rural poor have been treated as Rural Development Programmes, and Livelihood Programme Support and are so stated in the accounts.
3. **SEGREGATED ACCOUNTS FOR INCOME GENERATION PROGRAMS:**
Wherever any of the above mentioned services generate income and the Society plays the role of intermediary to organise such services, the Society has instituted separate Micro Enterprise / Finance Development Funds. These Funds are treated as separate entities with a view to transfer the same to the community at an appropriate time upon their maturity. Though the Funds form part of the Society's operations, these are in the nature of cooperatives of the producers who are also the beneficiaries. Only the Fund provided is shown as liability in the books of the Society, while the surplus or deficit and other fund receipts are retained in the books of respective Funds.
4. **TREATMENT OF ASSETS:**
In the process of rendering the above services to the poor, the Society has been providing certain assets to them for production or for demonstration purposes. Though these assets are held in the books of the Society, no depreciation has been charged.
5. **TREATMENT OF SUBSIDIES AND GRANTS TO BENEFICIARY GROUPS:**
In the case of informal producers groups of the rural poor promoted by the Society and income generation activities flowing there from, the Society provides donations / capital grants in the form of subsidy to undertake micro business ventures to individuals through groups or business associations.

However, these grants, though written off in the books of the Society, are given with implied understanding as a loan to be repaid to the apex bodies of such groups or associations of such groups, which will revolve the same for the benefit of other members of the same group or other groups.
6. **VALUATION OF INVESTMENTS:**
All investments are held at cost and are valued at market price or cost, whichever is lower. Any diminutions in the value of assets are fully provided for.

[Signature]



Significant Accounting policies and Notes on Accounts



[Signature]

7. BOOK KEEPING AND ACCOUNTING CONVENTIONS:

The books are written on historical cost convention, going concern basis and all incomes are accounted for on cash basis except interest accrued. Expenditures are accounted for on mercantile basis of accounting.

8. TREATMENT OF SPECIFIC FUNDS, BUDGET BASED EXPENDITURE ACCORDED BY FUNDING AGENCIES AND FUNDS DIRECTLY FACILITATED TO THE BENEFICIARY GROUPS:

- a) *The expenditure on projects taken up with the support of donor agencies is, as far as possible, incurred according to the plans and budgets agreed upon. However, deviations some times occur at the time of project execution depending upon various circumstances, such as location, awareness among the beneficiaries, local customs, availability of inputs, legal restrictions, etc. Such variations, monitored regularly, are generally intimated to the donor in advance.*
- b) *In respect of specific funded activities under the directions of donors, such as revolving fund grants, working capital loans, loan funds to be passed on to the beneficiaries and administered by the Society, the same are separately accounted for, held in trust and administered in terms consonant with the objects of the Society. All other grants, including capital grants, are taken as revenue of the Society in the year of receipt to meet the local tax law requirements.*
- c) *In the course of implementing rural development projects the Society also leverages substantial resources from various rural development schemes of the government and banks and through beneficiaries' own contribution, which are directly channeled to the beneficiaries and are not reflected in the Society's books of accounts. This is in keeping with the Society's policy of progressively strengthening the capability of the weaker sections to deal effectively with development agencies and to manage development activities themselves.*

PART B: NOTES ON ACCOUNTS

9. Income recognition:

- a) All grants are recognised on cash basis and expenditure and liabilities are recognised on accrual basis.
- b) In the case of a programme (for community organisations) undertaken with the support of some Government and other agencies, though the funds received are in the nature of Program Execution Charges under a contract, the same is reported as grant in view of the restriction on the expenditure and is in the nature of reimbursement of cost.

10. Format of Accounts:

The Income and Expenditure has been classified based on the cost of activities carried out by the organisation, while Natural Head wise Income and Expenditure account is provided in Schedules 16, forming part of the accounts. The activity-based costs are identified, based on best estimates, by the Management.

11. Fixed Assets and Depreciation: Rs 36,730,926

Fixed assets are stated at Cost, after reducing opening accumulated depreciation. Acquisitions of assets though they are charged to the Funding Agency's grants are retained in the books by creating a fixed assets utilization reserve. Direct Costs are capitalized until the assets are ready for use. Depreciation Rs 2,174,926 has not been provided for the year and the net worth of Fixed Assets is Rs 32,559,891

12. Corpus Investments: Rs 71,279,544

After providing a sum of Rs 1,797,615 (*previous year Rs.Zero*) being diminution in the value, the estimated net worth of the portfolio of investments as per market/realizable prices as at March 31, 2007 was Rs 712.79 lakh (against the cost of Rs 730.77lakh).

Previous year March 31, 2006: Rs 564.84 lakh (against the cost of Rs 469.59 lakh)

13. Addition to Corpus: Rs 20,573,407

This represents corpus grant from Sir Dorabji Tata Trust Rs 2,000,000 and interest income appropriated on corpus investments Rs 573,407 as per the term of grant agreement with Sir Dorabji Tata Trust.

14. Specified Fund held in Trust: Rs 2,336,394

This includes Rs 887,821 held in trust by the Society to be used as revolving fund for specific project activities, and the balance have been used by way of advances to staff in the nature of loans for purchase of two wheeler vehicles.



[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

Significant Accounting policies and Notes on Accounts



15. Loans to Self Help Groups:

a) On Behalf of ICICI Bank

The Society disbursed a total of Rs 15,645,352 (*Previous year Rs 11,431,767, this year Rs 4,213,585*), as loans to Self Help Group's for undertaking livelihood activities out of funds received from ICICI Bank. The liability to repay the loans remains with the Groups and the Society is responsible to collect the amount from the Groups and repay to ICICI Bank as per the contract between ICICI Bank and the Self Help Group's. The Society has repaid Rs 10,146,180 (*Previous year Rs. 4,213,585, this year Rs 5,932,595*) to ICICI Bank out of this loan.

b) On Behalf of Dewan Foundation, UK

The Society disbursed a total of Rs 5,521,546 out of a total of Rs. 1,11,60,250 received in trust from Dewan foundation (*Previous year Rs Nil, this year Rs 5,521,546*), as loans to Self Help Group's for undertaking livelihood activities out of funds received from Dewan Foundation, UK. The liability to repay the loans remains with the Groups and the Society is responsible to collect the amount from the Groups and repay to Dewan Foundation. Balance amount of fund held in trust on behalf of Dewan Foundation as on March 31, 2007 Rs. 5,362,626.

16. Bank Balances – In Fixed deposits: Rs. 59,602,463

- a) Includes Rs.19,95,000 pledged with commercial banks as security against micro finance loans provided to Self Help Groups.
- b) Includes Rs 100,000 deposited as bank guarantee for MPRLP project undertaken in Samanapur and Amarapur blocks of Dindori district.

17. Advances and other amounts recoverable:

- a) Includes amount of Rs. 6,805,092 due from Masuta Producers Company Limited an organization owned by yarn producers consisting of poor tribal woman of the Tasar Programme, upon transfer of the entire business activities to the said organisation vide Memorandum of Understanding dated 28th August, 2006 and as supplemented by another agreement dated 26th March 2007. The amount due to the society now is expected to be received in coming financial year 2007-08.

18. Traveling and conveyance expenses:

- a) During the year, the Society has incurred an expenditure of Rs 107,395 and Rs 246,969 by the members of the Governing Board and by the Auditors, respectively, on account of travel and conveyance (*Previous year: Rs 84,176 and Rs 114,323 respectively*).

19. Internal Audit systems:

- a) A structured Internal Audit system commensurate with size, nature and expanse of operations of the Society is in place and review of the same is conducted periodically.

20. Others:

- a) Auditors' remuneration includes Rs 561,200 as audit fee, while the balance is for other services rendered. (*Previous year Rs 423,706*)
- b) Contingent liabilities in respect of liabilities of peoples' organizations and trusts where the Society is involved in the promotion and support of the same. - Not ascertainable.
- c) Previous year figures are regrouped and rearranged wherever necessary.

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

New Delhi,
Dated: July 14, 2007

(V. NAGARAJAN)
Partner



Chairperson

Executive Director



Members of the Governing Board

Significant Accounting policies and Notes on Accounts