

## Financial Report

# Financial Statements 2010 - 2011

**C.LAKSHMANAN & ASSOCIATES,**  
Chartered Accountant

Plot No.226, Anna Nagar,  
Madurai -625020

**C.LAKSHMANAN, B.Com., F.C.A**  
Sole Proprietor

Tel: 0452 2521579  
Mobile: 94439 18117

#### AUDITORS REPORT TO THE MEMBERS OF MAHASEMAM TRUST

- I We have audited the attached Balance Sheet of Mahasemam Trust as at 31<sup>st</sup> March 2011 and also the Income and Expenditure Account of Mahasemam Trust for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Management of Mahasemam Trust. Our responsibility is to express an opinion on these financial Statements based on our audit.

- II We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of the material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

III We report that:





- (i) 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.
- (ii) In our opinion, proper books of account have been kept at the Head Office, Divisional Office and Branches of the Trust visited by us so for appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us.
- (iii) The Balance Sheet and Income and Expenditure Account dealt with by this report are in agreement with the books of Accounts.
- (iv) In our opinion, and to the best of our Information and according to the explanations given to us, the said accounts read along with the notes and accounting policies forming part of the accounts, give a true and fair view:
- a) In the case of Balance sheet, of the state of affairs of the Trust, as at March 31<sup>st</sup> 2011 and
- b) In the case of Income and Expenditure Account, the excess of the Income over Expenditure of the Trust, for the year ended March 31<sup>st</sup> 2011.

Place: Madurai  
Date: 07.06.2011

C.LAKSHMANAN & ASSOCIATES  
Chartered Accountants

(C. LAKSHMANAN)

MAHASEMAM TRUST

<b>MAHASEMAM TRUST</b>			
<b>BALANCE SHEET AS AT</b>		<b>(Rs. In lakhs)</b>	
<b>Particulars</b>	<b>Sch</b>	<b>31-Mar-11</b>	<b>31-Mar-10</b>
		<i>Rs.</i>	<i>Rs.</i>
<b><u>SOURCES OF FUNDS</u></b>			
<b>CAPITAL FUND</b>	1	8.59	8.59
<b>RESERVES AND SURPLUS</b>	2	557.75	446.61
<b>LOAN FUNDS</b>	3	3,461.24	4,620.44
<b>THRIFT BY MEMBERS</b>		3,618.33	1,748.29
<b>TOTAL</b>		<b>7,645.91</b>	<b>6,823.93</b>
<b><u>APPLICATION OF FUNDS</u></b>			
<b>FIXED ASSETS (Gross)</b>		883.71	821.61
<i>Less: Depreciation To Date</i>		201.75	144.97
<b>FIXED ASSETS (Net)</b>	4	<b>681.96</b>	<b>676.64</b>
<b>CURRENT ASSETS</b>			
Collateral Free Loans to Poor Women	5	<b>5,811.58</b>	<b>4,707.61</b>
<i>Less: Provision for Doubtful debts</i>		8.88	8.88
		<b>5,802.70</b>	<b>4,698.73</b>
<b>Other Current Assets</b>			
a) Cash and Bank Balances	6	1,103.12	1,378.45
b) Loans & Advances	7	183.84	165.39
c) Stock of Stationery		2.05	6.49
		<b>1,289.01</b>	<b>1,550.33</b>
<b>Total Current Assets</b>		<b>7,091.71</b>	<b>6,249.06</b>
<i>Less: Current Liabilities and Provisions</i>	8	127.76	101.77
<b>NET CURRENT ASSETS</b>		<b>6,963.95</b>	<b>6,147.29</b>
<b>TOTAL</b>		<b>7,645.91</b>	<b>6,823.93</b>
Accounting Policies and Notes on Accounts	15		
As per our report of even date			
 For C. LAKSHMINARAYANAN & ASSOCIATES Chartered Accountants (C. LAKSHMINARAYANAN) 2004 Firm No. 1000 M.M.S. Society, Palani		<b>For MAHASEMAM TRUST</b>   <b>(Dr. N. Sethuraman)</b> <b>(H. Sivananthan)</b> <i>President</i> <i>Trustee</i>	
Place: Madurai,			
Date: 07.06.2011			



# MAHASEMAM TRUST



## INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED

(Rs. In lakhs)

Particulars	Sch	31-Mar-11	31-Mar-10
		Rs.	Rs.
<b>INCOME</b>			
Interest on Loans	9	2,446.06	2,083.02
Membership fees & Other Charges		303.49	184.71
Grants & Donations		0.67	0.98
Other Income	10	114.27	29.37
<b>Total</b>		<b>2,864.49</b>	<b>2,298.08</b>
<b>EXPENDITURE</b>			
Financial Cost on Borrowings	11	938.48	570.01
Personnel Cost	12	749.82	783.92
Operational Expenses	13	353.75	265.72
Administrative Expenses	14	643.62	564.77
Audit Fees		1.64	2.06
Depreciation		53.72	45.55
Doubtful Debts Written-off		5.17	15.78
<b>Total</b>		<b>2,746.20</b>	<b>2,247.81</b>
<b>Surplus</b>		<b>118.29</b>	<b>50.27</b>
<b>Net Surplus (Carried to Balance Sheet)</b>		<b>118.29</b>	<b>50.27</b>

Accounting Policies and Notes on Accounts 15  
As per our report of even date

For C. LAKSHMANAN & ASSOCIATES  
Chartered Accountants

(C. LAKSHMANAN)  
Sole Proprietor

M.No. 202297 (P.H.S.)

For MAHASEMAM TRUST

(Dr. N. Sethuraman)  
President

(H. Sivananthan)  
Trustee

Place: Madurai,  
Date: 07.06.2011

<b>MAHASEMAM TRUST</b>		<b>MAHASEMAM</b> <small>A TRUST FOR THE PEOPLE</small>	
<b>SCHEDULES TO BALANCE SHEET AS AT</b>		<b>(Rs. In lakhs)</b>	
<b>Particulars</b>	<b>31-Mar-11</b>	<b>31-Mar-10</b>	
	<i>Rs.</i>	<i>Rs.</i>	
<b>SCHEDULE 1: CAPITAL FUND</b>			
Opening Balance	8.59	8.59	
Add: Received during the year	0.00	0.00	
<b>Total</b>	<b>8.59</b>	<b>8.59</b>	
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>			
<b>A: Capital Reserve</b>			
Opening Balance	18.57	25.73	
Add: Capital Grant during the year	0.00	0.00	
Less: Transferred to Depreciation Account	7.15	7.16	
<b>Closing Balance (A)</b>	<b>11.42</b>	<b>18.57</b>	
<b>B: General Reserve</b>			
Opening Balance	428.04	377.77	
Add : Surplus for the year	118.29	50.27	
<b>Closing Balance (B)</b>	<b>546.33</b>	<b>428.04</b>	
<b>Total</b>	<b>557.75</b>	<b>446.61</b>	
<b>SCHEDULE 3: LOAN FUNDS - SECURED</b>			
<i>Security : Hypothecation of Book Debts</i>			
<b>a) For Micro Finance Loan - From</b>			
Corporation Bank	560.49	859.28	
Union Bank of India	1,043.82	1,285.35	
Federal Bank	0.00	119.82	
Karnataka Bank	288.14	458.30	
Karur Vysya Bank	242.29	448.45	
Tamil Nadu Mercantile Bank	0.00	54.03	
Bank of India	148.17	200.00	
Catholic Syrian Bank	334.14	416.70	
Dena Bank	343.68	257.02	
Bank of Maharastra	374.51	200.14	
<b>b) For Housing Loan - From</b>			
Habitat for Humanity of India Trust	28.68	39.75	
National Housing Bank	51.27	63.83	
<b>c) For Vehicle Loan and Other Loans</b>			
HDFC & ICICI Banks - Vehicle Loans	14.33	29.02	
Corporation Bank Loan - Hospital	7.72	14.75	
<b>Total</b>	<b>3,437.24</b>	<b>4,446.44</b>	
<b>d) Un Secured Loans</b>			
Chennai Power Trust	24.00	174.00	
<b>Total</b>	<b>3,461.24</b>	<b>4,620.44</b>	

 For C. LAKSHIMANAN & ASSOCIATES  
 Chartered Accountants

 (C. LAKSHIMANAN)  
 Sole Proprietor

UENR 202297 FTRR 2126423

 Place: Madurai,  
 Date: 07.06.2011

For MAHASEMAM TRUST

 (Dr. N. Sethuraman)  
 President

 (H. Sivananthan)  
 Trustee



**SCHEDULES TO BALANCE SHEET AS AT 31st March, 2011**  
**SCHEDULE 4: FIXED ASSETS**

**MAHASEVAM TRUST**




Description	Rate of Deprn.	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01-Apr-2010	During the period		As at 31st March-2011	As at 01-Apr-2010	For the Period	Deductions	As at 31-Mar-2011	As at 31-Mar-2010	
			Additions	Deletions							
<b>General Assets</b>											
Land	0%	173.79	0.00	173.79	0.00	0.00	0.00	173.79	173.79		173.79
Building	1.63%	111.54	0.00	111.54	4.36	1.82	0.00	105.36	107.18		107.18
Plant & Machinery	4.75%	27.22	3.97	31.18	3.23	1.40	0.00	26.06	23.49		23.49
Motor Vehicles	9.50%	116.56	73.04	112.98	25.66	10.26	4.05	81.12	90.90		90.90
Computers and Accessories	16.21%	157.27	41.63	198.82	49.57	29.62	0.04	119.08	107.70		107.70
Furniture and Fixtures	6.33%	72.50	14.10	86.60	17.64	5.11	0.00	63.84	54.86		54.86
Other Office Equipments	4.75%	54.80	5.40	60.20	6.34	2.35	0.00	51.50	48.46		48.46
Electrical & Fittings	4.75%	57.57	0.67	58.24	6.10	3.16	0.00	49.97	51.47		51.47
<b>TOTAL</b>		<b>771.25</b>	<b>78.80</b>	<b>833.35</b>	<b>113.40</b>	<b>53.72</b>	<b>4.09</b>	<b>163.03</b>	<b>670.33</b>		<b>657.85</b>
Assets Acquired out of Capital Grant											
Computers and Accessories	16.21%	41.04	0.00	41.04	29.66	6.65	0.00	36.31	4.72		11.38
Furniture and Fixtures	6.33%	3.86	0.00	3.86	0.95	0.24	0.00	1.19	2.66		2.91
Other Office Equipments	4.75%	4.42	0.00	4.42	0.76	0.21	0.00	0.97	3.45		3.66
Electrical & Fittings	4.75%	1.04	0.00	1.04	0.20	0.05	0.00	0.25	0.79		0.84
<b>TOTAL</b>		<b>50.36</b>	<b>0.00</b>	<b>50.36</b>	<b>31.57</b>	<b>7.15</b>	<b>0.00</b>	<b>38.72</b>	<b>11.63</b>		<b>18.79</b>
<b>GRAND TOTAL</b>		<b>821.61</b>	<b>78.80</b>	<b>883.71</b>	<b>144.97</b>	<b>60.87</b>	<b>4.09</b>	<b>201.75</b>	<b>681.96</b>		<b>676.64</b>

**For MAHASEVAM TRUST**
**For Dr. LAKSHMANAN & ASSOCIATES**  
 Chartered Accountants






  
**(Dr. N. Sethuraman)**  
 President


  
**(H. Sivanathan)**  
 Trustee

 Place: Madurai,  
 Date: 07.06.2011

<b>MAHASEMAM TRUST</b>		<b>MAHASEMAM</b> <small>TRUST</small>	
<b>SCHEDULES TO BALANCE SHEET AS AT</b>		<b>(Rs. In lakhs)</b>	
<b>Particulars</b>	<b>31-Mar-11</b>	<b>31-Mar-10</b>	
	<i>Rs.</i>	<i>Rs.</i>	
<b>SCHEDULE 5: COLLATERAL FREE LOANS</b>			
To poor women in groups			
a) Regular Loans	5,809.81	4,702.09	
b) Past Due loans over 30 days	1.77	5.52	
<b>Total</b>	<b>5,811.58</b>	<b>4,707.61</b>	
<b>SCHEDULE 6: CASH &amp; BANK BALANCES</b>			
a) Cash in Hand	107.14	105.97	
b) Bank Balances in Scheduled Banks:			
In Current Accounts and Savings Bank Accounts	434.87	877.91	
In Fixed Deposit Accounts:			
- Pledged against borrowings	461.11	394.57	
c) Deposits in Mutual Fund	100.00	0.00	
<b>Total</b>	<b>1,103.12</b>	<b>1,378.45</b>	
<b>SCHEDULE 7: LOANS &amp; ADVANCES</b>			
Advances and other amounts recoverable in cash or in kind or for value to be received	28.10	22.06	
Staff Vehicle and other Loans	10.71	17.08	
Interest accrued but not received	6.38	7.31	
Tax deducted at source	4.39	1.88	
Prepaid expenses	2.03	3.06	
Rent Advance, Telephone and Other Deposits	132.23	114.00	
<b>Total</b>	<b>183.84</b>	<b>165.39</b>	
<b>SCH 8: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Interest Payable	14.38	28.94	
Staff Caution Deposits	69.43	35.28	
Staff Security Deposits	24.85	18.77	
TDS Payable	3.18	2.59	
Sundry creditors	14.36	15.53	
Other Advances	1.56	0.66	
<b>Total</b>	<b>127.76</b>	<b>101.77</b>	
<b>For MAHASEMAM TRUST</b>			
For C. LAKSHMANAN & ASSOCIATES Chartered Accountants  (C. LAKSHMANAN) Sole Proprietor M.No. 602297 FRN 01/10/05	 <b>(Dr.N.Sethuraman)</b> President	 <b>(H.Sivananthan)</b> Trustee	
Place: Madurai, Date: 07.06.2011			



<b>MAHASEMAM TRUST</b>			
<b>SCHEDULES TO INCOME &amp; EXPENDITURE ACCOUNT</b>		<b>(Rs. In lakhs)</b>	
<b>Particulars</b>	<b>31-Mar-11</b>	<b>31-Mar-10</b>	
	<i>Rs.</i>	<i>Rs.</i>	
<b>SCHEDULE 9: INTEREST INCOME</b>			
Interest income from Owned Loans	1,017.45	894.44	
Additional Interest on Managed Loans	1,428.61	1,188.58	
<b>Total</b>	<b>2,446.06</b>	<b>2,083.02</b>	
<b>SCHEDULE 10: OTHER INCOME</b>			
Interest on Savings Bank Accounts	13.95	3.34	
Interest on Fixed Deposits	42.76	13.86	
Income from Mutual Fund	52.16	2.53	
Miscellaneous Income	0.76	1.27	
Mess collection	4.55	3.98	
Recovery of Written off Debts	0.59	4.07	
Profit on Sale of Assets	0.00	0.32	
<b>Total</b>	<b>114.27</b>	<b>29.37</b>	
<b>SCH 11: INTEREST &amp; FINANCIAL CHARGES</b>			
Interest on Thrift	394.08	108.00	
Interest on Borrowings	542.52	409.34	
Processing Fees & Bank Charges	1.88	52.67	
<b>Total</b>	<b>938.48</b>	<b>570.01</b>	
<b>SCHEDULE 12: PERSONNEL COST</b>			
Staff Salaries	448.85	595.07	
Staff Incentive	108.69	61.01	
Staff Welfare Expenses	139.64	90.42	
Employer's Contribution to Provident Fund	16.37	7.75	
Employer's Contribution to ESIC	11.31	3.22	
Festival Bonus	24.96	26.45	
<b>Total</b>	<b>749.82</b>	<b>783.92</b>	
<b>SCHEDULE 13: OPERATIONAL EXPENSES</b>			
Group Development and Capacity Building Expenditure	23.80	16.43	
Member welfare expenses	329.95	249.29	
<b>Total</b>	<b>353.75</b>	<b>265.72</b>	
<b>SCHEDULE 14: ADMINISTRATIVE EXPENSES</b>			
Administrative Expenses	32.86	40.48	
Travelling Expenses	116.55	132.98	
Vehicle Maintenance	5.41	15.42	
Postage & Telephone Expenses	39.48	37.12	
Printing and Stationery	75.88	50.13	
Rent and Electricity	227.19	169.84	
Insurance Premium	5.84	3.63	
Professional Fees / Retainer Fees	106.38	85.38	
Loss on sale of Assets	2.71	0.00	
General Office Maintenance	31.32	29.79	
<b>Total</b>	<b>643.62</b>	<b>564.77</b>	
<i>For C. LAKSHMANAN &amp; ASSOCIATES</i> Chartered Accountants		<b>For MAHASEMAM TRUST</b>	
 <b>(C. LAKSHMANAN)</b> Sole Proprietor		 <b>(Dr. N. Sethuraman)</b> President	
Place: Madurai, Date: 07.06.2011		 <b>(H. Sivananthan)</b> Trustee	



## SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011.

### SCHEDULE 15 : NOTES ON ACCOUNTS

#### 1. NOTE ON TRUST ACTIVITIES :

The Trust is engaged in providing financial and non-financial services to poor women in 21 Districts of Tamil Nadu & in Union Territory of Pondicherry, who are organized as self-help groups. It provides small value collateral free loans to poor women in groups, Insurance service & Thrift services. All these financial transactions are conducted in the group meetings organized near the habitats of these women. The operations, in the initial stages of group formation involves efforts for their mobilization, on development training, on financial discipline, advice on the micro enterprises carried by the individual members. Subsequently constant monitoring through weekly meetings and providing financial and other support services at the doorsteps of the borrowers are done to ensure high rates of recovery without any bad debts.

#### 2. SIGNIFICANT ACCOUNTING POLICIES :

##### (a) Basis of Preparation of Financial Statements

The Financial statements have been prepared under historical cost conventions and on accrual system, assuming the principle of going concern and applying all the applicable accounting standards issued by the Institute of Chartered Accountants of India.

##### (b) Revenue Recognition

- (i) Interest on Micro-Finance loans is recognized on accrual basis, calculated on a flat rate basis on the loans disbursed, as per the contract with the borrowers, following RBI Prudential norms for income recognition.
- (ii) Income on NON-PERFORMING ASSETS, SUB-STANDARD AND LOSS ASSETS is recognized only when realized.

##### (c) GRANT ACCOUNTING :

During the year under review, the Trust has not received any capital grant or grant received on revenue account.

##### (d) FIXED ASSETS :

- (i) All Fixed Assets have been valued at cost inclusive of direct and incidental expenses related to acquisition.
- (ii) Depreciation is provided on the assets based on Straight Line Method at the rate specified in Schedule XIV to the Companies Act, 1956.
- (iii) In respect of additions, depreciation is provided on proportionate basis for the period during which the assets are put to use.

##### (e) LOANS AND ADVANCES

- (i) All loans and advances overdue upto 4 weeks have been classified as Standard Assets, overdue beyond 4 weeks and upto 50 weeks (which is the maximum loan duration) are classified as doubtful assets.
- (ii) Loans and Advances where possibility of recovery is remote in the assessment of the management are classified as doubtful assets and suitable provisions made in the books.

**(f) VALUATION OF INVENTORIES.**

Inventories represent unused stock of stationery items namely Application for Membership, Application for Loan, Loan, Thrift & Insurance pass book etc., such items are valued at cost.

**(g) PROVISION FOR LOAN LOSSES**

(i) Provision is made on advance outstanding at the following rates.

Outstanding 30 – 60 days	10%
“ 61 – 90 days	20%
“ 91 –120 days	30%
“ 121 –150 days	40%
“ 151 –180 days	50%
“ above181 days	100%

(ii) The provision is larger than the provision required under the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions 1998.

**(h) WRITE OFF OF LOANS**

All Loans in respect of which the Clients have expired or the loan period is over but in the opinion of the management is not recoverable are covered by providing necessary provisions in the first instance, though the recovery efforts are not reduced.

**(i) FOREIGN CURRENCY TRANSACTIONS**

All transactions in the foreign currency are recognized at the exchange rate prevailing on the date of transactions.

**3. NOTES TO ACCOUNTS.****(a) Capital Fund:**

The entire Capital Fund is provided by Trustees for implementation of poverty reduction program.

**(b) Termination of Agreement with S.M.I.L.E. Microfinance Ltd.:**

During the year ended 31<sup>st</sup> March, 2011 S.M.I.L.E. Microfinance Ltd., has terminated the agreement dated 21.12.2009 entered with Mahasamaj Trust for promotion and management of clients, Recruitment & Training of Employees, Thrift & other non financial services to the borrowers of S.M.I.L.E. Microfinance Ltd. However they will continue to be Members of Mahasamaj Trust and continue to enjoy the benefit of Insurance services tied up with M/s.Bajaj Life Insurance Company Ltd.

**(c) Loans and Advances**

(i) All Assets are classified as Standard Assets (though a substantial portion is unsecured) as per the norms of Non Banking Financial Companies Directions issued by the Reserve Bank of India.

(ii) Provisions of 100% are made on the loans which are classified as doubtful.





## (d) AUDITOR'S REMUNERATION

Particulars	Year ended	Year ended
	March 31, 2011	March 31, 2010
(a) Audit Fees	1,00,000	1,00,000
(b) Tax Audit Fees	40,000	40,000
(c) Legal Matters, Taxation and other consulting services including Certifications	9,750	51,205
(d) Service Tax	14,420	14,420
Total	1,64,170	2,05,625

## (e) EARNINGS AND OUTGO IN FOREIGN CURRENCY :

Seminar & Traveling Expenses (outflow)	2,20,903	1,53,196
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## (f) CONTINGENT LIABILITY: SERVICE TAX

The Trust received a Show Cause Notice dated 22.4.10 from the Office of the Commissioner of Central Excise, Madurai raising a demand of Rs.6,31,68,929 being service tax payable by the Trust on the Group Mentoring Charges received for the period 01.10.2004 to 30.11.2009 under Banking & other financial services. The Trust went on Appeal with the commissioner of Central Excise (Appeals), Madurai. An Order was passed confirming levy for the part period, demanding Rs.98,57,126 and allowing the balance in favour of the Trust. The Trust has made further appeal with Customs, Excise and Service Tax Appellate Tribunal, Chennai for the above disputed sum of Rs.98,57,126. The Trust is confident of winning the above appeal. Hence provision is not made in the accounts for the demand made by the Commissioner of Central Excise, Madurai (Appeals).

4. Previous period figures have been regrouped and rearranged wherever necessary.

As per our report of even date

	For (C. LAKSHMANAN & ASSOCIATES) Chartered Accountants	For Mahasemam Trust
Place : Madurai		
Date : 07.06.2011.	(C. LAKSHMANAN) Sole Proprietor M.No. 202297 FRN: 0125493	(Dr. N. Sethuraman) President
		
		(H. Sivananthan) Trustee