Changing Lives
As a scientist and an entrepreneur, I have grown to respect above all else the pursuit for innovation. History is replete with examples of how nation states and corporates have leapfrogged ahead of others because of path-breaking innovations.

Innovations, I am aware, are often associated with science and technology. But six years of spearheading Naandi’s efforts to eradicate poverty have proven to me that innovation in this sector and thinking out-of-the-box yields infinite possibilities to solve the long-pending development problems of the country.

In fact, Naandi has, by providing a professional space to innovate, forged unique partnerships and attracted the best of resources – human and financial – to evolve new and more effective strategies in the war against poverty.

Amidst the numerous interventions that have resulted from this synergy, the one closest to my heart is our tryst to ensure drinking water to rural households. It has always pained me to note that five star hotels in our country boast of potable water in their toilets when millions of homes cannot.

Naandi’s effort this year is to turn this failure around. We have forged a unique partnership with WaterHealth International (USA) to make sure pathogen-free drinking water reaches every rural household, and at a price affordable to one and all.

As this message reaches you, I am sure Naandi would have already gone beyond the borders of Andhra Pradesh replicating its templates of change for larger, more needy populations in India.

As a nation we have signed the Millennium Development Goals to ensure equality and opportunities to all people. To achieve this, financial resources alone will not be enough. We have to look for creative options and new partnerships if we have to surmount the hurdles to progress.

On this road to making a difference, I am confident that Naandi’s singular character of promoting innovation, ingenuity and initiative with passion and professionalism will ignite more minds and inspire more hearts to come together to bring prosperity to populations, long denied.

Dr K Anji Reddy

Dr K Anji Reddy is Chairman, Dr Reddy's Laboratories Ltd.
Water

Safe Motherhood

Education

Hunger-free Schools (The Midday Meal)

Natural Resource Management

The Power of 10

Financials

I believe...
Halve, by 2015, the proportion of people without sustainable access to safe drinking water...

Target 10, Millennium Development Goals
Drinking Water

When it comes to quality of water, India ranks 120th in a list of 122 countries. Compounding this is the fact that 90 per cent of the country’s water resources are polluted with untreated industrial and domestic waste, pesticides, and fertilisers.

It is not unexpected then that nearly 80 per cent of the diseases afflicting our people are waterborne. And that every year contaminated drinking water kills more than 1.5 million children under-five, and debilitates populations resulting in the loss of over 200 million workdays.

India’s inability to provide basic drinking water to its people is telling on the economy and mortality rates, and the largest casualties are in rural areas. Perhaps one of the most obvious reasons for this failure has been the manner in which policies to ensure potable water have been designed so far.

Macro-managing water supply and distribution at central and state levels hasn’t resulted in the benefits trickling down to the rural household. As a result, families left to fend for themselves source water from any available water body, which comes with no guarantees of potability.

---

Preventing waterborne illnesses

The project aims to reduce deaths and illnesses in rural areas that arise from drinking unsafe water.

Improving accessibility

Drinking water at the doorstep can now become a reality for rural households.

Water purification unit

The technology used in this unit has been patented by the Lawrence Berkeley National Laboratory, USA.
If every rural family has to get safe drinking water, then given the rural dynamics of community ownership of water resources, it makes the most sense to enable the community to take up the purification process itself.

All that is required is the right technology at an acceptable cost. Finding the right technology and bringing it to the service of the masses in an affordable manner is the challenge Naandi has risen to this year by initiating a pilot that brings a patented, low-cost water purification technology right from the Lawrence Berkeley National Laboratory in the United States to a few villages in the Krishna district.

In partnership with WaterHealth International (WHI) – a US based organisation that specialises in distributing cost-effective water purification technologies to developing countries, Naandi has begun an experiment in localised water purification and distribution to villages.

The project centres around a simple, yet effective purification model that guarantees to destroy pathogens in water, making it potable at a cost as low as 5 paisa per litre.

The unit is designed to draw water from the village water resource and purify it. Every household then collects its drinking water from the purification centre, which is run by trained members of the village itself. What guarantees the success of this initiative is that its efficiency is monitored by the community, and its financial sustainability is derived from the nominal purification cess that is collected from every household that collects water.

The pilot of this model will be carried out in 10 villages of the Krishna district whose water sources have high pathogen contamination. If proven successful in the year ahead, it has the potential to be replicated all over the country and ensure India’s villages a low-cost answer to having safe water in their homes. Finally.

2. National Commission on Population
India manages less than 10 per cent of its total available water that flows into rivers and reservoirs. This failure to make efficient use of surface water and channel it for agriculture – monsoons notwithstanding – has increased the dependence of the farmer on groundwater. The results – excessive proliferation of borewells, drying up of aquifers (Haryana and Punjab have lost their underground water resources) and increasing expenditures by the farmer to sink deeper wells leading to mounting debts.

According to The Energy and Resource Institute, the groundwater resources in Andhra Pradesh have reached an all time low. Against this scenario, it is worth mentioning that spread across the state are 600 Lift Irrigation schemes (LIs) that are designed to channel surface water from perennial rivers and streams, and make it available to farmers, thereby cutting down the need to spend on borewells or be dependent on the rains. Unfortunately, a majority of the LIs have become defunct fuelling the rush for deep wells.

Harnessing surface water

Lift irrigation schemes use water from available water sources and prevent exploitation of underground water

Empowering small farmers

Social engineering exercises during revivals have enabled and empowered marginal farmers to manage the schemes equitably and efficiently

Tiding over drought

The revived lift irrigation schemes reduce farmers’ dependence on rain-fed farming and assure stable incomes
Reviving the lift irrigation schemes and making sustainable irrigation opportunities available for the small and marginal farmer has been a major thrust in Naandi’s livelihood initiatives.

As reported last year, this exercise began as a pilot in Mahabubnagar. Its success prompted the Department of Irrigation to officially hand over the revival of 85 defunct LIs to Naandi this year.

More than 50 lift irrigation schemes have so far been revived (latest figures Sept 2004). Regular water for irrigation reaches 15,438 acres across the 6 districts of Medak, Mahabubnagar, Krishna, Kurnool, Khammam and Ananthapur, trebling the incomes of 10,540 farmer families.

Converting a group of desperate farmers into confident, empowered agricultural entrepreneurs has been another rich dividend of this exercise.

Newly formed farmer societies have now taken the collective ownership of maintaining the LIs. They have been trained to repair machinery and maintain the finances of the schemes. Farmers are themselves deciding how to use the water and distribute it.

This has resulted in planned water usage helping them to successfully tide over periods of drought and scarcity.

And in the true spirit of participatory irrigation management, the state has responded to this overwhelming initiative displayed by the farmers by registering the societies and giving them the rights to manage and maintain the schemes. It is a marked departure from the prevailing irrigation policy that reserved the rights of LI maintenance within the state functionaries itself.

As the schedule of revivals reach completion much ahead of the time stipulated by the government, there is a growing confidence that enabling farmers with the right capacities not only empowers them to make the right choices about their lives and livelihoods, but also proves to be a viable option of managing public irrigation assets in the country efficiently and equitably. This is the learning Naandi hopes will be replicated countrywide. Because it is, after all, a national responsibility to look after the lot of the Indian farmer as agriculture continues to be the mainstay of the majority in the country.

1 Dr Tushaar Shah, IWMI-Tata Water Policy Research Program.
Safe Motherhood

Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

Target 5, Millennium Development Goals
Reducing Mortality: Maternal & Neonatal

One woman dies every five minutes giving birth to a child\(^1\). And almost one out of every 22 infants in India is not destined to see the second month of life.

Safe deliveries continue to be a game of chance for a woman and her child, especially if she lives in the rural half of the divide. Eighty three per cent of babies born in villages and hamlets are delivered without medical supervision. This widespread lack of basic medical aid has made India’s maternal and neonatal mortality rates (NMR) one of the highest in the world.

In Andhra Pradesh, the existence of a less than satisfactory primary healthcare system shows in the alarming mortality figures. NMR in AP is 44 as compared to 10 in Kerala and 5 in developed countries.

To ensure mothers and newborns the right to live, to reduce preventable deaths by providing healthcare support to expectant mothers is the keystone of the safe motherhood initiative begun in the Mahabubnagar district of Andhra Pradesh.

Providing compulsory immunisation

The program tracks the health records of every child and ensures necessary immunisation to all infants.

Serving larger populations

By fixing the days for weekly health checks communities now have faith that quality healthcare will be available without fail at their doorsteps.

Comprehensive health-tracking

The Health Monitoring Information System keeps detailed records of every mother and child who attend the program making it easy to detect abnormalities on time.
The challenge in this project has been on one hand to reactivate the government healthcare delivery services, and on the other to create a demand from the community for quality healthcare services.

Underway in four mandals of Mahabubnagar, which have abysmal NMR, the safe motherhood program follows a ‘fixed day model’, where twice a week, a host of ground level healthcare service providers such as auxiliary nursing midwives, community health workers, rural medical practitioners and anganwadi workers come together at a specified location to disburse medical services. Converging the services of all these service providers at one place has been an innovation much appreciated by the communities who were earlier plagued by empty PHCs and non-available medical staff.

By equipping the PHCs with necessary medical equipment, Naandi has provided much-needed infrastructure to the medical staff. The staff have also been trained in vital healthcare instruction to make the delivery of their services more efficient, effective and community-friendly.

The availability of these services at their doorsteps has seen growing numbers of pregnant women come for the fixed day services that take place every Wednesday and Saturday. As more people begin attending the services, it has been noticed that the very same service providers who were once perceived to be extremely apathetic transform themselves into active performers. Another highlight of this program is the specially designed Health Monitoring Information System (HMIS) that the staff uses to track the progress of every woman visiting the center – each record is updated complete with case histories and check-up details. This has proven to be a useful tool in the early detection of abnormalities during pregnancy.

By activating the healthcare givers and setting up health delivery protocols, Naandi’s safe motherhood program has given a shot in the arm for the Government of India’s ‘Janani’ program – an integral part of the Reproductive Child Health (RCH) effort.

Its success is evident in the government’s decision to club Janani with the safe motherhood program and extend it from 2 days a week to 6 days a week, given the increased demand for health services from the communities now that the fixed day services have shown them that quality is just a demand away.

Working with the government through an European Commission grant, the safe motherhood program aims at covering a population of 596,174 in 360 villages.

For the women in Mahabubnagar, the statistics mean little. To them, the program is all about going through their pregnancy with a sense of security and the assurance that their babies will live, and so will they.

1 Unicef
Education

Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Target 3, Millennium Development Goals
It is accepted that education for a child begins much earlier than the age of six when she steps into elementary school. Research indicates that by the age of three, 85 per cent of the child’s core brain structure is already formed and any deficits resulting from a deficient environment in these early years may be difficult to reverse later.

If government elementary schooling has to be a success in India, care for the child has to start early, as early as when the child is in the womb. From the mother’s health to home-based care to early childhood development – the years leading to a child’s entry into formal schooling are the most vulnerable, and Naandi’s education initiative has taken a holistic cognizance of this and created a life cycle approach to ensure children are able to make the most of elementary education.

The education program has been linked back to a safe motherhood program, which ensures basic healthcare for pregnant mothers, supervised deliveries and intensive neonatal monitoring for the infant. This is soon followed by encouraging toddlers to enrol into innovative pre-schools that better prepare them for the schooling years.
In this approach, the phase that presently occupies a large portion of Naandi’s focus is elementary education.

The unfortunate state of elementary education in the country is reflected in dismal academic performances, high drop-out rates and low learning outcomes – children passing out of standard VII can barely read full sentences with complete comprehension – among children all over the country.

Apathy, disinterest and a complete lack of accountability of government schools towards learning targets have been seen as predominant causes leading to this outcome. Energising the system and making schools accountable for the quality of education they impart has become one of Naandi’s key interventions. Because on these schools lies the enormous responsibility of educating the majority of the country’s children.

Gearing up to meet the Millennium Development Goals, as the country tries various models of change, in AP perhaps the largest and the most widespread effort is on through the Support Our Schools (SOS) movement.

It began last year as a pilot and this year has spread to involve 60,000 children who come to government schools with the hope that an education will help them rise above their circumstances.

With the midday meal already guaranteeing essential nutrition to the children, SOS is creating the right environment for the child’s mind – to learn and enjoy schooling.

Working with the Sarva Siksha Abhiyan (SSA) and operating within the state education structure, SOS has been making critical value additions within teaching and learning environments to ensure children learn.

The first task in this effort has been to create an image change for the schools. These institutions have had a long history of neglect – rarely patronised or prioritised by the government or civil society with the regard they are entitled to. And as a consequence, going to school has been reduced more to an unpleasant chore than an exercise in enthusiasm both for the teacher and her student.

To reverse this trend, schools are being given a complete image makeover. Right from building child-friendly model schools to transforming drab structures with colourful paints, to encouraging corporates and members of civil society to become ambassadors of quality education for children – SOS is making government schools more visible; more talked about.

This increased involvement in the schools has galvanized teachers and animated children to put in their best efforts to make a success of the schooling exercise.

Supplementing these esteem-building exercises have been trainings to increase capacities and competence of the teachers. The SOS program designed by some of the country’s top educationists (the Education Resource Unit) innovatively customises pedagogical tools to meet various educational challenges and guarantees literacy, numeracy and comprehension skills to the elementary school child.

To ensure better learning performances, parents are being involved to take a more active interest in their children’s education through the already established School Education Committees (SECs). As school managements become accountable to periodic reviews by the SECs, better learning achievements are being recorded.

Underway in 5 contiguous mandals in Hyderabad, SOS by virtue of its mainstreaming with the government derives 70 per cent of its budget from the state (SSA). The other 30 per cent is sourced from a diverse mix of civil society groups – individuals, corporates and bilateral institutions such as the Department for International Development (DFID) the development arm of the government of United Kingdom.

1Reaching out to the Child. An integrated Approach to Child Development. The World Bank
If primary education and the nutritious cooked meal scheme can work hand in hand, I believe there will be a new dawn for the poor children of India.

P Chidambaram, Finance Minister
Budget speech, 2004
Naandi has made good its promise to make government schools in Hyderabad hunger-free.

The central midday meal kitchen has been working full steam every working day of the year to make sure appetising nutritious meals reach every child in school. Following the nutrition guidelines stipulated by the National Institute of Nutrition of ensuring 365 calories a meal, Naandi continues with its policy of unlimited servings for the children during meal times.

The result of this effort shows in the more than 25 per cent increase in attendance in the schools across the city with an almost 40 per cent increase in the areas inhabited by minority communities. There is also a marked decrease in health-related absenteeism.

Well into its second year of service in Hyderabad, the kitchen has been bettering nutritional standards of the meal by serving meal add-ons such as fruits, new menus with additional curries, flavoured rice and so on, much to the delight of the children.

Donations to the midday meal from members of civil society have played a big role in encouraging the effort to innovate and improve the servings.

The Midday Meal
34,500,000 meals for 1,50,000 children in a year

Naandi has made good its promise to make government schools in Hyderabad hunger-free.

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Donations to the midday meal from members of civil society have played a big role in encouraging the effort to innovate and improve the servings.
That the central kitchen has served – without fail or a single complaint – a staggering number of meals, and continues to do so, has made it a successful model that various state governments want replicated in their cities.

This year, the states of New Delhi and Madhya Pradesh have approached Naandi to set up central kitchens for their schools as well.

As the model of Naandi’s central kitchen proliferates throughout the country, we estimate that from 1,50,000 children this year, we will be feeding 6,00,000 children by the end of the next.

MoU with Government of MP signed on 26 August 2004 to supply the midday meal to 75,000 government-school going children in the capital city, Bhopal.

Chief Minister, Dr Y S Rajasekhara Reddy inaugurated the second midday meal central kitchen in AP on 31 August 2004 in Visakhapatnam to feed 40,600 children in 113 schools.
Integrate the principles of sustainable development...and reverse the loss of environmental resources

Target 9, Millennium Development Goals
Organic Farming for Tribals

Coffee is the world’s second most valuable commodity ranked right after petroleum.

Coffee is also one of the most sprayed crops in the world, cultivated with extensive use of chemical pesticides.

Concern for health and the environment has been awakening a worldwide demand for organic cultivation standards, and taking a cue from the world demand has been the Naandi organic coffee initiative in Araku, which is home to a majority of Andhra Pradesh’s indigenous people.

Different tribes people the Araku region of the Visakhapatnam district of Andhra Pradesh. And 95 per cent of them live a hand-to-mouth existence. Araku is also ideal coffee growing country. There are acres of Arabica plantations here maintained by the Forest Department, which yield good revenues to the state.

Enabling landless tribal families for the first time in this area to cultivate coffee as a livelihood option is the focus of Naandi’s tribal livelihood initiative.

For the past three years, this program has been combining the need for an ecological regeneration in

Natural yields
Chemical-free Arabica beans are grown by Araku’s tribals following SKAL International’s (the Dutch organic farming accreditation agency) stringent stipulations

Partnering with Coffee Board
Lakshmi Venkatachalam, Chairperson, Coffee Board, at an Araku coffee stall

Tribal farmers’ clubs
Isolated tribal coffee growers are organised into groups by Naandi to create a platform for collective problem solving
the Araku hills with a pro-poor tribal livelihood initiative. Guided by Natural Resource Management (NRM) principles, this initiative of growing organic coffee has become a much sought after income option in the area for landless tribals.

Jogulu of Sovva in Araku has been landless for generations as have been many from his nomadic tribe. Clearing forests to cultivate pockets of land for ragi and vegetables – the usual practice in tribal areas – is fast depleting forest cover and weakening the land resulting in meager crop output.

“I would earn about Rs 1,600 in a year. We are a family of 14 and were always toiling to raise crops in different patches of land. I remember walking 25 kilometres to the market to sell whatever we managed to grow. Often we were forced to sell the vegetables at throwaway prices to the middlemen because no one would buy stale vegetables the next day.”

That life was tough for him and thousands more like him in the tribal heartland itself was the concern on which the coffee initiative was founded.

An acre of semi-wasteland was given to 1,000 poorest of the poor tribal families in the region through the Integrated Tribal Development Agency (ITDA). Converting these lands into organic coffee plantations has been the focus of this initiative.

Exposure visits to organic plantations, creating stone bundings to safeguard the crops from animals, making and using bio-manure, encouraging spider populations to grow and provide natural pest control webs have been practises to promote chemical-free farming here. In this endeavour, the Coffee Board has been a proactive partner supplying various infrastructure – from drying and storing sheds to pulping machines to the farmers.

SKAL International, the renowned Dutch organic accreditation agency has been roped in to monitor and certify the coffee plantations as organic for international consumption. All the plantations are presently following the SKAL standards of cultivation.

What this initiative has done for tribals like Jogulu is create a sense of security and a feeling that help is at hand whenever they need it. The 1,000 farmers have been formed into federated groups of coffee growers. They receive training 3-4 times a year on NRM norms and cultivation practises. They also function as well-coordinated groups making informed decisions about their savings and borrowings as well with the help of Naandi’s Coffee Coordinators, who are trained tribals themselves.

Jogulu’s last coffee crop earned him Rs 2,650 in the local market. This he is using to send his children to school and buy stocks of food grain for his family. “The Naandi truck regularly comes to collect the coffee beans and we get very fair prices for our crops because there are no middlemen here,” he points out.

Re-greening of the hills, revival of tribal fortunes, and the return of hope to the poor are just some of the changes Araku is seeing now. Next year, as the coffee yields get their first stamp of approval from SKAL for international export, a new chapter will begin that will put Araku’s tribals on the world map of organic coffee trade.
From bus conductors to scientists to software engineers, 7,000 concerned citizens have joined hands with Naandi because they want to change lives. Because they have seen that all it takes is Rs 10 and a desire to make a difference.

The Power of 10 was an idea our Chairman had in order to simplify giving. Today, three years later, it has transformed into a powerful movement that is bringing civil society closer to issues that count – children’s education, health, public school performance, drop-outs and the state of government schools in the country.

What once appeared a massive task has been made possible by a small innovation – a donation of Rs 10. The Power of 10 has involved the common man into giving back to society in a way no other philanthropic mechanism has in the country.

There are many who support the movement by contributing Rs 10 from their salaries every month. We have proved that their contribution, which may appear insignificant in isolation, is a powerful agent of change when subscribed to by thousands of individuals.
More than Rs 2,000,000 have been received through the Power of 10 this year and it has been channelised into the Support Our Schools initiative where 60,000 children studying in 300 government schools have benefited.

From among the Power of 10 contributors have emerged 150 active volunteers who are working in these schools together with the Naandi team – personally overseeing school improvements and motivating students. They have become spokespersons for the children who are yet to find a voice of their own.

10,150, 7000, 60,000, the Power of 10 has multiplied to spread its reach to involve more people into helping more needy, but the task has merely started.

Over the next year, the number of volunteers is anticipated to increase twofold, and the number of Power of 10 supporters to 1,00,000.

But the Power of 10 is not merely about increasing statistics. It is also about creating a pan-Indian spirit that together we shall overcome the trials the country faces. Garnering the support of believers can and will make that world of difference to the lives of thousands of children across the country Naandi will be working with.
They are changing lives
It’s a not-for-profit’s endeavour to maximise its resource utilisation by pegging its overheads at 10 per cent of every rupee spent on the poor.
How Every Rupee is Raised

(Rs in Million)
- Government: 51.62
- Civil Society: 17.95
- Others: 0.58

How Every Rupee is Spent

(Rs in Million)
- Programs: 60.66
- Overheads: 4.40
- Others: 4.13
To the Members of **NAANDI FOUNDATION, HYDERABAD (A.P.)**

We have audited the attached Statement of Affairs of NAANDI FOUNDATION, Hyderabad (A.P.) as at 31st March 2004, the Income and Expenditure Account and also the Receipts and Payments Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 and report that:

1. 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.
2. In our opinion, proper books of account as required by law have been kept by the Trust so far as appears from our examination of those books.
3. The Statement of Affairs, the Income and Expenditure Account and the Receipts and Payments Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Statement of Affairs, the Income and Expenditure Account and the Receipts and Payments Account dealt with by this report comply with the applicable Accounting Standards issued by The Institute of Chartered Accountants of India.
5. The variations of the actual revenue/expenditure when compared to the budgeted figures are furnished as an annexure to this report.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the schedules annexed therewith and subject to the deviations from the budget as referred to in para 5 above, give a true and fair view in conformity with the accounting principles generally accepted in India;

   i) In the case of the Statement of Affairs, of the state of affairs of the Trust as at 31st March, 2004;
   ii) In the case of the Income and Expenditure Account, of the excess of Income over Expenditure of the Trust for the year ended on that date; and
   iii) In the case of the Receipts and Payments Account, of the Receipts and Payments for the year ended on that date.

For BRAHMAYYA & CO.,
Chartered Accountants

Place: Hyderabad
Date: 16 June 2004

(P. CHANDRAMOULI)
Partner
## STATEMENT OF AFFAIRS AS AT 31st MARCH 2004

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>AS AT 31.03.2004</th>
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<tr>
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<tr>
<td>Fixed Assets</td>
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<td>21.63</td>
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<td>(incl. Infrastructure for Midday Meal Program Rs 19.39 Million)</td>
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<td>Current Assets, Loans and Advances:</td>
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<tr>
<td>Cash and Bank Balances</td>
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<tr>
<td>Loans and Advances</td>
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<td><strong>TOTAL</strong></td>
<td><strong>49.15</strong></td>
<td><strong>34.56</strong></td>
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## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2004

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<th>Year Ended 31.03.2004</th>
<th>Year Ended 31.03.2003</th>
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<tr>
<td>Grants Raised</td>
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<td>Contributions Raised</td>
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<tr>
<td>Innovative Resource Raising Ventures</td>
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<td>Interest on Bank Balances</td>
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<td>Other Income</td>
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<td><strong>TOTAL</strong></td>
<td><strong>70.15</strong></td>
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<tr>
<th>Expenditure</th>
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<td>Grants Sanctioned &amp; Disbursed and Expenditure on Programs</td>
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<td>Innovative Resource Raising Ventures</td>
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<td>Administrative Expenses (incl. program management exp. Rs 4.03 Million)</td>
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<td>Depreciation</td>
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<td><strong>TOTAL</strong></td>
<td><strong>69.19</strong></td>
<td><strong>17.81</strong></td>
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**EXCESS OF INCOME OVER EXPENDITURE**

| Excess of Income | 0.96 | 0.71 |

## RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2004

<table>
<thead>
<tr>
<th>Receipts and Payments</th>
<th>Year Ended 31.03.2004</th>
<th>Year Ended 31.03.2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Cash and Bank Balances</td>
<td>8.38</td>
<td>7.86</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Year Ended 31.03.2004</th>
<th>Year Ended 31.03.2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants Received</td>
<td>59.14</td>
<td>34.14</td>
</tr>
<tr>
<td>Contributions Received</td>
<td>11.37</td>
<td>7.93</td>
</tr>
<tr>
<td>Innovative Resource Raising Ventures</td>
<td>6.57</td>
<td>0.98</td>
</tr>
<tr>
<td>Interest on Bank Balances</td>
<td>0.43</td>
<td>0.53</td>
</tr>
<tr>
<td>Other Receipts</td>
<td>0.19</td>
<td>0.54</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>86.08</strong></td>
<td><strong>51.98</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payments</th>
<th>Year Ended 31.03.2004</th>
<th>Year Ended 31.03.2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants Sanctioned &amp; Disbursed and Expenditure on Programs</td>
<td>57.32</td>
<td>28.50</td>
</tr>
<tr>
<td>Innovative Resource Raising Ventures</td>
<td>2.44</td>
<td>0.82</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>8.30</td>
<td>4.11</td>
</tr>
<tr>
<td>Other Payments</td>
<td>5.76</td>
<td>10.17</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>73.82</strong></td>
<td><strong>43.60</strong></td>
</tr>
</tbody>
</table>

Closing Cash and Bank Balances

| Closing Cash and Bank Balances | 12.26 | 8.38 |

For Brahmayya & Co.,
Chartered Accountants
For Naandi Foundation

P. CHANDRAMOULI
Chairman

Place: Hyderabad
Date: 16 June 2004
Partner

Sd/-
Sd/-
1. The following are the significant accounting policies adopted by the Trust in the preparation and presentation of financial statements.
   a) Financial Statements are based on historical costs and generally on mercantile basis.
   b) Tangible Fixed Assets are stated at cost net of depreciation provided.
   c) Depreciation on the assets is provided on written down value method at the rates mentioned in the Annexure. However, in respect of the assets put to use during the year for less than 180 days, the depreciation is restricted to fifty percent of the original depreciation calculated as referred to above.
   d) All contingent liabilities are indicated by way of a note and will be paid/provided on crystallization.
   e) Contributions received towards Corpus and Membership are taken to Capital Fund as Capital receipts.
   f) The expenditure incurred on creation of Infrastructure facilities for Midday Meal Programs is amortised over the period of project tenure from commencement of the program.

2. The Trust reserves the right to call back Grants disbursed to agencies if the amounts so disbursed have not been utilized at the end of their project or if such amounts were not utilized according to the terms of the agreement.

3. a) Government Grants related to revenue are recognized as income to the extent that such revenue matches with related costs.
   b) The project tenure of Midday Meal Programme, which is being implemented by the trust in Hyderabad, has been enhanced from 36 months to 72 months. Accordingly the expenditure incurred on creation of infrastructure facilities which is to be written off is amortised over the remaining period of the project tenure, which was hitherto written off taking the project tenure as 36 months.

4. Fixed Deposit Receipt for Rs. 15,95,918/- are in lien with Bankers towards margin money for Guarantee issued by them.

5. Contingent Liabilities to the extent of Rs. 1,58,21,000/- on account of Guarantee issued by the Bankers are not provided for in the books of account.

6. Previous year figures are re-grouped wherever necessary to facilitate comparison.

   For Brahmaya & Co.,
   Chartered Accountants
   Sd/-
   Place: Hyderabad
   Date: 16 June 2004
   For Naandi Foundation
   Sd/-
   Sd/-
   P. CHANDRAMOULI
   Chairman
   Vice Chairman
To reach the Millennium Development Goals, we have to approach the task like a game of cricket. Ensure that all the players – government, civil society and communities – play as a team and believe that no matter what the odds, every target is attainable.

Manoj Kumar
CEO
Naandi Foundation
I believe...

...that the social entrepreneurship of an NGO like Naandi (will) have a major role to play in economic and social development management across the world.

...Naandi has the potential to make a positive difference to the lives of millions of disadvantaged people in AP and beyond. It works with governments, with ordinary people, with foreigners such as myself, and with other voluntary organisations, and is much better qualified, and more efficient than any international NGO ever could be. I have enjoyed working with Naandi for some years, and I hope to continue the association.

...if we are serious about the right to education we have to look at the poorest child in the poorest school, and ask “would this do for my child?” If the answer is “no”, then more has to be done. Naandi is looking at that child, and is doing more to make hers a better school, and give her a chance for a better life.

David Miliband MP
Minister of State for School Standards
UK

Malcolm Harper
Micro-finance Consultant
Chairman, Basix Finance, Hyderabad
Director of M-CRIL, New Delhi

Dr Tralance Addy
President and CEO
WaterHealth International, USA

Roger Cunningham
Senior Education Advisor
DFID India
...in the “new beginnings” that Naandi is striving for with so much passion. I believe that Naandi has identified the right focus areas and provides an invaluable opportunity for business and civil society to participate in, bringing about a new dawn for those who most need and deserve it.

...WaterHealth International’s highly effective technology and Naandi’s result-oriented passion for its social vision, will make a huge dent in the health-risk faced by the poor from dirty, unsafe drinking water.

...Naandi is a living example of what concerned citizens including corporate citizens can do to improve the lives of the underprivileged. By doing so, Naandi demonstrates the tremendous possibilities that exist for providing working solutions to the challenges that emerge as in the case of the midday meal program for school children. I consider it a privilege to be associated with Naandi.

...Naandi is a unique initiative that draws strength from holding hands and spreading the message that we can do it if we set our minds and hearts to it. What attracted me to Naandi was the promise of working with people who think positive and who want to make this world a better place for children! While we may not have all the answers, it is the willingness to listen and forge partnerships that is the key.

...in Naandi’s capacity to work directly with underserved populations and mobilise communities to help themselves. In its mission to provide opportunities to the poor efficiently and equitably, it is proving to be a worthy ally of the government.