



Directors' Report

The Board of Directors of KAS Foundation are pleased to present their fifth Directors' Report on the working results of the Company for the year ended March 31, 2008 to the Members of the Company.

Financial results

During the year 2007-08, Rs.16.42 crores was the Income from the Micro Finance Loan Activities (previous year - 17.68 crores) and Rs.2.23 crores towards Other Income related to Loan disbursement and Insurance (previous year – Rs.1.52 crores) .

The Revenue Expenditure amounted to Rs. 17.53 crores (previous year - Rs.15.68 crores).

Out of the income a sum of Rs.80.00 lakhs has been provided for doubtful debts (1 % of the outstanding amount).

The Excess of Income over Expenditure works out to Rs. 34.08 lakhs, as compared to Rs.149.00 lakhs of the previous year.

MIX Market Report

2007 MIX Asia 100 Ranking of Microfinance Institutions Report provides reliable and timely information on almost 400 leading MFIs in Asia and uses ranking for key variables to indicate where they stand in relation to their peers. Taken as a group, the 400 MFIs surveyed for this report ended the year reaching more than 40 million borrowers and managing more than \$8.4 billion in loans.

As per the MIX Market and Asian Development Bank Report - 2007, in terms of Outreach - Number of borrowers with loan outstanding, KAS is at 14th position in South Asia and 8th position in India. In Efficiency – Cost per borrower, KAS is in 6th position in South Asia and 5th in India. In terms of Scale – Gross Loan Portfolio, KAS is in 9th position in India. This describes the share of market of KAS in India as well as in South Asia. No-doubt within 4-5 years KAS is able to acquire a significant and remarkable position in the Microfinance Industry.

Our effort in mobilizing financial assistance became successful to reduce our dependency on one funding agency. Loan fund assistance got from Axis Bank as well as SIDBI.

Milestones reached

During the year, all the branches were registered under the Shops and Establishment Act.

A website under the name kasfoundation.com was developed and data was revealed for transparency and use by the key stakeholders.

MFI Grading was done by CRISIL in December 2007. The CRISIL's microfinance institution grading is a current opinion on the ability of an MFI to conduct its operations in a scalable and sustainable manner. The grading is assigned on an eight-point scale, with 'mfR1' being the highest and 'mfR8' the lowest. KAS has been graded as 'mfR4.' The Rating Report and the grading was put up in the website.

Urban Business Correspondent Wings of ICICI were set up at Bhubaneswar and Cuttack cities in Orissa and provided banking services to those clients who were deprived of getting banking services so far. Mobile banking has been introduced through which the customers of KAS are able to access (deposits and withdrawals) their ICICI Accounts by sitting in their houses. The CEO, KAS Foundation was invited to attend the State Level Bankers' Committee Meeting. He made a presentation on "Progress so far and the Potential available for Business Correspondents in Orissa".

238 SHG Leaders had participated in one-day Capacity Building training programs, organised with the support of SIDBI, on group management, record keeping, aspects of quality group and goal setting for SHGs in Khurda, Nayagarh, Puri, Bolangir and Boudh Districts, Orissa.

Microfinance + + activities

While hospitalization insurance enabled by KAS, through ICICI Lombard and Reliance General Insurance, has played a great role in taking care of the hospitalization bills of the clients, the sufferings and loss of man-days remain un-attended. Then KAS thought that it would be better to address the root causes of their sufferings. It came to our knowledge that health awareness among poor women as well as their family is very low. As health of the family very much depends on the women in the family, providing health awareness and education to women will go a long way in realizing the goal of healthy population with greater awareness on preventive health care. In view of the above and to improve the economic condition of the households KAS offered to include health awareness program along with microfinance.

(a) HIV/AIDS

To begin with KAS started giving emphasis on HIV/AIDS and Malaria. It has started an initiative in Koraput, Nawarangpur and Malkanagiri Districts to increase the awareness of the people on HIV/AIDS as well as to take proper care of HIV/AIDS affected families. With the support of SIDBI's capacity building, we arranged training of trainers for our staff members by Reach India. In turn our staff members are discussing 20 minutes in SHG/JLG meetings consecutively in 9 meetings on HIV/AIDS. Nine modules have been prepared on prevention measures and treatment for HIV/AIDS. There is a plan to provide microfinance services to HIV/AIDS affected families. Efforts are on to include more and more HIV/AIDS affected people in SHGs/JLGs fold.



(b) REIKI

One Day Reiki Programmes were conducted by eminent Reiki Teachers Mr. Ranganathan Ramamurthy Iyer and Ms. Purna Takar for the employees, group members and staff members of other MFIs numbering 750 over a period of 15 days during November 2007 in Puri, Nayagarh, Cuttack, Khurda, Balangir, Boudha and Sambalpur Districts to increase the awareness of people on spiritualism and easy healing processes by practising Reiki regularly. It is the endeavour of KAS to bring this tough and not easy to acquire knowledge of a healing system like Reiki to the group members as well as field staff.

Risk mitigation Efforts

KAS Foundation has been giving loan without collateral since inception. KAS's mF model is credit first model. In order to secure a portion of the micro loan, KAS started collecting 6.82% of the loan amount as non interest bearing collateral security.

Internal Audit Department was strengthened with addition of a banker who had 15 years of State Bank of India experience with him as the Head. 13 people are with internal audit department. In regular intervals these people have been trained on various areas of internal audit. They are doing pre-disbursement audit, loan disbursement audit and post loan disbursement audit.

Chartered Accountant Firm, A. K. Lenka and Company exclusively has 10 people for con-current audit and six monthly branch audit. These staff members are doing regular audits and concurrent audits and sharing the reports with management to take necessary steps to bring improvement in mF program.

Management Information System

KAS presently uses a comprehensive MIS for the field-level operations, developed over a period of five years in MS-Excel. The system automatically generates the Weekly Collection Format for all the Field Staff every week, based on data updated by the Field Managers. The system also consolidates the information for every Centre, each Branch, every Region and also generates overall consolidated reports for all the branches. The final accounting statements (Receipts & Payments Account) also prepared within the system by the JO Accounts and reported to the Head Office. The branch level data are consolidated and all the reports are presently generated on a monthly basis.

KAS along with FINO is presently in the process of implementing comprehensive software, to computerize all the operations.

Training of employees

KAS had done a Training Need Assessment and accordingly training programmers were arranged to enhance the skill and efficiency of staff members. The following training programmes were conducted for staff members by getting Capacity Building support from SIDBI:

About 700 field level staff members (Credit Officers/Recovery Officers/ Documentation Officers) were imparted Orientation Training during the year.

Two days in-house training programs on Performance Management Process and Branch Management were conducted for 71 Branch Managers and Regional Managers. Branch Managers were taught how to delegate authorities and responsibilities to the staff members to attain financial self sufficiency at Branch Level.

97 Branch level staff members had been trained on Compulsory Group Training, Group quality evaluation and Loan Appraisal. After this training program loan appraisal system was strengthened which in turn helped in enhancing repayment rate.

46 Chief Managers, Regional Managers and Branch Managers participated in two days in-house training programme on Financial Management, Delinquency Management and standardization. This training program helped in setting goal for each Branch and to make profit.

Two days orientation program was held for 23 Internal Auditors of our Internal Audit Team and A.K.Lenka Audit Firm to identify various risk areas in Branches and its reporting, loan documents and proper fill-up of the documents and products of KAS Foundation.

4 Days TOT on HIV AIDS was organized in Jeypore for 16 staff members by Reach India. These staff members in turn will arrange training programmes for SHGs and JLG members to increase their awareness on preventive measures for HIV AIDS.

Standardization Committee

A Standardization Committee comprising Chief Managers, Regional Managers, Internal Audit and Country Office staff was formed to bring uniformity in record keeping, loan documentation and reduction of the paper work. The areas where standardization is required were discussed by the Committee members in a meeting in the presence of all Chief Managers and Regional Managers. The feedback of all Senior Managers were also taken. Then the Standardization Committee met twice to go through all the loan documents and documentation procedure. They worked intensively and came out with excellent suggestions to revise the loan documentation.

Charitable Activities

(a) Creche for Tribal Children, Haridaspur, Cuttack, Orissa

Seva Samiti, a well known development organization was set up in November 1959 by Late Rambha Devi, a renowned Social Worker and staunch follower of Mahatma Gandhi to work for the upliftment of tribal households of Haridaspur, Cuttack, Orissa who had been neglected and leading a very poor life. The Seva Samiti was managing a Creche where the Tribal women who are going to near by jungles to collect Non Timber Forest Products leave their children from



7.00 a.m. to 2.00 p.m. Due to financial issues, of late, Seva Samiti was not able to provide the required support to the Crèche.

KAS Foundation has now adopted the Crèche and started taking care of the 25 children who depend on the Creche. KAS is providing financial as well as human resources support for the smooth functioning of the Creche. The children get quality food in the morning and afternoon. At the same time KAS opened its Branch to provide financial services to the poor tribal women of Haridaspur area.

(b) Support to Orissa Association for Blind

With the support of KAS, Orissa Association for Blind has installed a computerized Braille Printing Machine, promising supply of study materials with updated curriculum round the year to the blind students. It is first of its kind in the state of Orissa. This machine has the capacity to generate 25 pages an hour. The computerised Braille machine was inaugurated by Hon'ble Pyari Mohan Mohapatra, M.P.

Vocational training and financial support has been provided by KAS to train the visually challenged students as well as teachers to undertake various Income Generating Activities to eke out their living.

KAS has also helped the Orissa Association for Blind to launch its own website.

(c) Surrender to Lord Jagannatha

KAS continued to serve lakhs and lakhs of devotees visiting Lord Jagannatha's temple in Puri by cleaning the Anand Bazar where they take the maha Prasad from 6.00 a.m. to 10.00 p.m. at an investment of Rs.5,00,000/- a year.

(d) Rehabilitation of Ganja addicts

KAS continued to take care of rehabilitation of 3 drug addicts every month by providing them support for food expenses in the Drug De-addiction Centre 'Sahara', Bhubaneswar.

Board of Directors:

Mrs. Alamelu Abirami, Director, resigned from the Board of Directors in September 2007. The Board records its appreciation of the valuable services rendered by Mrs. Alamelu Abirami during her tenure as the Director of KAS.

Mr. TR. Ramanathan, the former AGM of Bank of Madura and Chief Manager II of ICICI Bank, was appointed as the Director of the Company in April 2008.

Statutory Auditors

M/s. RMS Associates, Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. However, they have expressed their willingness not to go ahead with the arrangement, as they have come across lot of inconvenience this year since the audit is to take place in Bhubaneswar whereas earlier it happened in Chennai which was convenient for them.

M/s. A K Lenka & Co., Chartered Accountants, Bhubaneswar, has given their consent to take up the audit assignment of KAS Foundation. The Directors recommend for the appointment of

M/s. A K Lenka & Co., to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

Disclosure on Energy

The disclosure on conservation of energy and technology absorption does not apply.

Directors' Responsibility Statement

Pursuant to Section 217 (2 AA) of the Companies (Amendment) Act 2000, the Directors confirm that:

- (a) In the preparation of annual accounts, the applicable accounting standards have been followed;
- (b) The accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) The annual accounts have been prepared on a going concern basis.

Acknowledgement

The Directors are grateful to ICICI Bank, Axis Bank, SIDBI and ABN Amro Bank for the support given to KAS during the year.

The Directors are thankful to ICICI Lombard and Reliance General Insurance Company for settling the insurance claims as quickly as possible.

The Directors acknowledge the guidance and support provided by the Reserve Bank of India and NABARD, and, all the support provided by all the bankers.

The Directors wish to place on record their appreciation of the team spirit exhibited by the young and energetic employees.

Place : Chennai
Date : August 19, 2008

By Order of the Board,
Dr. V. Prasanna Bhat
Chairman of the Meeting



Report of the Auditors to the Members of KAS Foundation

1. We have audited the attached Balance Sheet of KAS FOUNDATION as at March 31, 2008, the Income and Expenditure account and also the Cash Flow Statement for the year ended on that date, both annexed hereto. These financial statements are the responsibility of the Management of KAS Foundation. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 a reasonable basis for our opinion.
3. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion proper books of accounts as required by Law have been kept by the company so far as appears from our examination of these books. The Balance Sheet, the Income and Expenditure account and the Cash flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, the Income and Expenditure account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 so far as they are applicable to the Company.
5. As per the information furnished to us no director of the Company is disqualified as on March 31, 2008 from being appointed as Director under Clause (g) of sub-Section (1) of Section 274 of Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of Balance Sheet of the State of affairs of the Company as at March 31, 2008; and
 - (b) in the case of Income and Expenditure account of the excess of income over expenditure for the year ended on that date.
 - (c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

As the provisions of the Companies (Auditors Report) Order 2003 are not applicable to the Company, the report required to be furnished under the said order is not furnished.

For **R M S Associates**
Chartered Accountants

U Pavadasan
Partner
Membership No.204679

Place : Chennai
Date : August 19, 2008

Balance Sheet as at March 31, 2008

	Schedule	March 31, 2008		March 31, 2007	
		Rs.	P.	Rs.	P.
Sources of Funds :					
Shareholders Funds					
Share Capital	1		100,000.00		100,000.00
Reserves and surplus	2		19,938,946.78		16,530,966.79
Loan Funds					
Unsecured Loans					
- from Directors			59,613.00		53,820.00
- Working Capital Term Loan - ICICI Bank			3,851,881.38		8,560,588.96
Micro Finance	3		872,084,502.97		1,211,633,956.51
Social Security Fund			-		8,812,409.00
Total			896,034,944.13		1,245,691,741.26
Application of Funds:					
Fixed Assets					
Gross Block	4	27,494,260.05		12,517,527.80	
Less : Provision for Depreciation		1,802,058.00		743,289.00	
Net Block			25,692,202.05		11,774,238.80
Investment in Shares of Jagannatha Financial Services Limited - unquoted - Valued at Cost			2,000,000.00		2,000,000.00
Current Assets, Loans and Advances					
Current Assets					
Cash and Bank Balances	5	48,831,233.72		88,894,434.15	
Other Current Assets	6	4,134,031.71		5,482,763.94	
Loans and Advances					
a) Micro Finance		840,163,520.61		1,165,102,850.07	
Less : Provision for Doubtful debts		27,300,000.00		23,300,000.00	
			812,863,520.61		1,141,802,850.07
b) Advances recoverable in cash or in kind or for value to be received		12,526,188.50		1,105,304.00	
		878,354,974.54		1,237,285,352.16	
Less : Current Liabilities and Provisions	7	10,012,232.46		5,440,515.10	
Net Current Assets			868,342,742.08		1,231,844,837.06
Miscellaneous Expenses (to the extent not written off or adjusted)					
Preliminary Expenses			-		72,665.40
Total			896,034,944.13		1,245,691,741.26
Notes on Accounts	10				

The Schedules referred to above form an integral part of the accounts in terms of our report of even date attached

For **KAS Foundation**

Dr. Prasanna Bhat
Saratha Kathiresan
TR. Ramanathan
Directors

Place : Chennai
Date : August 19, 2008

For **RM S Associates**
Chartered Accountants

S. Kathiresan
Chief Executive Officer

U Pavadasan
Partner
M.No.204679



Income and Expenditure Account for the year ended March 31, 2008

	Schedule	March 31, 2008		March 31, 2007	
		Rs.	P.	Rs.	P.
Income					
Interest received on Micro Finance loans		164,183,995.31		176,817,378.69	
Other Income	8	22,368,377.12		15,194,796.66	
		<u>186,552,372.43</u>		<u>192,012,175.35</u>	
Expenditure					
Interest paid on Micro Finance loans from Banks		102,815,611.03		98,208,900.07	
Interest on Working Capital Term Loan		768,242.33		1,028,594.87	
Administration and Other Expenses	9	70,422,646.68		57,018,628.07	
Preliminary Expenses written off		72,665.40		72,666.00	
Interest on Loans - to Director		6,458.00		59,933.00	
Interest on Loans - Others		-		5,402.00	
Depreciation	4	1,058,769.00		406,935.00	
Provision for Doubtful Debts & Contingencies		8,000,000.00		20,300,000.00	
		<u>183,144,392.44</u>		<u>177,101,059.01</u>	
Excess of Income over Expenditure		3,407,979.99		14,911,116.34	
Earnings per share		3,407.98		14,911.12	
Notes on Accounts	10				
		For KAS Foundation		For RM S Associates	
		Dr. Prasanna Bhat		Chartered Accountants	
		Saratha Kathiresan			
		TR. Ramanathan		U Pavadasan	
Place : Chennai	Directors	S. Kathiresan		Partner	
Date : August 19, 2008		Chief Executive Officer		M.No.204679	

Schedules to Balance Sheet

	As at March 31, 2008 Rs. P.		As at March 31, 2007 Rs. P.	
Schedule 1 : Share Capital				
<u>Authorised Share Capital</u>				
(50000 Equity Shares of Rs.100/- each)	5,000,000.00		5,000,000.00	
<u>Issued, Subscribed and Paid-up Share capital</u>				
(1000 Equity Shares of Rs.100/- each fully paid up)	100,000.00		100,000.00	
Schedule 2 : Reserves and Surplus				
Opening Balance	16,530,966.79		1,619,850.45	
Add : Excess of Income over Expenditure during the year	3,407,979.99		14,911,116.34	
	19,938,946.78		16,530,966.79	
Schedule 3 : Micro Finance				
ICICI Bank Limited	703,726,245.97		1,105,271,832.51	
ABN Amro Bank	29,000,000.00		56,320,000.00	
Axis Bank	134,358,257.00		50,042,124.00	
SIDBI	5,000,000.00		-	
	872,084,502.97		1,211,633,956.51	
Schedule 4 : Fixed Assets				
Cash balance on hand	10,558,545.35		28,005,439.50	
Balance with Scheduled Banks - in Current accounts	38,272,688.37		60,888,994.65	
	48,831,233.72		88,894,434.15	

Asset	Gross Block			Depreciation			Net Block As on 31/03/2008	Net Block As on 31/03/2007
	As on 01/04/2007	Additions	Dele- tions	As on 31/03/2008	As on 01/04/2007	for the year		
Land	1,838,368.13	6,077,596.00	-	7,915,964.13	-	-	7,915,964.13	1,838,368.13
Building	2,541,631.87	6,781,049.00	-	9,322,680.87	1,022.00	106,975.00	9,214,683.87	2,540,609.87
Furniture and Fittings	3,023,512.00	922,472.00	-	3,945,984.00	330,944.00	219,617.00	3,395,423.00	2,692,568.00
Plant & Machinery	5,114,015.80	1,195,615.25	-	6,309,631.05	411,323.00	732,177.00	5,166,131.05	4,702,692.80
	12,517,527.80	14,976,732.25	-	27,494,260.05	743,289.00	1,058,769.00	25,692,202.05	11,774,238.80
Previous year's figure	2,229,410.00	10,808,117.80	20,000.00	12,517,527.80	336,354.00	406,935.00	11,774,238.80	

Schedule 5 : Cash and Bank Balances

Cash balance on hand	10,558,545.35		28,005,439.50	
Balance with Scheduled Banks - in Current accounts	38,272,688.37		60,888,994.65	
	48,831,233.72		88,894,434.15	



Schedules to Balance Sheet

	As at March 31, 2008		As at March 31, 2007	
	Rs.	P.	Rs.	P.
Schedule 6 : Other Current Assets				
Stock of SHG / JLG registers and amount receivable from members of SHGs/JLGs towards registers	-		115,500.00	
Interest receivable on portfolio management	1,920,329.00		4,560,259.69	
Service charges receivable towards insurance	-		56,084.75	
Deposits	973,751.00		550,700.00	
Others	1,239,951.71		200,219.50	
	<u>4,134,031.71</u>		<u>5,482,763.94</u>	
Schedule 7 : Current Liabilities and Provisions				
<u>Current Liabilities</u>				
Sundry Creditors				
- for Expenses	4,716,567.65		4,468,987.60	
- for Others	1,295,664.81		971,527.50	
<u>Provisions</u>				
Provision for contingencies	4,000,000.00		-	
	<u>10,012,232.46</u>		<u>5,440,515.10</u>	
<u>Schedules to Income and Expenditure account</u>				
Schedule 8 : Other Income				
Documentation, Registration charges	7,501,423.50		12,890,275.50	
Service Charges towards Insurance	3,951,700.80		2,047,468.00	
Social Security Fund	8,812,409.00		-	
Grant Received	270,000.00		-	
Referral charges	978,963.00		-	
Miscellaneous Income	853,880.82		257,053.16	
	<u>22,368,377.12</u>		<u>15,194,796.66</u>	
Schedule 9 : Administration and Other Expenses				
Salaries	52,164,064.04		34,241,958.00	
Bank charges	1,089,274.59		8,805,240.21	
Staff Welfare expenses	342,983.00		717,388.98	
Travelling and Conveyance	4,243,282.49		5,227,988.89	
Electricity charges	219,908.30		64,598.00	
Training Expenses	161,881.00		171,147.00	
Rent	1,930,334.50		1,412,705.00	
Audit Fees	84,270.00		134,832.00	
Insurance Premium	810,809.00		-	
Professional charges	1,643,019.00		607,697.00	
Printing & Stationery	1,599,968.60		2,486,162.65	
Telephone Charges	1,083,175.68		340,868.50	
Jagannath Temple cleaning service charges	362,763.00		428,570.00	
Repairs & Maintenance	398,255.00		819,112.00	
Security charges	1,059,458.18		514,512.00	
Other Expenses	3,229,200.30		1,045,847.84	
	<u>70,422,646.68</u>		<u>57,018,628.07</u>	

Schedules to Balance Sheet

Schedule 10 : NOTES FORMING PART OF ACCOUNTS**1. Significant Accounting Policies :****1.1 Accounting Convention**

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and relevant provisions of the Companies Act, 1956.

1.2 Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period, provisioning for receivables, provisioning for taxation etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates

1.3 Income Recognition :

Interest received from Micro Finance clients have been accounted under effective interest rate method. Interest on overdue loans amounting to Rs. 4.14 crores are recognised on accrual basis as per contractual terms and when there is no uncertainty in receiving the same.

1.4 Fixed Assets and Depreciation :

- (i) Fixed Assets are stated at historical cost as reduced by accumulated Depreciation
- (ii) Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

1.5 Miscellaneous Expenditure

Preliminary expenses are written off over a period of five years

a) Micro Finance to Members

The amount outstanding under Micro Finance portfolio managed for various Banks is shown under Liabilities and the outstanding in respect of amount lent under the portfolio management to Members is shown under Loans and Advances.

2. Contingent Liabilities :

The Company is contingently liable for Rs. 3,40,13,508/- (Previous year – Rs.5,39,74,532/-) under Micro Finance Portfolio scheme in the event of default by members.

3. Loans and advances include amounts due from

- (i) Kathir Foundation, a company under the same management – Rs. 8.08 lacs (Previous Year – Nil). Maximum balance outstanding during the year – Rs. 27.11 lacs (Previous Year – Nil).
- (ii) Chief Executive Officer – Rs. 6.68 lacs (Previous year – Rs. 7.42 lacs). Maximum balance outstanding during the year – Rs. 14.92 lacs (Previous year – Rs. 7.42 lacs).



Schedules to Balance Sheet

4. Segment Reporting

The Company is primarily engaged in the business of financing. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS -17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India.

5. Related Party Disclosures

Related party disclosures, as stipulated by Accounting Standard 18 - 'Related Party Disclosures', issued by ICAI are given below:

Related parties:

Associates:

Jagannatha Financial Services Limited
Kathir Foundation

Key Management Personnel:

Sri S Kathiresan

Relative of Key Management Personnel:

Smt Saratha Kathiresan
Sri Alaghusundaramani

Rs. In Lacs

Nature of Transaction	Associates	Key Management Personnel	Relative of Key Management Personnel	Total 2007-08	Previous Year 2006-07
Referral Fees	9.79	-	-	9.79	-
Reimbursement of Expenses	71.94	-	-	71.94	-
Interest Received	3.44	1.03	0.16	4.63	0.44
Rent Received	1.84	-	-	1.84	-
Salaries & Allowance	-	2.40	-	2.40	8.00
Interest Paid	-	-	0.06	0.06	0.60
Loans and Advances	27.11	7.50	1.25	35.86	7.42

6. Balances in the parties accounts are subject to reconciliation.
7. Employer's contribution towards Provident Fund has been charged to the profit and loss account. Provision towards gratuity was not considered since there is no employee having more than 5 years of service.
8. Grant received from SIDBI amounting to Rs. 2.70 lacs towards capacity building assistance has been recognized as income and the utilization of the same has been accounted as expenses.

Schedules to Balance Sheet

9. Earnings Per Share		2007-08	2006-07
(a) Profit for the year (Rs. in lacs)		34.08	149.11
(b) No. of equity shares of face value of Rs. 100/- each outstanding (in numbers)		1000	1000
(c) Basic and diluted Earnings Per Share (in Rs.)		3407.98	14911.12
10. Sundry Creditors under Current Liabilities include outstanding dues of small scale industrial undertakings		Nil	Nil
11. Auditors' Remuneration :			
Particulars		2007-08	2006-07
For Audit	-	67,416	1,12,360
For Company Law matters	-	8,427	11,236
For Taxation	-	8,427	11,236
		<u>84,270</u>	<u>1,34,832</u>

12. Previous year figures are regrouped wherever necessary to confirm to current year's classification.

Signatures to Schedule 1 to 10

	For KAS Foundation		For RM S Associates
			Chartered Accountants
	Dr. Prasanna Bhat Saratha Kathiresan TR. Ramanathan	S. Kathiresan	U Pavadasan
Place : Chennai	Directors	Chief Executive Officer	Partner
Date : August 19, 2008			M.No.204679



Cash Flow Statement

	2007-08	2006-07
	(in Rupees)	
A) CASH FLOW FROM OPERATING ACTIVITIES		
Excess of Income over Expenditure	3,407,979.99	14,911,116.34
Preliminary Expenses written off	72,665.40	72,666.00
Provision for doubtful debts and contingencies	8,000,000.00	20,300,000.00
Fixed Assets charged off	-	520,000.00
Depreciation	1,058,769.00	406,935.00
Operating Profit Before Working Capital changes	12,539,414.39	36,210,717.34
(Increase) / Decrease in Receivables from Micro Finance Activity	324,939,329.46	(437,908,192.07)
(Increase) / Decrease in Other Current Assets	1,348,732.23	(2,063,336.31)
(Increase) / Decrease in other Loans and advances	(11,420,884.50)	(883,658.95)
Increase / (Decrease) in Current Liabilities	571,717.36	280,354.92
Net Cash from Operating Activities (A)	327,978,308.94	(404,364,115.07)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(14,976,732.25)	(10,808,117.80)
Investment in Shares	-	(2,000,000.00)
Net Cash from Investing Activities (B)	(14,976,732.25)	(12,808,117.80)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Micro Finance Loans borrowed	(339,549,453.54)	441,585,909.23
Increase / (Decrease) in other loans	(4,702,914.58)	(321,448.04)
Increase / (Decrease) in other liabilities	(8,812,409.00)	8,812,409.00
Net Cash from Financing Activities (C)	(353,064,777.12)	450,076,870.19
NET INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	(40,063,200.43)	32,904,637.32
Cash and Cash equivalents at the Beginning of the year	88,894,434.15	55,989,796.83
Cash and Cash equivalents at the End of the year	48,831,233.72	88,894,434.15
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	38,272,688.37	28,005,439.50
Cash balance on hand	10,558,545.35	60,888,994.65
	48,831,233.72	88,894,434.15

The accompanying Schedules 1 to 10 form an integral part of the accounts in terms of our report of even date attached

For **KAS Foundation**

For **RM S Associates**
Chartered Accountants

Dr. Prasanna Bhat
Saratha Kathiresan
TR. Ramanathan

S. Kathiresan
Chief Executive Officer

U Pavadasan
Partner
M.No.204679

Place : Chennai

Date : August 19, 2008

Directors

Success Stories

SELF-HELP IS THE BEST HELP

Mrs. Lochama Patel of Chatuanka village in Tureikela Block of Bolangir District availed Rs.3,000/- loan in September, 2006 and Rs.5,500/- in March,2008. She belongs to Tulasi JLG. Since the food prices have gone up by 60%, she understood that it is very difficult for low income households to survive and to get adequate food for sustenance. Then Lochama thought to grow more vegetables in the field so that she can feed her family and sell the vegetable to repay the loan and to take care of household expenses. For that she asked for a loan and she got the loan on time. She started cultivating beans and succeeded in fulfilling the vegetable requirement of her family and selling vegetable regularly to take care other household expenses.

She is telling that vegetable price rise did not affect her since she got the loan in the season to cultivate vegetable and KAS's timely and door step services made her bold to fight against poverty and to raise her family income.

DIVERSIFICATION - MANTRA FOR SURVIVAL

Members of KAS Anu Mahila Group, Narasinghpur, Pipili, Puri District, felt that without diversification of their source of income, their survival will be difficult. Annapurna Jena, Kuni Singh and Sakkeela Bibi and others are easy victims at the hands of poverty. The reasons for their poor living are many and different in nature. They are all landless. Annapurna has a big family with her elder daughter who is a divorcee. Kuni Singh herself is a widow whose son and daughter are college going students. Sakeela is a divorcee and fighting hard to eke out her living. Pipilli is known for its quality appliqué work in India and abroad. But these people got seasonal appliqué works during Ratha Yatra (June) and November to December during tourist season. Rest six months they do not get much work to do.

Continuous loan support and encouragement from the field staff of KAS made them bold to fight against poverty. They diversified their source of income. During tourist visits, some of them are working for a businessman on wage basis. In other seasons they are doing the appliqué work of their own. All have purchased sewing machines to do appliqué work and other things as per order. All of them have started doing dairy. Each one has two milchy cows of different variety. Since the rate of the cow feed has gone up, Sakeela and Kuni are collecting green grass from the field to reduce the feed cost. With the support of group, they created work for them throughout the year which in turn fetch them good income. Together they told that KAS integrated us and helped us financially and if we are better-off to-day it is because of KAS.



Success Stories

HIGH ON CONFIDENCE

Mrs. Minati Sahu, member of Rajalaxmi Mahila Group, Niladri Vihar Slum, Bhubaneswar suffered heavily since her husband Ghanashyam Sahu who was selling aluminum utensils lost everything in the business.

At these wee hours they got Rs.5,000/- loan fund from KAS Foundation and they started gupchup business. Both wife and husband prepared the gupchup in the day time and in the evening her husband used to sell at Mangala Mandir Chhak. For this first they bought a rickshaw with a box to keep the gupchups fresh. Per day the selling varies from Rs.500/- to Rs.600/- wherein the margin is Rs.150/- to Rs.200/-.

They availed the second loan of Rs.8,800/-. As the price of grocery items has gone up, to increase the margin and to maintain the quality, Minati and her husband thought to buy the items like Maida, Suji, Potato, Peas in large quantity from bigger shops and maintain large inventory. Now Minati is able to give tuition for her two school going sons and she is sending Rs.500/ to Rs.600/- per month to her mother-in-law who is in the village. Confident Minati has high hope to do more business and to earn more. She told politely that it all happened due to timely loan fund support from KAS Foundation.

PRUDENT USE OF LOAN LEADS TO HIGH YIELD

Mrs. Anita Sahu, member of Jagadamba Group, Chandrasekharapur, Bhubaneswar manages a small liquid soap business out of her house. After acquiring the knowledge and skill needed to make liquid soap from one of his family members over a span of 2 years from 2002-2004, Mrs. Anita and her husband began to produce and sell their own brand of liquid soap. They offer 5 different products, one of which is a natural, environmental friendly soap made primarily from neem oil, as well as 4 variations of liquid soap, each specifically designed for a particular use. They buy the chemical ingredients from the neighboring city of Cuttack and mixes them at the residence or on the roof of his apartment building. They purchase 1 Litre plastic bottles with sealable top and get their own labels printed in a nearby printing press. They then sell products at wholesale price to community retailers who in turn, sell the Sahu products at roadside stands or peddle them directly to individual homes. They make roughly Rs.3 profit on each bottle of liquid soap whereas the retailer makes roughly Rs.10 Profit on each bottle. Occasionally, they say, they do sell their product directly to individuals, in which case they make almost a Rs.13 profit per liter sold. The Sahu do not keep any inventory, but only produce based on orders, demonstrating effective use of financial resources and quick overturn. By deploying Rs.5,000/- loan borrowed from KAS in March 2008, they are able to earn more than Rs.3,000/- per month which is almost 70% of their total investment. Among the groups and their neighborhood, Sahu families have shown the prudent use of loan fund. The Sahu do not employ any additional workers, but do all the work themselves in their home, in this way avoiding any extra costs. At the same time all these products are cost effective and affordable for low income group of people. Now the family has a dream to compete with good companies like Modi Care and others with a larger volume of loan from KAS Foundation.

Coverage - Districts & Blocks

Orissa

S.No	Block	District
1	Angul	Angul
2	Banarpal	Angul
3	Chhendipada	Angul
4	Athmallik	Angul
5	Kishorenagar	Angul
6	Pallahara	Angul
7	Kaniha	Angul
8	Talcher	Angul
9	Agalpur	Balangir
10	Balangir	Balangir
11	Deogaon	Balangir
12	Guduvella	Balangir
13	Loisinga	Balangir
14	Puintala	Balangir
15	Bangomunda	Balangir
16	Muribahal	Balangir
17	Saintala	Balangir
18	Titilagarh	Balangir
19	Tureikela	Balangir
20	Bahanaga	Balasore
21	Balasore	Balasore
22	Khaira	Balasore
23	Remuna	Balasore
24	Simulia	Balasore
25	Soro	Balasore
26	Oupada	Balasore
27	Nilgiri	Balasore
28	Ambabhona	Bargarh
29	Attabira	Bargarh
30	Bargarh	Bargarh
31	Barpali	Bargarh
32	Bhatli	Bargarh
33	Bheden	Bargarh
34	Bijepur	Bargarh
35	Gaisilet	Bargarh
36	Jharbandh	Bargarh
37	Paikmal	Bargarh
38	Sohela	Bargarh
39	Basudevpur	Bhadrak
40	Bhadrak	Bhadrak
41	Bhandaripokhori	Bhadrak
42	Bonth	Bhadrak

S.No	Block	District
43	Tihidi	Bhadrak
44	Boudh	Boudh
45	Harabhanga	Boudh
46	Kantamal	Boudh
47	Athagarh	Cuttack
48	Baramba	Cuttack
49	Narsinghpur	Cuttack
50	Tigiria	Cuttack
51	Banki	Cuttack
52	Banki-Dampara	Cuttack
53	Barang	Cuttack
54	Cuttack	Cuttack
55	Kantapara	Cuttack
56	Mahanga	Cuttack
57	Niali	Cuttack
58	Nischintkoili	Cuttack
59	Salipur	Cuttack
60	Dhenkanal	Dhenkanal
61	Gandia	Dhenkanal
62	Odapada	Dhenkanal
63	Hindol	Dhenkanal
64	Kamakhya Nagar	Dhenkanal
65	Kankadahad	Dhenkanal
66	Parjang	Dhenkanal
67	Mohana	Gajapati
68	Chikiti	Ganjam
69	Kukudakhandi	Ganjam
70	Rangeilunda	Ganjam
71	Aska	Ganjam
72	Belguntha	Ganjam
73	Bhanjanagar	Ganjam
74	Buguda	Ganjam
75	Dharakote	Ganjam
76	Jagannath Prasad	Ganjam
77	Seragarh	Ganjam
78	Chatrapur	Ganjam
79	Ganjam	Ganjam
80	Polsara	Ganjam
81	Balikuda	Jagatsinghpur
82	Biridi	Jagatsinghpur
83	Erasama	Jagatsinghpur
84	Jagatsinghpur	Jagatsinghpur



Coverage - Districts & Blocks

Orissa [Contd.]

S.No	Block	District
85	Kujanga	Jagatsinghpur
86	Nuagaon	Jagatsinghpur
87	Raghunathpur	Jagatsinghpur
88	Tirtol	Jagatsinghpur
89	Binjharpur	Jajpur
90	Dharmasala	Jajpur
91	Jajpur	Jajpur
92	Korei	Jajpur
93	Rasulpur	Jajpur
94	Jharsuguda	Jharsuguda
95	Kirmira	Jharsuguda
96	Kolabira	Jharsuguda
97	Laikera	Jharsuguda
98	Lakhanpur	Jharsuguda
99	Bhawanipatna	Kalahandi
100	Karlamunda	Kalahandi
101	Kesinga	Kalahandi
102	M Rampur	Kalahandi
103	Narla	Kalahandi
104	Dharamgarh	Kalahandi
105	Golamunda	Kalahandi
106	Junagarh	Kalahandi
107	Aul	Kendrapara
108	Derabis	Kendrapara
109	Kendrapara	Kendrapara
110	Mahakalpara	Kendrapara
111	Marshaghai	Kendrapara
112	Pattamundai	Kendrapara
113	Champua	Keonjhar
114	Jhumpura	Keonjhar
115	Ghatagaon	Keonjhar
116	Harichandanpur	Keonjhar
117	Keonjhar	Keonjhar
118	Patna	Keonjhar
119	Balianta	Khurda
120	Balipatna	Khurda
121	Bhubaneswar	Khurda
122	Jatni	Khurda
123	Banapur	Khurda
124	Begunia	Khurda
125	Bolagarh	Khurda
126	Chilika	Khurda

Orissa [Contd.]

S.No	Block	District
127	Khurda	Khurda
128	Tangi	Khurda
129	Boriguma	Koraput
130	Jeypore	Koraput
131	Similiguda	Koraput
132	Korkunda	Malkangiri
133	Bahalda	Mayurbhanj
134	Bijatola	Mayurbhanj
135	Bisoi	Mayurbhanj
136	Jamda	Mayurbhanj
137	Kusumi	Mayurbhanj
138	Bangiriposi	Mayurbhanj
139	Barsahi	Mayurbhanj
140	Baripada	Mayurbhanj
141	Betnoti	Mayurbhanj
142	Kuliana	Mayurbhanj
143	Samakhunta	Mayurbhanj
144	Saraskana	Mayurbhanj
145	Suliapada	Mayurbhanj
146	G Nagar	Mayurbhanj
147	Khunta	Mayurbhanj
148	Udala	Mayurbhanj
149	Jashipur	Mayurbhanj
150	Karanja	Mayurbhanj
151	Sukurli	Mayurbhanj
152	Thakurmunda	Mayurbhanj
153	Boden	Nawapara
154	Khariar	Nawapara
155	Nawapara	Nawapara
156	Sinpalli	Nawapara
157	Nawarangpur	Nawarangpur
158	Bhapur	Nayagarh
159	Daspalla	Nayagarh
160	Gania	Nayagarh
161	Khandapara	Nayagarh
162	Nayagarh	Nayagarh
163	Nuagaon	Nayagarh
164	Odagaon	Nayagarh
165	Ranpur	Nayagarh
166	Baliguda	Kandhamal
167	Chakapad	Kandhamal
168	Daringibadi	Kandhamal

Coverage - Districts & Blocks

Orissa [Contd.]

S.No	Block	District
169	G Udayagir	Kandhamal
170	K Nuagon	Kandhamal
171	Kotagad	Kandhamal
172	Raikia	Kandhamal
173	Tikaballi	Kandhamal
174	Tumudibandh	Kandhamal
175	Khajuripada	Kandhamal
176	Phiringia	Kandhamal
177	Phulbani	Kandhamal
178	Astaranga	Puri
179	Bramhagiri	Puri
180	Delenga	Puri
181	Gop	Puri
182	Kakatpur	Puri
183	Kanas	Puri
184	Krushnaprasad	Puri
185	Nimapara	Puri
186	Pipili	Puri
187	Puri	Puri
188	Satyabadi	Puri
189	Gunupur	Rayagada
190	Padmapur	Rayagada
191	Jamankira	Sambalpur
192	Kuchinda	Sambalpur
193	Naktideul	Sambalpur
194	Rairakhol	Sambalpur
195	Jujumura	Sambalpur
196	Maneswar	Sambalpur
197	Rengali	Sambalpur
198	Sambalpur	Sambalpur
199	Birmaharajpur	Sonepur
200	Ulunda	Sonepur
201	Binika	Sonepur
202	Dunguripali	Sonepur
203	Sonepur	Sonepur
204	Tarva	Sonepur
205	Lephripara	Sundargarh
206	Hemgiri	Sundargarh
207	Subdega	Sundargarh
208	Sundargarh	Sundargarh
209	Tangarpalli	Sundargarh

Chhattisgarh

S.No	Block	District
1	Patan	Durg
2	Dhamdha	Durg
3	Bhilai	Durg
4	Utai	Durg
5	Gundardehi	Durg
6	Magarlod	Dhamtari
7	Bhakhara	Dhamtari
8	Kurud	Dhamtari
9	Bhanupratappur	Kanker
10	Abhanpur	Raipur
11	Khairagarh	Rajnandgaon
12	Chandrapur	Raigarh
13	Baramkela	Raigarh
14	Dabhara	Raigarh
15	Pushore	Raigarh
16	Sariya	Raigarh
17	Dabhra	Janjgir Champa

Maharashtra

S.No	Block	District
1	Changdeonagar	Ahemadnagar
2	kopargaon	Ahemadnagar
3	Kolpewadi	Ahemadnagar
4	Shrigonda	Ahemadnagar
5	Puntamba	Ahemadnagar
6	Rahata	Ahemadnagar
7	Rahuri	Ahemadnagar
8	Shrirdi	Ahemadnagar
9	Loni	Ahemadnagar
10	Babaleshwar	Ahemadnagar
11	Shrirampur	Ahemadnagar
12	Belapur	Ahemadnagar
13	Kolar	Ahemadnagar
14	Padegaon	Ahemadnagar
15	Pohegaon	Ahemadnagar
16	Daund	Nashik
17	Otur	Pune
18	Panvel	Raigad
19	Khopoli	Raigad
20	Karjat	Raigad
21	Kharghar	Raigad
22	Uran	Raigad
23	Vashi	Thane
24	Koparkhairne	Thane
25	Airoli	Thane



Coverage - Districts & Blocks

West Bengal

S.No	Block	District
1	Bardhaman	Bardhaman
2	Chinsurah-Mogra	Hooghly
3	Polba-dadpur	Hooghly
4	Serampore-Uttarpara	Hooghly
5	Bally -Jagacha	Howrah
6	Hogalberia	Nadia
7	Nabadwip	Nadia
8	Ranaghat	Nadia
9	Kalyani	Nadia
10	North 24 Pargana	North 24 Pargana
11	South 24 Pargana	South 24 Pargana

12	Kidderpur	Kolkata
13.	New Alipur	Kolkata
14.	Tollygunge	South 24 Pargana
15.	Behala	South 24 Pargana
16.	Sherpur (Amtala)	South 24 Pargana

Madya Pradesh

S.No	Block	District
1	Bodhni	Hoshangabad
2	Hoshangabad	Hoshangabad
3	Babai	Hoshangabad
4	Sohagpur	Hoshangabad
5	Seoni	Hoshangabad

REGIONAL OFFICES

1	Puri	6	Khurda	11	Bhilai
2	Sambalpur	7	Berhampur	12	Mumbai
3	Balangir	8	Angul	13	Kolkatta
4	Cuttack	9	Bhubaneswar	14	Hoshangabad
5	Balasore	10	Jeypore		

BRANCHES

Orissa

Puri Region

1	Puri
2	Nimapara
3	Sakhigopal
4	Konark
5	Brahmagiri

Sambalpur Region

6	Sambalpur
7	Bargarh
8	Padampur
9	Jharsuguda
10	Sundergarh
11	Chandarpur
12	Sohela

Angul Region

13	Dhenkanal
14	Angul

Balangir Region

15	Balangir
16	Sonepur
17	Boudh
18	Khariar
19	Bhawanipatna

Cuttack Region

20	Cuttack Urban
21	Cuttack-Athagarh
22	Kendrapara
23	JK Road
24	Jagatsinghpur
25	Kujang
26	Phulnakra
27	Salipur
28	Bhadrak

Balasore Region

29	Baripada
30	Balasore
31	Jashipur
32	Keonjhar

Berhampur Region

33	Chatrapur
34	Berhampur Bhanjanagar

Khurda Region

35	Nayagarh
36	Khurda
37	Tangi

Jeypore Region

38	Jeypore
39	Similiguda
40	Gunupur

Chhattisgarh

41	Bhilai-Supela
42	Charoda

Maharashtra

43	Khopoli
44	Panvel
45	Puintamba
46	Rahuri
47	Rahata
48	Sangamner
49	Srirampur
50	Vashi, Navi Mumbai

West Bengal

51	Alipore
52	Bansberia

Madhya Pradesh

53	Hoshangabad
54	Babai

Progress at a Glance

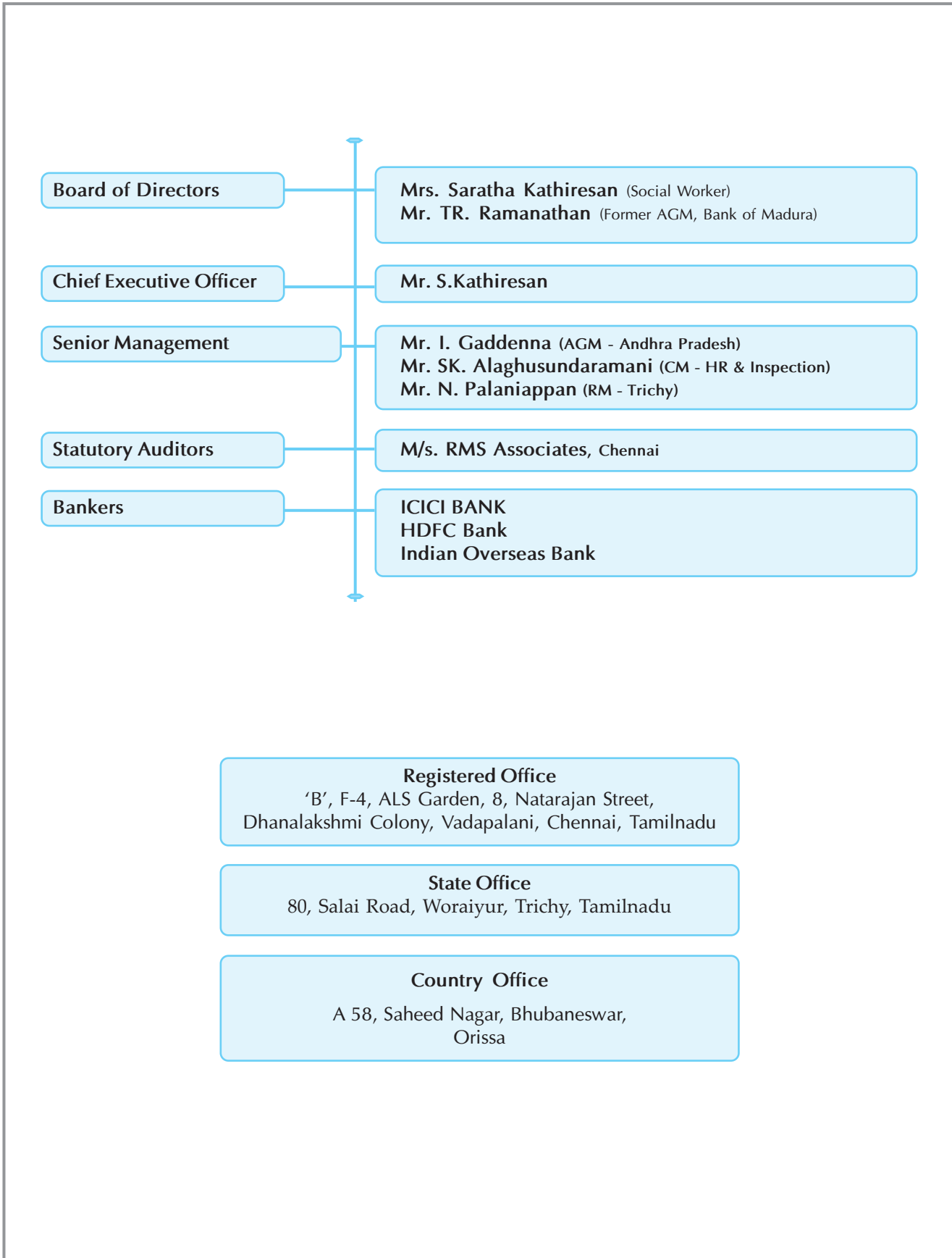
Operational Highlights	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	June 30 2008
No. of SHGs formed	726	8,448	19,435	21,959	21,959	21,959
No. of JLGs formed	-	-	13,098	38,623	48,698	51,105
No. of Members	13,068	152,064	349,830	397,366	397,366	397,366
SHG						
JLG	-	-	65,449	193,115	240,985	252,513
No. of Individual Clients						
SHG	-	37,160	172,691	263,831	372,244	372,244
JLG	-	-	65,449	219,872	240,985	252,513
No. of Loans Disbursed (Group)						
SHG	-	2,034	9,723	14,358	15,553	15,650
JLG	-	-	13,098	38,623	49,581	51,105
Amount of Loans Disbursed						
SHG	-	12	58	94	100	100
(Rs.in Crores- Cumulative)						
JLG	-	-	36	130	15	15
Gross Loans Outstanding (Rs.in Crores)		11	74	117	84	83
Staff Strength	137	450	979	1,863	1,899	1,746
No. of Branches	5	5	11	46	48	54
No. of Blocks	44	96	191	238	267	267
No. of Villages	870	1,850	4,324	5,650	6,618	6,618
Repayment rate	0.00%	99.90%	98.25%	96.00%	94.95%	94.77%



KATHIR Foundation

KATHIR FOUNDATION 2007 - 2008

Kathir Foundation



Mr. TR. Ramanathan, the former AGM of Bank of Madura and Chief Manager II of ICICI Bank, was appointed as the Director of the Company in April 2008.

Statutory Auditors

M/s. RMS Associates, Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. However, they have expressed their willingness not to go ahead with the arrangement, as they have come across lot of inconvenience this year since the audit is taking place in Bhubaneswar whereas earlier it happened in Chennai which was convenient for them.

M/s. A K Lenka & Co., Chartered Accountants, Bhubaneswar, has given their consent to take up the audit assignment of Kathir Foundation. The Directors recommend for the appointment of M/s. A K Lenka & Co., to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

Disclosure on Energy

The disclosure on conservation of energy and technology absorption does not apply.

Directors' Responsibility Statement

Pursuant to Section 217 (2 AA) of the Companies (Amendment) Act 2000, the Directors confirm that:

- (a) In the preparation of annual accounts, the applicable accounting standards have been followed;
- (b) The accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) The annual accounts have been prepared on a going concern basis.

Acknowledgement

The Directors are grateful to ICICI Bank, HDFC Bank and Indian Overseas Bank for the support given to Kathir during the year.

The Directors are thankful to ICICI Lombard and Reliance General Insurance Company for settling the insurance claims as quickly as possible.

The Directors acknowledge the guidance and support provided by the Reserve Bank of India, SIDBI and NABARD, and, all the support provided by all the bankers.

The Directors wish to place on record their appreciation of the team spirit exhibited by the employees.

Place : Chennai

Date : September 4, 2008

By Order of the Board

Saratha Kathiresan
Chairman of the Meeting



Report of the Auditors to the Members of Kathir Foundation

1. We have audited the attached Balance Sheet of KATHIR FOUNDATION as at March 31, 2008, the Income and Expenditure account and also the Cash Flow Statement for the year ended on that date, both annexed hereto. These financial statements are the responsibility of the Management of KATHIR FOUNDATION. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 a reasonable basis for our opinion.
3. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion proper books of accounts as required by Law have been kept by the company so far as appears from our examination of these books. The Balance Sheet, the Income and Expenditure account and the Cash flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, the Income and Expenditure account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 so far as they are applicable to the Company except AS-15 with regard to contribution to Provident Fund as detailed in para 7 of Schedule No.11.
5. As per the information furnished to us no director of the Company is disqualified as on March 31, 2008 from being appointed as Director under Clause (g) of sub-Section (1) of Section 274 of Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, with the schedules and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity the accounting principles generally accepted in India:
 - (a) in the case of Balance Sheet of the State of affairs of the Company as at 31st March 2008; and
 - (b) in the case of Income and Expenditure account of the excess of income over expenditure for the year ended on that date.
 - (c) in the case of Cash Flow Statement , of the cash flows of the Company for the year ended on that date.

As the provisions of the Companies (Auditors Report) Order 2003 are not applicable to the Company, the report required to be furnished under the said order is not furnished.

Place : Chennai
Date : 04-09-2008

For R M S Associates
Chartered Accountants
U Pavadasan
Partner
Membership No.204679



Income and Expenditure Account for the year ended March 31, 2008

	Schedule		March 31, 2008		March 31, 2007
	No.		Rs.	P.	
Income					
Interest received on Micro Finance loans			39,790,623.43		58,419,777.97
Other Income	9		2,915,203.36		7,362,295.02
			<u>42,705,826.79</u>		<u>65,782,072.99</u>
Expenditure					
Interest paid on Micro Finance loans from Banks			24,532,165.61		31,617,415.22
Administration and Other Expenses	10		15,461,238.70		12,566,108.16
Bank Charges			254,595.86		3,310,053.65
Interest on Working Capital Term Loan			128,980.93		89,764.44
Interest on Loans - to Others			-		6,805.00
Interest on Loans - to Directors			-		2,667.00
Depreciation	4		318,298.22		141,067.00
Preliminary Expenses written off			1,548.00		1,548.00
Provision for Doubtful Debts			1,000,000.00		9,000,000.00
			<u>41,696,827.32</u>		<u>56,735,428.47</u>
Excess of Income over Expenditure			1,008,999.47		9,046,644.52
Earnings Per Share (in Rs.)			100.90		904.66
Notes on Accounts	11				
For RM S Associates Chartered Accountants			For KATHIR Foundation Saratha Kathiresan TR. Ramanathan Directors		
U Pavadasan Partner M No.204679			S Kathiresan Chief Executive Officer		
Place : Chennai Date : 04-09-2008					

Schedules to Balance Sheet

	As at March 31, 2008	As at March 31, 2007
Schedule 1 : Share Capital	Rs. P.	Rs. P.
Authorised Share Capital (10000 Equity Shares of Rs.10/- each)	100,000.00	100,000.00
Issued, Subscribed and Paid-up Share capital (10000 Equity Shares of Rs.10/- each fully paid up)	100,000.00	100,000.00

Schedule 2 : Reserves and Surplus

Opening Balance	9,799,117.32	752,472.80
Add : Excess of Income over expenditure	1,008,999.47	9,046,644.52
	<u>10,808,116.79</u>	<u>9,799,117.32</u>

Schedule 3 : Micro Finance

ICICI Bank Limited	153,490,623.96	339,089,555.28
Bharat Overseas Bank	5,347,592.56	12,301,969.70
HDFC Bank	5,736,472.60	13,125,000.00
	<u>164,574,689.12</u>	<u>364,516,524.98</u>

Schedule 4 : Fixed Assets

Asset	Gross Block			Depreciation		Net Block		Net Block	
	As on 01-04-2007	Additions	Deletions	As on 31-03-2008	As on 01-04-2007	for the year	As on 31-03-2008	As on 31-03-2008	As on 31-03-2007
Land	-	3,717,010.00	-	3,717,010.00	-	-	-	3,717,010.00	-
Building	-	403,310.00	-	403,310.00	-	67,161.22	67,161.22	336,148.78	-
Furniture and Fittings	301,277.00	152,575.50	-	453,852.50	92,987.00	49,739.00	142,726.00	311,126.50	208,290.00
Computer	749,169.00	148,690.00	-	897,859.00	44,310.00	138,949.00	183,259.00	714,600.00	704,859.00
Plant & Machinery	21,403.00	24,340.00	-	45,743.00	14,233.00	764.00	14,997.00	30,746.00	7,170.00
Office Equipments	151,097.00	313,000.00	-	464,097.00	2,218.00	22,379.00	24,597.00	439,500.00	148,879.00
Vehicles	-	267,909.00	-	267,909.00	-	39,306.00	39,306.00	228,603.00	-
	<u>1,222,946.00</u>	<u>5,026,834.50</u>	<u>-</u>	<u>6,249,780.50</u>	<u>153,748.00</u>	<u>318,298.22</u>	<u>472,046.22</u>	<u>5,777,734.28</u>	<u>1,069,198.00</u>
Previous years figures	87,716.00	1,135,230.00	-	1,222,946.00	12,681.00	141,067.00	153,748.00	1,069,198.00	

Schedule 5 : Investment in shares - Unquoted

Jagannatha Financial Services Limited (300000 Equity shares of Rs.10/- each)	3,000,000.00	3,000,000.00
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Schedule 6 : Cash and Bank Balances

Cash Balance on hand	565,667.50	10,095,232.49
Balance with Scheduled Banks		
- in Current Accounts	1,958,202.60	66,490,754.42
- in Fixed Deposit account	-	500,000.00
	<u>2,523,870.10</u>	<u>77,085,986.91</u>



Schedules to Balance Sheet

	As at March 31, 2008 Rs. P.	As at March 31, 2007 Rs. P.		
<u>Schedule 7 : Other Current Assets</u>				
Stock of SHG/JLG registers and amount receivable from members of SHGs/JLGs towards registers	-	14,000.00		
Deposits	607,300.00	540,000.00		
Others	1,333,436.32	1,825,332.48		
	1,940,736.32	2,379,332.48		
<u>Schedule 8 : Sundry Creditors</u>				
For Expenses	1,038,038.00	1,282,399.60		
For Others	1,144,618.76	72,686.76		
	2,182,656.76	1,355,086.36		
<u>Schedule No.9 : Other Income</u>				
Documentation charges	854,312.00	7,337,525.02		
Service charges towards insurance	8,744.16	11,020.00		
Referral charges	237,607.00	-		
Social Security Fund	1,576,025.00	-		
Miscellaneous Income	238,515.20	13,750.00		
	2,915,203.36	7,362,295.02		
<u>Schedule No.10 : Administration and Other Expenses</u>				
Salaries	11,165,675.38	10,220,601.00		
Staff Welfare	177,221.05	262,401.60		
Travelling and Conveyance	774,904.83	554,571.99		
Training Expenses	40,816.80	-		
Rent	774,876.00	395,120.00		
Commission paid	89,740.00	10,000.00		
Repairs & Maintenance	228,631.45	106,443.00		
Electricity charges	109,018.50	44,434.00		
Audit Fees	56,180.00	78,652.00		
Printing & Stationery	632,773.95	175,968.60		
Telephone Charges	806,929.38	387,411.72		
Directors' sitting fee	-	6,000.00		
Insurance	105,225.00	-		
Other Expenses	499,246.36	324,504.25		
	15,461,238.70	12,566,108.16		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>For RM S Associates Chartered Accountants</p> <p>U Pavadasan Partner M No.204679</p> <p>Place : Chennai Date : 04-09-2008</p> </td> <td style="width: 50%; vertical-align: top; text-align: right;"> <p>For KATHIR Foundation Saratha Kathiresan TR. Ramanathan Directors</p> <p>S Kathiresan Chief Executive Officer</p> </td> </tr> </table>			<p>For RM S Associates Chartered Accountants</p> <p>U Pavadasan Partner M No.204679</p> <p>Place : Chennai Date : 04-09-2008</p>	<p>For KATHIR Foundation Saratha Kathiresan TR. Ramanathan Directors</p> <p>S Kathiresan Chief Executive Officer</p>
<p>For RM S Associates Chartered Accountants</p> <p>U Pavadasan Partner M No.204679</p> <p>Place : Chennai Date : 04-09-2008</p>	<p>For KATHIR Foundation Saratha Kathiresan TR. Ramanathan Directors</p> <p>S Kathiresan Chief Executive Officer</p>			

Schedules to Balance Sheet

Schedule 11 : NOTES FORMING PART OF ACCOUNTS**1. Significant Accounting Policies :****1.1 Accounting Convention**

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India including Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), as applicable, and relevant provisions of the Companies Act, 1956.

1.2 Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period, provisioning for receivables, provisioning for taxation etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates

1.3 Income Recognition :

Interest received from Micro Finance clients have been accounted under effective interest rate method. Interest on overdue loans amounting to Rs. 1.46 crores are recognized on accrual basis as per contractual terms and when there is no uncertainty in receiving the same.

1.4 Fixed Assets and Depreciation :

- (i) Fixed Assets are stated at historical cost as reduced by accumulated Depreciation
- (ii) Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

1.5 Miscellaneous Expenditure

Preliminary expenses are written off over a period of five years

a) Micro Finance to Members

The amount outstanding under Micro Finance portfolio managed for various Banks is shown under Liabilities and the outstanding in respect of amount lent under the portfolio management to Members is shown under Loans and Advances.

2. Contingent Liabilities :

The Company is contingently liable for Rs.74,19,939/- (Previous year – Rs.1,73,44,408/-) under Micro Finance Portfolio scheme in the event of default by members.

3. Current Assets, Loans and advances include amounts due from

- i) Chief Executive Officer – Rs.2.93 lacs (Previous year – Rs.0.24 lacs) Maximum balance outstanding during the year – Rs.6.57 lacs. The amount has since been repaid.
- ii) Jagannatha Financial Services Limited, a company under the same management – Rs. 2.97 lacs (Previous Year – Rs.0.63 lacs) Maximum balance outstanding during the year – Rs. 2.97 lacs).



Schedules to Balance Sheet

4. Segment Reporting

The Company is primarily engaged in the business of financing. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS -17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India.

5. Related Party Disclosures

Related party disclosures, as stipulated by Accounting Standard 18 - 'Related Party disclosures', issued by ICAI are given below:

Related parties:

Associates:

Jagannatha Financial Services Limited
KAS Foundation

Key Management Personnel:

Sri S Kathiresan

Relative of Key Management Personnel:

Smt Saratha Kathiresan
Sri Alaghusundaramani

Rs. In lacs

Nature of	Associates	Key Management Personnel	Relative of Key Management Personnel	Total 2007-08	Previous Year 2006-07
Referral Fees	2.38	-	-	2.38	-
Reimbursement of Expenses	11.00	-	-	11.00	-
Interest Received	-	0.11	0.12	0.23	-
Rent Paid	1.84	-	-	1.84	-
Salaries & Allowance	-	1.80	3.30	5.10	1.85
Loans and Advances	-	2.92	1.09	4.01	2.82
Sundry Creditors	9.08	-	-	9.08	-

- Balances in the parties accounts are subject to reconciliation.
- Provision towards gratuity was not considered since there is no employee having more than 5 years of service. The company has not contributed for Provident Fund and the impact of the same in the profit for the year has not been quantified.

Schedules to Balance Sheet

3. Earnings Per Share

	2007-08	2006-07
(a) Profit for the year (Rs. In lacs)	10.09	90.47
(b) No. of equity shares of face value of Rs. 100/- each outstanding (in numbers)	10000	10000
(c) Basic and diluted Earnings Per Share (in Rs.)	100.90	904.66

4. Sundry Creditors under Current Liabilities include outstanding dues of small scale industrial undertakings

Nil Nil

5. Sundry Creditors include Rs. 0.02 lacs due to Director

6. Auditors' Remuneration :

Particulars

	2007-08	2006-07
For Audit -	44,944	56,180
For Company Law matters -	5,618	11,236
For Taxation -	5,618	11,236
	<u>56,180</u>	<u>78,652</u>
	=====	=====

7. Previous year figures are regrouped wherever necessary to confirm to current years classification.

Signatures to Schedule 1 to 11

For RM S Associates
Chartered Accountants

U Pavadasan
Partner
MNo.204679

Place : Chennai
Date : 04-09-2008

For KATHIR Foundation
Saratha Kathiresan
TR. Ramanathan
Directors

S Kathiresan
Chief Executive Officer



Cash Flow Statement

	March 31, 2008		March 31, 2007	
	Rs.	P.	Rs.	P.
	(in Rupees)			
A) CASH FLOW FROM OPERATING ACTIVITIES				
Excess of Income over Expenditure	1,008,999.47		9,046,644.52	
Preliminary Expenses written off		1,548.00		1,548.00
Provision for doubtful debts and contingencies	1,000,000.00		9,000,000.00	
Depreciation		318,298.22		141,067.00
Operating Profit Before Working Capital changes	2,328,845.69		18,189,259.52	
(Increase) / Decrease in Receivables from Micro Finance Activity		128,109,774.96		(132,099,574.32)
(Increase) / Decrease in Other Current Assets		438,596.16		(464,394.31)
(Increase) / Decrease in other Loans and advances		970,949.86		(1,099,639.25)
Increase / (Decrease) in Current Liabilities		827,570.40		461,743.99
Net Cash from Operating Activities (A)	132,675,737.07		(115,012,604.37)	
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		(5,026,834.50)		(1,135,230.00)
Investment in shares		-		(3,000,000.00)
Net Cash from Investing Activities (B)	(5,026,834.50)		(4,135,230.00)	
C) CASH FLOW FROM FINANCING ACTIVITIES				
Increase / (Decrease) in Micro Finance Loans borrowed	(199,941,835.86)		171,822,736.29	
Increase / (Decrease) in other loans	(1,153,178.52)		1,303,378.07	
Increase / (Decrease) in other liabilities	(1,116,005.00)		1,116,005.00	
Net Cash from Financing Activities (C)	(202,211,019.38)		174,242,119.36	
NET INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	(74,562,116.81)		55,094,284.99	
Cash and Cash equivalents at the Beginning of the year	77,085,986.91		21,991,701.92	
Cash and Cash equivalents at the End of the year	2,523,870.10		77,085,986.91	
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				
Current Account with Banks	565,667.50		10,095,232.49	
Fixed Deposit with Banks		-		500,000.00
Cash balance on hand	1,958,202.60		66,490,754.42	
	2,523,870.10		77,085,986.91	

The accompanying Schedules 1 to 11 form an integral part of the accounts in terms of our report of even date attached

For RM S Associates
Chartered Accountants

U Pavadasan
Partner
M No.204679

Place : Chennai
Date : 04-09-2008

For KATHIR Foundation
Saratha Kathiresan
TR. Ramanathan
Directors

S Kathiresan
Chief Executive Officer