

V.NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF INDIAN GRAMEEN SERVICES

(A Company registered under Sec 25 of the Companies Act, 1956)

We have audited the attached Balance Sheet of INDIAN GRAMEEN SERVICES along with the Livelihood and Finance Innovation Fund as at March 31, 2010 and the Income and Expenditure account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion. On the basis of our audit we report that:

- a) 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;
- b) In our opinion, proper books of accounts as required by the law have been kept by the company, so far as appears from our examination of the books maintained at the Head office and all the branches of the company visited by us;
- c) The Balance Sheet and the Income and Expenditure account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Income and Expenditure Account and the Balance Sheet comply with the accounting standards referred to in sub section 3(C) of section 211 of the Companies Act, 1956.
- e) On the basis of the written representations received from the directors as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) 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 read together with the notes on accounts attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010 and
 - In the case of Income and Expenditure account, the excess of Income over Expenditure for the year ended on that date, except Non provision against Income Tax demand for the assessment year 2007-08 aggregating Rs. 196.11 Lakhs (including interest accrued on actual demand of income tax Rs. 190.40 Lakhs).

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

Kolkata
May 06, 2010

(V. NAGARAJAN)
Partner

INDIAN GRAMEEN SERVICES

Rs in 000s

BALANCE SHEET AS ON		31-Mar-10	31-Mar-09
<u>LIABILITIES</u>			
	Sch		
SHAREHOLDERS FUNDS	1	83	83
CORPUS FUNDS	2	55,482	54,777
COMMITTED PROJECT BASED GRANTS	3	33,159	16,473
RESERVES AND SURPLUS	4	7,108	9,018
LIVELIHOOD FINANCE INNOVATION FUND		117,231	58,237
Liabilities as per contra (account annexed) <i>(Net of Surplus / (Deficit) of LFIF (IGS) Rs.(5.42) & 9.08 Lakhs respectively)</i>			
	TOTAL	213,063	138,588
<u>ASSETS</u>			
FIXED ASSETS			
Gross Block	5	42,607	39,649
Less: Accumulated Depreciation		8,050	5,357
Net Block		34,557	34,292
INVESTMENTS	6	20,509	20,509
LIVELIHOOD FINANCE INNOVATION FUND		117,231	58,237
Assets as per contra (account annexed) <i>(Net of Surplus / (Deficit) of LFIF (IGS) Rs.(5.42) & 9.08 Lakhs respectively)</i>			
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and Bank balances	7	14,088	12,287
Fixed Deposits with Banks	8	25,219	15,669
Loans, Advances and other amounts recoverable in cash or in kind or for value to be received <i>(unsecured-considered good)</i>	9	21,113	18,086
		60,420	46,042
Less: CURRENT LIABILITIES AND PROVISIONS	10	19,654	20,492
NET CURRENT ASSETS		40,766	25,550
	Total	213,063	138,588

Natural Head Wise Income and Expenses Statement	12
Fund Based Receipt and Payment Accounts	13
Accounting Policies and Notes to Accounts	14

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

for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

INDIAN GRAMEEN SERVICES

Rs in 000s

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED		31-Mar-10	31-Mar-09
I N C O M E			
	Sch		
Interest from Investments and Fixed Deposits		797	184
Fees from Services	11	36,159	37,049
Increase in Stock of Work In Progress		86	-
Other Income		1,102	1,211
	Total	38,145	38,444
EXPENDITURE			
Livelihood Financial Services		3,869	12,417
Business Correspondent for Financial Inclusion		14,008	10,362
Agriculture/Business Development Program		6,429	5,606
Institutional Development Program		4,241	9,255
Livelihood and Microfinance Promotion		4,384	2,490
Program for Establishing a Livelihood School		1,350	3,192
Organizational Learning & Excellence		110	309
Administration		2,863	3,075
		37,254	46,706
Non-Cash Charges			
Depreciation		2,705	2,488
	Total	39,958	49,195
Net Surplus/(Deficit)		(1,814)	(10,751)
Surplus/(Deficit) from Livelihood Finance Innovation Fund (as per Annexure 'A' LFIF)		(542)	908
Balance Transferred to General Reserve		(2,356)	(9,843)
Natural Head Wise Income and Expenses Statement	12		
Fund Based Receipt and Payment Accounts	13		
Accounting Policies and Notes to Accounts	14		

As per our report of even date
for **V. NAGARAJAN & Co.,**
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for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

INDIAN GRAMEEN SERVICES

Rs in 000s

SCHEDULES TO ACCOUNTS AS ON	31-Mar-10	31-Mar-09
SCHEDULE 1 : SHARE CAPITAL		
<i>Authorised:</i>		
10,000 Equity Shares of Rs.100 each	1,000	1,000
<i>Issued Subscribed and Paid up:</i>		
825 Equity Shares of Rs.100/- each fully paid up	83	83
SCHEDULE 2: CORPUS FUNDS		
Sir Ratan Tata Trust	12,094	12,013
Add: Interest transferred from Appropriation	105	81
	12,199	12,094
Swiss Agency for Development and Cooperation	42,683	42,211
Add: Interest transferred from Appropriation	600	472
	43,284	42,683
Total	55,482	54,777
SCHEDULE 3: COMMITTED PROJECT BASED GRANTS		
Committed Project Funds (Net)		
Opening Balance	16,473	21,046
Add: Grant Received	66,355	53,717
Add: Interest credited to the Fund	2,525	2,339
Add: Other Income	4,719	3,935
Less: (a) Fund utilized	55,762	62,100
(b) Assets Purchased (As per Contra Assets Acquisition Fund)	446	1,912
(c) Interest transferred to Corpus Fund as contracted obligation	705	553
Total	33,159	16,473
SCHEDULE 4: RESERVES AND SURPLUS		
A: Uncommitted Funds		
Brought forward from previous year	(1,038)	13,649
Transferred from Income and Expenditure Account (Net of Depreciation)	(2,356)	(9,843)
Add: Depreciation (Committed & Uncommitted Fund) (As per Contra with Assets Acquisition Fund)	2,705	2,488
Less: Assets Purchased (As per contra to Assets Acquisition Fund)	2,538	10,749
Add: Assets Deletion (As per Contra Assets Acquisition Fund)	25	3,731
Less: Depreciation on Deletion of Assets (As per contra with Assets Acquisition Fund)	12	315
Sub Total	(3,213)	(1,038)
<i>(Balance of uncommitted fund includes Rs 13.43 Lakhs pertains to LFIF fund)</i>		
B: Assets Acquisition Fund (Net of Depreciation)		
Opening Balance	10,056	3,299
Add: Assets Purchased (Transferred from):		
Committed Project Fund	446	1,912
Uncommitted Fund	2,538	10,749
Less: Assets Deletion assets during the year (As per contra)	25	3,731
Less: Depreciation (Committed & Uncommitted Fund) (As per Contra)	2,705	2,488
Add: Accumulated Depreciation on Deletion of Assets (As per contra)	12	315
Sub Total	10,321	10,056
Total	7,108	9,018

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INDIAN GRAMEEN SERVICES

SCHEDULE 5 : FIXED ASSETS AS ON MARCH 31, 2010

Rs in 000s

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions during the year	Deletions during the year	As at 31.03.2010	As at 01.04.2009	Additions during the year	Deletions during the year	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
A) Out of Corpus Fund:										
Land & Building	24,236	-		24,236	-	-	-	-	24,236	24,236
Sub Total of A	24,236	-	-	24,236	-	-	-	-	24,236	24,236
B) Others:										
Agiculture Land	1,484	-	-	1,484	-	-	-	-	1,484	1,484
Furniture and Fixtures	2,615	481	-	3,097	715	374	-	1,089	2,008	1,900
Professional Equipment (Data Processing Machines including computers)	5,829	597	-	6,426	3,221	1,107	-	4,327	2,099	2,608
Professional Equipment (Computer Software)	2,850	1,508	-	4,358	482	951	-	1,433	2,926	2,368
Professional Equipment (Others)	1,357	282	-	1,640	430	161	-	591	1,049	927
Office Equipment	1,277	115	25	1,367	510	112	12	610	757	767
100% Write Off Assets #	0	0	-	0	-	-	-	-	0	0
Sub Total of B	15,413	2,983	25	18,372	5,357	2,705	12	8,050	10,321	10,056
Grand Total C= A+B	39,649	2,983	25	42,607	5,357	2,705	12	8,050	34,557	34,292
<i>Previous Year 31.03.2009</i>	30,719	12,661	3,731	39,649	3,184	2,488	315	5,357	34,292	

Notes : Depreciation has been provided on written down method at the rates prescribed by Schedule XIV of the Companies Act, 1956

Assets worth less than Rs. 5,000 (individual/each) is considered for 100% write off and considered in Fixed Assets Register with Re. 1 as value. Here in this Schedule, it implies No. of assets.

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Rs in 000s

SCHEDULES TO ACCOUNTS AS ON	31-Mar-10	31-Mar-09
SCHEDULE 6 : INVESTMENTS		
Corpus Fund (Non Trade-Unquoted)		
Sir Ratan Tata Trust		
12.60 % Govt. of India Stock 2018 <i>5,000 Units of Rs 100/- each</i>	509	509
8% Govt. of India Bonds 2003 <i>5,000 Units of Rs 1,000/- each</i>	5,000	5,000
Swiss Agency for Development and Cooperation		
8% Govt. of India Bonds 2003 <i>15,000 Units of Rs 1,000/- each</i>	15,000	15,000
Total	20,509	20,509
SCHEDULE 7 : CASH AND BANK BALANCES		
Cash in Hand	-	0
Balances with scheduled banks in Current Accounts	14,088	12,287
Total	14,088	12,287
SCHEDULE 8: FIXED DEPOSIT WITH BANKS		
Corpus Fund		
Sir Ratan Tata Trust	6,613	6,544
Swiss Agency for Development and Cooperation	3,495	3,023
Project Fund		
International Fund for Agricultural Development	10,400	-
Rabobank Foundation	3,006	-
Safe Water Network	500	-
Oxfam India	1,205	1,000
Others	-	5,102
Total	25,219	15,669

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Rs in 000s

SCHEDULES TO ACCOUNTS AS ON	31-Mar-10	31-Mar-09
SCHEDULE 9: LOANS, ADVANCES AND OTHER AMOUNTS RECOVERABLE IN CASH OR IN KIND		
A: ADVANCES AND OTHER AMOUNTS RECOVERABLE		
Sundry Debtors (for consulting fee)		
Less than six months	2,506	2,085
More than six months	-	777
TDS Recoverable	8,820	7,087
Advances to Staff, Others & Projects	1,378	2,231
Interest Accrued on Deposits and Investments	1,216	858
Telephone and Rent Deposits	417	557
Prepaid Expenses	654	797
Services Cervat	72	954
Stock in Hand	205	-
Advance Tax - IT Appeal	1,942	-
Sub Total	17,210	15,345
B: Livelihood Finance Innovation Fund (LFIF)		
Operating balance in LFIF Books (IGS account)	2,475	192
Reserve in LFIF (IGS account), as per contra Sch 3 of Uncommitted Fund	1,343	1,884
Sub Total	3,817	2,076
C: Stock of work in progress		
Opening Balance of Stock of Work in Progress	664	664
Add:- Current Year - in Progress	86	-
	750	664
Less:- Billed and realized during the year	664	-
Closing Balance of Stock of Work in Progress	86	664
Sub Total	86	664
Total	21,113	18,086
SCHEDULE 10 : CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Statutory Dues	914	4,586
Sundry Creditors (for Professional Fees & Other Expenses Staff)	2,674	1,864
Consultancy Fee Received in Advance	2,539	527
Payable to Staff (Salaries and Other Benefits)	245	537
Due to Livelihood Finance innovation Fund (As per Contra)	12,000	12,000
Due to Group Company/Institutions		
Bhartiya Samruddhi Investment and Consulting Services Ltd	964	979
The Livelihood School	318	-
Total	19,654	20,492

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INDIAN GRAMEEN SERVICES

Rs in 000s

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED	31-Mar-10	31-Mar-09
SCHEDULE 11 : INCOME FROM DEVELOPMENT SERVICES		
A) FEE FROM DEVELOPMENT SERVICES		
Livelihood Finance Services	4,890	9,863
Business Correspondent for Financial Inclusion	16,141	9,087
Action Research and Development Services	6,654	4,424
Institutional Development	5,351	8,029
Others	-	2,718
Sub Total	33,037	34,120
B) MANAGEMENT FEE (As per Contra Expenses in LFIF)	3,122	2,929
Sub Total	3,122	2,929
Total	36,159	37,049

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Chartered Accountants

for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

INDIAN GRAMEEN SERVICES

SCHEDULE 12 : NATURAL HEAD WISE INCOME AND EXPENDITURE STATEMENT

Rs in 000s

Particulars	LFS	BC	Ag/BDS	IDS	LAMP	TLS	OLE	Admin	31-March -10 Total	31-Mar-09
I N C O M E										
Interest from Investments and Fixed Deposits	-	-	-	-	-	-	-	797	797	184
Fees from Services	4,890	16,141	6,654	5,351	3,122	-	-	-	36,159	37,049
Increase in Stock of Work In Progress	-	-	86	-	-	-	-	-	86	-
Other Income	-	-	-	-	-	-	-	1,102	1,102	1,211
Total	4,890	16,141	6,740	5,351	3,122	-	-	1,900	38,145	38,444
E X P E N D I T U R E										
Programme Expenses-Salaries and Staff Benefits <i>Note:1</i>	465	8,333	2,205	148	2,320	147	75	132	13,823	20,500
Administrative Expenses-Salaries and Staff Benefits	-	-	-	-	-	-	-	-	-	868
Training Expenses	6	6	10	21	8	-	-	177	227	329
Travel and Conveyance	683	963	330	755	1,608	13	-	928	5,280	8,143
Books, Printing and Stationery	63	210	68	50	26	-	-	29	445	524
Postage and Telecommunications	25	593	137	113	82	1	4	86	1,041	1,377
Vehicle Hiring and Maintenance	24	1,566	766	9	2	-	-	-	2,367	1,360
Auditors' Remuneration & Expenses	1	1	-	3	28	-	-	664	697	484
Professional Services	2,009	575	57	906	-	14	30	215	3,805	2,618
Contract Services	90	257	2,485	1,535	55	16	-	65	4,502	4,688
Rent	17	1,051	15	133	180	-	-	52	1,448	1,946
Other Administrative Expenses	103	452	118	67	75	2	2	510	1,329	2,893
The Livelihood School Expenses	-	-	-	-	-	763	-	-	763	44
Bad and doubtful debts written off	-	-	-	495	-	394	-	-	888	-
Program Expenditure: Input Material Cost	385	-	239	9	-	-	-	4	636	934
Total	3,869	14,008	6,429	4,241	4,384	1,350	110	2,863	37,254	46,706
Net Surplus/(Deficit)	1,022	2,133	311	1,110	(1,262)	(1,350)	(110)	(964)	891	(8,262)

(LFS: Livelihood Financial Services; BC: Business Correspondent for Financial Inclusion; Ag/BDS: Agriculture/Business Development Program; IDS: Institutional Development Program; TLS: Program for Establishing a Livelihood School; OLE: Organizational Learning & Excellence; Admin: Administration)

Note:1 Details of remuneration paid to Managing Director has been disclosed in para 8 of Sch 14 of Notes of Accounts

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

for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

INDIAN GRAMEEN SERVICES

SCHEDULE 13: FUND BASED RECEIPTS AND PAYMENTS ACCOUNTS AS ON MARCH 31, 2010

Rs. In 000s

PARTICULARS	SBU	Opening Balance as on April 01, 2009	INCOME		EXPENDITURE			Closing Balance
			Receipts during the Year	Additions to Corpus Fund ¹	Recurring Expenses	Non Recurring	Total	
A	B	C	D	E	F	G	H=(F+G)	I=(C+D-E-H)
(I) COMMITTED - FOREIGN AGENCIES								
WaterPartner International - To carryout the pilot phase to assess the financial feasibility of microcredit product in water and sanitation	LFS	(492)	346	-	15	-	15	(161)
The International Fund for Agricultural Development - Technology Assisted Financial Inclusion	LFS	-	10,968	-	242	-	242	10,726
United Nations Development Program -Support to the Operationalisation of NREGA	LFS	-	2,025	-	947	107	1,053	972
Shore Bank International - for delivering savings products more effectively and profitably, and at a larger scale.	LFS	-	4,536	-	407	-	407	4,129
Safe Water Network - Pilot on reliable and sustainable Safe Drinking Water	LFS	-	793	-	1	-	1	792
Interchurch Organization for development co-operation (ICCO), Netherlands Action Research in LAC subsector in Jharkhand	AG/BDS	318	-	-	13	-	13	305
Fundacion Solidaridad Latinoamerica - Promoting Responsible Soya Supply Chain, with due focus on interests of smallholders	AG/BDS	-	3,723	-	2,384	81	2,465	1,258
Oxfam India - Project No. 5859-Establishing Community based Microfinance Institution in Eastern Maharashtra	IDS	(274)	5,446	-	4,928	-	4,928	243
Oxfam India - Project No. 6179-Establishing Community based Microfinance Institution in Eastern Maharashtra	IDS	1,325	10,864	-	10,667	-	10,667	1,522
RBS Foundation (ABN Amro Foundation) - Enhancing the Livelihoods of Tribal Populations for Resettled Villages of Melghat Tiger Project	IDS	(187)	2,631	-	2,183	53	2,236	207
Ford Foundation - Grants to Smaller NGO's and Microfinance Institutions	IDS	4,085	-	-	435	-	435	3,650
Rabobank Foundation - For technical assistance to 12 Community Based Micro Finance Institutions (CBMFI's)	IDS	-	6,626	-	2,594	-	2,594	4,032
RBS Foundation - Base Line Survey for Livelihood Project in Bandhavgarh	IDS	-	250	-	250	-	250	0
The United Nations Capital Development Fund - The Micro lead Least Developed Country (LDC) Fund to Develop Savings - led Market Leaders Programme for Inclusive Finance	ARC	1,031	-	-	1,031	-	1,031	(0)
The United Nations Capital Development Fund - Phase - 2 - The Micro lead Least Developed Country (LDC) Fund to Develop Savings - led Market Leaders Programme for Inclusive Finance	ARC	-	1,657	-	1,657	-	1,657	0
Grassroot Business Partners - Feasibility study and business plan preparation for setting up of integrated Bamboo based Timber products Manufacturing Enterprises	ARC	1,590	-	-	725	-	725	866
BASIX - Swiss Agency for Development and Cooperation-Livelihood Triad Fund	TRIAD	(384)	2,112	-	1,728	-	1,728	-
BASIX - SDC-LTF Evaluation and Scaling up Strategies	TRIAD	968	610	-	1,579	-	1,579	-
Swiss Agency for Development Cooperation- Corpus Fund Income (Interest and Rental Income)	TRIAD	6,742	6,004	600	3,790	-	3,790	8,356
Total Foreign Fund - Committed (I)		14,722	58,591	600	35,575	241	35,816	36,896
(II) COMMITTED INDIAN AGENCIES								
Ministry of Rural Development - Government of India	AG/BDS	(1,414)	1,600	-	-	-	-	186
Sir Ratan Tata Trust - Supporting livelihoods for Rural Poor in Jharkhand	AG/BDS	873	2,000	-	3,350	-	3,350	(477)
Sir Ratan Tata Trust - Agrarian Sustainability through Action Research (AGRASAR) in Vidharbha	AG/BDS	2,360	-	-	4,080	63	4,143	(1,783)
ICICI Bank Ltd - IT-ID support to MFIs	AG/BDS	(146)	-	-	(146)	-	(146)	-
Sir Dorabji Tata Trust - Implementation of SOYA Project in Madhya Pradesh	AG/BDS	-	423	-	92	-	92	331
ITC Rural Development -Comprehensive Livestock Development Programme, Hoshangabad District (Madhya Pradesh)	AG/BDS	-	977	-	1,171	-	1,171	(194)
National Bank for Agricultural and Rural Development - Promotion and Credit Linkage of 1025 SHGs in 525 village of 9 districts viz, Khandwa, Harda, Hoshangabad, Betul, Khargone, Chattarpur, Tikamgarh, Panna & Sagar district of Madhya Pradesh	AG/BDS	-	308	-	211	-	211	97

INDIAN GRAMEEN SERVICES

SCHEDULE 13: FUND BASED RECEIPTS AND PAYMENTS ACCOUNTS AS ON MARCH 31, 2010

Rs. In 000s

PARTICULARS	SBU	Opening Balance as on April 01, 2009	INCOME		EXPENDITURE			Closing Balance
			Receipts during the Year	Additions to Corpus Fund ¹	Recurring Expenses	Non Recurring	Total	
A	B	C	D	E	F	G	H=(F+G)	I=(C+D-E-H)
Women Development Corporation - Providing Techno Managerial support to Co-operative federations under Mukhyamantri Nari Shakti Yojana	IDS	-	2,538	-	5,687	142	5,828	(3,291)
Sir Dorabji Tata Trust - Promotion of System of Rice Intensification through SHGs in Bihar	IDS	-	4,455	-	2,322	-	2,322	2,134
ITC Rural Development - Promoting Livelihoods of Small & Marginal Dairy Farmers, Mugger District (Bihar)	IDS	-	1,272	-	1,725	-	1,725	(453)
Indian Council of Agricultural Research - Sustainable Farming System to Enhance and Ensure Livelihood Security of Poor in Purulia, Bankura and West Midnapore Districts of West Bengal	IDS	1,030	196	-	1,308	-	1,308	(82)
Government of India - Panchayati Raj	IDS	18	-	-	18	-	18	-
United Care Development Services - Livelihood Services for the Rag Picking Community at Indore	IDS	-	193	-	193	-	193	-
Sir Ratan Tata Trust - Corpus Fund (Interest Income)	CHR	(970)	1,047	105	178	-	178	(206)
Total Indian Fund - Committed (II)		1,751	15,009	105	20,187	205	20,392	(3,737)
Total Committed Fund (Foreign & Indian (I&II))		16,472	73,600	705	55,762	446	56,208	33,159
(III) UNCOMMITTED FUND								
KBSLAB - Business Correspondent	LFS	(5,142)	16,125	-	13,745	200	13,945	(2,962)
Action Research and Development Services - General Fund ²	AG/BDS	(230)	6,814	-	6,429	-	6,429	155
Institutional Development Services General Fund : (including Other Income)	IDS	488	5,351	-	4,241	44	4,284	145
Livelihood and Micro Finance Promotion Fund (LAMP)			3,122	-	4,384	148	4,532	
The Livelihood School, General Fund	TLS	3,149	-	-	1,350	-	1,350	1,799
Indian Grameen Services General Fund: (Interest & Other Income)		(3,451)	5,834	-	6,945	2,133	9,078	(6,695)
Indian Grameen Services - Foreign Contribution: (Interest Income) - (Deletion of Assets (GB:25201-AD:11807))	Admin	2,263	898	-	161	-	161	3,001
Total of Uncommitted Fund (III)		(2,922)	38,145	-	37,254	2,524	39,778	(4,555)
(IV) LIVELIHOOD FINANCE INNOVATION FUND								
Water Partner International		285	452	-	475	-	475	261
Indian Grameen Services		1,599	112	-	630	-	630	1,081
Total LFIF (IV)		1,884	563	-	1,105	-	1,105	1,342
Total of Uncommitted Fund(III + IV)		(1,038)	38,708	-	38,359	2,524	40,883	(3,213)
Grand Total of Fund		15,435	112,307	705	94,121	2,970	97,091	29,946

1. As per the agreement with the Corpus Fund donor, 10% of total Receipt during the year is added back to corpus fund.

2. Includes, Work In Progress of Rs. 0.86 Lakhs for International Labour Organization

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

for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

INDIAN GRAMEEN SERVICES

SCHEDULE 14: NOTES ON ACCOUNTS

A) ACCOUNTING POLICIES:

1) Basis of Accounting:

- i) The Financial statements are drawn up based on historical costs and mercantile basis of accounting has been followed, except grants and contributions, which are accounted for on cash basis.

2) Revenue Recognition:

- i) In respect of service contracts income is recognized on the Completion of the Contract or completion of any deliverable as may have been specified in the contract.
- ii) In respect of service contracts where it has not reached the stage of billing or completion of deliverable, the actual cost incurred is taken as value of work in progress.
- iii) Interest on loans under 'Livelihood Finance Innovation Fund' is recognized on accrual basis, as per contracts with the borrowers.

3) Fixed Assets and Depreciation:

- i) Fixed Assets is stated in the books at the historical cost inclusive of all incidental expenses incurred for acquisition of such assets.
- ii) The assets purchased (net of sale proceeds) are shown in the Balance Sheet at written down value under the head 'Fixed Assets', the corresponding amount is reflected as Fund balance under the head '**ASSETS ACQUISITION FUND**' to reflect the depreciated value of the assets being utilized by the Company.
- iii) Depreciation is provided on the written down value at the stated rates on prorated basis from the day the asset is put into use:
- iv) The rate assumed for calculating the depreciation under written down value method is as follows:

Class of fixed assets	Rate of Depreciation
Furniture & Fixtures	18.10%
Office Equipment	13.91%
Professional Equipment (Computers & Software)	40.00%
Professional Equipment (Others)	13.91%
Vehicles	25.89%

4) Investments:

All current and long-term investments are valued at lower of cost or market value.

5) Retirement Benefits:

The company has schemes of retirement benefits of provident fund and gratuity fund in respect of which the Company's contribution to the funds are charged to respective projects. The gratuity benefits of the company are administered by a trust formed for this purpose through the schemes of Life Insurance Corporation of India. Gratuity is being computed as per statutory norms and paid into the trust.

6) Income Tax:

- i) The company is registered under section 25 of the Companies Act, 1956 as a non-profit company and that it has complied with the provisions of Income Tax Act, 1961 relating to the charitable organizations, no provision for taxation is considered necessary.
- ii) In respect of income arising which may be considered as not charitable in view of the explanations to section 2(15) of the Income tax Act, 1961 and which are within the main objectives of the company, the company's activities did not result in any surplus and hence the company does not foresee any tax liability.

INDIAN GRAMEEN SERVICES

B) NOTES TO ACCOUNTS

1) OPERATIONS

IGS is involved in research and development (R&D) for identifying appropriate livelihood opportunities and intervention points for supporting rural producers. In addition IGS builds the implementation (HRD) capabilities of various institutions, involved in supporting different aspects of livelihoods, including various community based organizations. The Company earns service fees for these R&D and HRD activities from various sources. During the year IGS has taken up the following major initiatives under;

Livelihood Financial Services: The Company is conducting the study of institutions and delivery models to suggest alternative implementation models for NREGA and SGSY, improve access to savings, technology assisted financial inclusion services.

Business Correspondent for Financial Inclusion: Extending Financial Inclusion Services as a Business Correspondent (BC) of AXIS Bank and Krishna Bhima Samruddhi Local Area Bank Ltd. The abstract of the operations as a BC of Krishna Bhima Samruddhi Local Area Bank Ltd is as below.

Particulars	2009-2010	2008-2009
No. of Hubs	18	18
No. of Spokes	40	40
No. of Accounts opened (<i>Saving Bank, Samruddhi Daily Deposits and Samruddhi Weekly Deposits</i>)	3,546	10,467
Deposits Mobilized (Rs. '000s)	125,449	52,210
Insurance Premium collection (Rs. '000)	2,049	281
Loan Principal amount handled on behalf of Principle bank		
Opening loans outstanding (Rs. '000s)	134,000	-
Loans Disbursed (Rs. '000s)	289,431	189,267
Loans Outstanding (Rs. 000s)	286,059	134,000

Agricultural/Business Development Services: Extending the Agri based and Agri-allied services under Samruddhi Centre for Livelihood Promotion.

Institutional Development Services: Strengthening the capacity building of the NGOs/CBOs mainly providing microfinance services.

2) TECHNICAL ASSISTANCE FOR EXPLORATION INTO NEWER AREAS

The Company, in terms of support provided by the Swiss Agency for Development and Cooperation has undertaken activities to explore the possibilities of enhancement and promotion of livelihoods in rural areas with extension of micro credit for such livelihood promotion.

3) CORPUS FUNDS:

Donor	Rs. In 000s		
	Opening Balance	Interest Added to Corpus Fund	Closing Balance
Sir Ratan Tata Trust	12,094	105	12,199
Swiss Agency for Development and Cooperation	42,683	600	43,283
TOTAL	54,777	705	55,482

In order to protect the value of the corpus fund against inflation the company invests following amount into the corpus fund at the end of each year.

- i) 10% of the interest earned or unutilized portion of interest whichever is greater, as per Section e of the agreement with Sir Ratan Tata Trust.
- ii) 10% of the interest earned on the corpus fund investment from Swiss Agency for Development Cooperation, which in the judgment of the Company hedges against inflation as per Section 3 of the Agreement.

INDIAN GRAMEEN SERVICES

- iii) Being a contractual obligation, irrespective of the net deficit, the company continues to provide for the above hedging.
- iv) The details of investments of various donors to Corpus are given below

Rs. In 000s

Donor	Investments	Fixed Deposits	Land & Building	Total
Sir Ratan Tata Trust	5,509	6,613	-	12,122
Swiss Agency for Development and Cooperation	15,000	3,495	24,236	42,731
TOTAL	20,509	10,108	24,236	54,853
<i>Previous year 31.03.2009</i>	<i>20,509</i>	<i>9,567</i>	<i>24,236</i>	<i>54,312</i>

4) PRESENTATION OF FINANCIAL STATEMENTS:

- i) The Income and Expenditure account has been presented as per the broad division of program activities carried out by the company, in the field of its operation. The income and expenditure related to uncommitted fund (fee based income and associated income) is accounted in Income and Expenditure account. This classification of income and expenses as per natural head has been disclosed as per Schedule 12.
- ii) With the adoption of new accounting policy since last year, the Income & Expenditure account does not include the committed fund receipts (Grant based and associated income) and associated expenses (refer Schedule 3). The detail of Income and Expenditure under committed fund for year has been summarized as follows:

Rs. In 000s

Particulars	March 31, 2010	March 31, 2009
a. Receipt (Grants, Interest & associated income)	73,600	59,992
b. Utilization		
<i>Recurring Expenditure</i>	55,762	62,100
<i>Non-Recurring Expenditure</i>	446	1,912
<i>Interest transfer to Corpus Fund</i>	705	553
b. Total Utilization	56,913	64,565
C=a-b Unspent/(Receivable/Excess * utilized)	16,687	(4,573)

- For details of project wise utilization, refer schedule 13.

5) LOANS OUT OF WATSAN PROJECT, (LIVELIHOOD FINANCE INNOVATION FUND):

With financial credit support of Waterpartners International Inc, USA, the company initiated pilot lending to rural and urban customers for water and sanitation facilities (WATSAN Project). The loans outstanding as on March 31, 2010 is Rs. 21.42 lakhs which is extended for construction of toilet and laying water pipelines to households in New Delhi, Ganjam and Indore. The loans outstanding pertain to 840 household's customers.

6) LOAN OUT OF LIVELIHOOD MICRO FINANCE FUND (LIVELIHOOD FINANCE INNOVATION FUND):

Development International Desjardins (DID) has created a fund from the Loan repayments of Bhartiya Samruddhi Finance Limited along with the interest by assigning the same to Indian Grameen Services. In addition, IGS has also created out of its reserves an experimental fund. The fund thus received is being used for financing other emerging micro finance institutions which qualified the required statutory norms. The fund statement is shown in Schedule 1 of Livelihood Finance Innovation Fund and the other details are:

INDIAN GRAMEEN SERVICES

Summary of Activities as on March 31, 2010		(Rs.'000)	
Particulars	During the Year	Cumulative	
Loans			
No. of Loan Sanctioned	30	86	
No. of Loan Disbursed (Including Previous Sanction)	29	101	
No. of active clients		64	
Amount of Loans Sanctioned	45,500	109,990	
Loans Disbursed	45,500	108,490	
Loans Outstanding		56,013	
Development Support to CBO/NGOs			
No. of Clients	33	101	
Value of Development Support Sanctioned	6,800	18,185	
Development Support Disbursed	4,114	13,528	

7) Income Tax Liability and consequent possible levy of penalty:

The assessing officer, while completing the assessment proceedings for the assessment year 2007-08, demanded a tax of Rs. 190.40 lacs, by denying the tax exempt status, allegedly on the ground of violation of certain provisions of the Income tax Act, 1961. The company has filed an appeal and the appeal is yet to be taken up for disposal. Pending the same the company has not provided for the tax demand and accruing interest thereof with the expectation that the appeal will be decided favourably, based on legal opinion. Similarly a possible levy of penalty based on penalty proceeding initiated as a consequence thereof, if the appeal is unsuccessful, has not been considered.

8) REMUNERATION TO MANAGING DIRECTOR:

(Appointed during the financial year)

Particulars	Rs. In 000s	
	March 31, 2010	March 31, 2009
Salaries and other benefits	2,246	-
Contribution to Provident Fund Account	85	-
Estimated Gratuity	42	-
Total #	2,373	-

#Out of Rs. 23.73 lakhs during year, Rs. 11.08 lakhs accounted in committed fund.

9) DETAILS OF AUDITOR'S REMUNERATION:

Particulars	Rs. In 000s	
	March 31, 2010	March 31, 2009
Auditor Fee(Inclusive of Services tax)#	441	334
Fee for Certification	67	54
Taxation	161	80
Out of Pocket Expenses	144	100
Total	813	568

#Out of Rs. 8.13 lakhs during year, Rs. 0.53 lakhs accounted in committed fund.

INDIAN GRAMEEN SERVICES

10) MISCELLANEOUS:

- a) Additional information pursuant to paragraph 4 -C and 4-D of part II of Schedule VI of the Companies Act, 1956 – None.
- b) Previous corresponding period/year figures have been regrouped and rearranged wherever necessary.
- c) The Company is in the process of identifying the suppliers, who would be covered under the Micro, Small and Medium Enterprises Development Act, 2006. Under these circumstances, the information, if any, required to be disclosed under the Act, has not yet been ascertained

for **INDIAN GRAMEEN SERVICES**

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

Kolkata
May 06, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

LIVELIHOOD FINANCE INNOVATION FUND

Rs in 000s

BALANCE SHEET AS ON		31-Mar-10	31-Mar-09
LIABILITIES			
	Sch		
FUND BALANCE	1	60,095	49,662
UNSECURED LOAN			
Ford Foundation		47,110	-
Waterpatners International Inc, USA	2	9,484	9,484
	TOTAL	116,689	59,146
ASSETS			
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and Bank balances	3	4,546	690
Fixed Deposits with Banks	4	39,330	6,989
Loans, Advance and Other Amounts Recoverable	5	74,227	52,039
		118,103	59,718
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	6	1,414	572
		1,414	572
NET CURRENT ASSETS		116,689	59,146
	Total	116,689	59,146

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

for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

LIVELIHOOD FINANCE INNOVATION FUND

		Rs in 000s	
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED		31-Mar-10	31-Mar-09
<u>INCOME</u>			
Interest on Fixed Deposits	7	2,457	1,046
Interest on Loan	8	5,074	4,499
Returnable Grant Received from CBO/NGOs		1,011	587
Other Income		103	485
Total		8,645	6,617
<u>EXPENDITURE</u>			
Development Support to CBO/NGOs		3,678	3,910
Management Fee (As per Contra Income in IGS)		3,122	2,929
Interest on Borrowings		870	850
Services Fees to CBOs/NGOs		630	-
Other Administrative		85	76
Total		8,385	7,764
NET SURPLUS / (DEFICIT)		260	(1,147)
APPROPRIATION			
Balance Brought down		260	(1,147)
Less: Exchange Fluctuation Reserve		1,585	-
	<i>Sub Total</i>	(1,325)	-
Surplus/(Deficit) (transferred to Fund Balance Sch:1 ref: Annexure 'A')			
<i>DID LAMP Fund</i>		<i>(1,156)</i>	<i>(2,055)</i>
<i>FF LAMP Fund</i>		<i>373</i>	-
<i>Indian Grameen Services</i>		<i>(542)</i>	<i>908</i>

As per our report of even date
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Kolkata
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Partner

Chairman Managing Director

LIVELIHOOD FINANCE INNOVATION FUND*Rs in 000s*

SCHEDULES TO ACCOUNTS AS ON	31-Mar-10	31-Mar-09
SCHEDULE 1 : FUND BALANCE		
(A) : DID LIVELIHOOD AND MICROFINANCE PROMOTION (LAMP) FUND		
Opening Balance	47,585	46,535
Add: Additions during the period	7,891	3,105
Add: Surplus/(Deficit) as per Annexure 'A'	(1,156)	(2,055)
Sub Total of A	54,320	47,585
(B): LIVELIHOOD FINANCE INNOVATION FUND		
(i) Indian Grameen Services		
Opening Balance	192	3,625
Add: Additions during the year (Net of all transaction)	2,283	(3,433)
Sub Total	2,475	192
(ii) General Reserve		
Opening Balance	1,884	976
Surplus/(Deficit) as per Annexure 'A'	(542)	908
Sub Total	1,343	1,884
Sub Total of B	3,817	2,076
(C) : FORD FOUNDATION		
(i) Surplus/(Deficit) as per Annexure 'A'		
	373	-
Sub Total	373	-
(ii) Exchange Fluctuation Reserve		
Opening Balance	-	-
Add: Transferred from Income and Expenditure Account	1,585	-
Sub Total	1,585	-
Sub Total of C	1,958	-
Total of (A+B+C)	60,095	49,662
SCHEDULE 3 : CASH AND BANK BALANCES		
Cash in Hand	38	9
Balances with scheduled banks in Current Accounts	4,508	681
Total	4,546	690
SCHEDULE 4: FIXED DEPOSIT WITH BANKS		
Related to		
Development international Desjardins, LAMP Fund	16,905	2,139
Ford Foundation , Lamp fund	15,075	-
Waterpatners International Inc, USA	7,350	4,850
Total	39,330	6,989

As per our report of even date
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for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

LIVELIHOOD FINANCE INNOVATION FUND

SCHEDULE 2: UN SECURED LOANS

SI No.	Name of Financial institution	Date of Loans availed	Loan Sanctioned	Loan Availed	Balance of Loan outstanding as on		Interest rate	Repayment period including moratorium Payable in
					31-Mar-10	31-Mar-09		
1	Waterpartners International Inc, Kansas City, USA	12-Nov-07	9,484	9,484	9,484	9,484	5.00%	Bullet repayment at the end of 37th months from date of receipt, of loan is i.e., December 12, 2010 along with the Interest.
Total			9,484	9,484	9,484	9,484		
2	Ford Foundation #	29-May-09	2 millions	47,110	47,110	-	1.00%	repayable in 4 equal installments starting from 31-05-2020 in INR equivalent to the released value of US \$ 2 millions (Interest payable on yearly basis)
Total			-	47,110	47,110	-	Exchange Fluctuation Rate 4.00%	

As per the loan agreement, at the end of the each anniversary (May 31), IGS shall deposit into Exchange Rate Fluctuation Account, in US\$ equivalent of an amount which is four percent of the loan outstanding amount.

As per our report of even date
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Kolkata
May 6, 2010

Chairman Managing Director

(V. NAGARAJAN)

LIVELIHOOD FINANCE INNOVATION FUND

SCHEDULES TO ACCOUNTS AS ON

31-Mar-10

31-Mar-09

SCHEDULE 5: LOANS, ADVANCES AND OTHER AMOUNTS RECOVERABLE IN CASH

A: LOANS

CBO/NGOs - DID	24,457	33,954
CBO/NGOs - FF	31,557	-
Water and Sanitation Customers	2,143	3,125
Rural and Urban Customers	-	26

Sub Total 58,157 37,106

B: ADVANCES AND OTHER AMOUNTS RECOVERABLE

TDS Recoverable	2,248	1,637
Advances to Others	444	908
Due from Indian Grameen Services (As per Contra)	12,000	12,000
Interest Accrued on Deposits and Investments	675	63
Interest Accrued on Loans to Federation	704	326

Sub Total 16,071 14,933

Total 74,227 52,039

SCHEDULE 6 : CURRENT LIABILITIES AND PROVISIONS

Sundry Creditors	56	13
Interest Accrued but not due on Loan	1,358	559

Total 1,414 572

As per our report of even date
for **V. NAGARAJAN & Co.**,
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for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

LIVELIHOOD FINANCE INNOVATION FUND

Rs in 000s

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED	31-Mar-10	31-Mar-09
SCHEDULE 7 : INCOME FROM INVESTMENTS AND FIXED DEPOSITS		
Development International Desjardins, LAMP Fund	563	802
Indian Grameen Services, LFI Fund	8	155
Ford Foundation, LAMP Fund	1,615	-
Waterpatners International Inc., USA	271	90
Total	2,457	1,046
SCHEDULE 8 : INCOME FROM INTEREST ON LOANS		
CBO/NGOs - DID LAMP Fund	4,154	3,441
CBO/NGOs - FF LAMP Fund	739	-
Water and Sanitation Customers	180	359
Rural and Urban Customers	2	699
Total	5,074	4,499

As per our report of even date
for **V. NAGARAJAN & Co.**,
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for **INDIAN GRAMEEN SERVICES**

Kolkata
May 6, 2010

(V. NAGARAJAN)
Partner

Chairman Managing Director

LIVELIHOOD FINANCE INNOVATION FUND

Annexure - A

Appropriation of Surplus/(Deficit) during the period ended March 31, 2010

Rs in 000s

Particulars	A: LAMP Fund	B: LAMP Fund	C: LFIF (IGS)		Total of LFIF (IGS)	TOTAL = D=A+B+C
	Development International Desjardins	Ford Foundation	IGS General	Waterpatners International Inc.,		
INCOME						
Interest on Fixed Deposit	563	1,615	8	271	279	2,457
Interest on Loan	4,154	739	2	180	181	5,074
Returnable Grant Received from CBO/NGOs	1,011	0	0	0	0	1,011
Other Income	0	0	102	1	103	103
Total	5,728	2,355	112	452	563	8,646
EXPENDITURE						
Development Support to CBOs/NGOs	3,678	0	0	0	0	3,678
Management Fee	3,122	0	0	0	0	3,122
Interest on Borrowings	0	396	0	474	474	870
Other Administrative	84	0	0	1	1	85
Services Fees to CBOs/NGOs	0	0	630	0	630	630
Exchange Fluctuation Reserve		1,585				1,585
Total	6,884	1,981	630	475	1,105	9,970
Net Surplus/(Deficit) transfer to Schedule 1 of LFIF	(1,156)	373	(518)	(24)	(542)	(1,325)

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Kolkata
May 6, 2010

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