

VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED (NBFC)



**Transforming Lives of the
Impoverished Communities through
EMPOWERMENT &
SUSTAINABLE LIVELIHOOD**

**Annual Review
2012-13**

Promoted by
COMMUNITY OF SELF HELP WOMEN GROUPS
Organized by
St. Joseph's Development Trust
And
BestSeller Fund, Denmark



“WOMEN EMPOWERMENT IS OUR CORE VALUE”

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Overview from the Editorial team

Dear Friends

As a reader of this report you will agree with me of an interesting fact regarding poverty. Though global poverty exists, yet India ranks top in the list with nearly 80% of its population living in poverty which constitutes an unbelievable 33% of world's poorest 1.2 billion people.

This is the Need we cannot ignore and that is why a mission to change the face of poverty in India, we have embarked on a comprehensive developmental and strategic plan to support our vision of helping millions of poor Indian families to extricate out of poverty permanently.

To ensure that credit plus developmental needs of the marginalized rural poor and differently abled communities are adequately met, the community of the Self -Help Groups have knit together to form the Mutual Benefit Trusts with the intervention of St. Joseph's Development Trust and promoted the Valar Aditi Social Finance Private Limited as a registered Non-banking Finance Company, to pursue socio-economic objectives that would improve the community's economic and social conditions which facilitate them to be self reliant, sustainable, regulated and a legally compliant community based organization.

This NBFC is now uniquely positioned and distinctly identified with a development focus oriented towards holistic transformation of communities through provision of financial and social inclusion services that would improve the quality of life and raise the standards of living of the underprivileged and neglected society. We believe

that every individual needs to be provided with sufficient opportunity along with sufficient doses of micro credit as capital to promote livelihood and mitigate poverty risk. Through this powerful instrument, a cyclical process of growth and development is initiated. This in turn increases community's participation in all aspects, bringing a positive economic and social change among the disadvantaged persons and the poor community.

As India's economic growth makes headlines around the world, hundreds of millions of Indians face a life of grinding poverty struggling to survive on less than US \$ 2 a day. India is also a home to the largest number of hungry people in the world – a staggering 200 million. Lack of adequate sanitation, homelessness and disease add to the burden, while malnutrition and poor maternal and child health take thousands of lives every year.

The person on the cover of this year's Annual Review is Karpagam a destitute woman with her grown up daughter from J.J. Nagar, a small village in Pudukkottai district of Tamil Nadu demonstrates the confidence and perseverance with which she faced life after her husband deserted her. Amid all misery and exploitation she started working as an assistant for a very low wage in sewing shop to support herself and her daughter. She was not able to make her ends meet and was borrowing from friends and neighbours to meet the needs and to send her daughter to school in spite of the extreme difficulties, all with a heavy burden about her daughter's marriage in the future.

It was at that situation, she heard about the self help groups promoted by Lasallian Mutual Benefit Trust and became a member in one of the Women Self Help Groups (WSHG). Though it was difficult for her to attend the group meeting as she came late from work, yet she managed to attend it regularly with the hope of securing a future. She was involved actively in the group activities and also regular in her small savings. She believed that she can earn sufficiently to support her daughter's education and meet her marriage needs and at last her ambition was fulfilled when she received a micro loan of INR 6000/- from Valar Aditi Social Finance Private Limited which she utilized for purchasing a sewing machine for her own and started stitching clothes leisurely in her house. She got orders from her group members, neighbours and villages which had helped her enhance the income and repay her loan completely and also save for her daughter's future. She didn't stop there; she has applied for a second loan with plans to purchase two more sewing machines to increase her earnings and also to give job for two more neglected women living in her own village. Karpagam became well known in the surroundings was assured orders from the textiles shops she approached.

She is thankful to Valar Aditi Social Finance Private Limited and Lasallian Mutual Benefit Trust for bringing transformation in her life through sustained support to face challenges in life and to be a true living model for many widows and deserted women in her village.

Let us accept the truth that Microfinance starts with one life being transformed and then goes on to transform that person's family and when small businesses boost the local economy, a community begins to transform. Finally, because the nature of

microfinance means each loan is repaid, the whole process starts again, helping a different person, a different family and a different community.

We shall always remember every supporter of Valar Aditi Social Finance Private Limited who gives people living in poverty, an opportunity to transform their lives. Without their support, people like Karpagam would still be trapped in a cycle of poverty. We are honoured to be the bridge between these determined clients and our visionary supporters. We are encouraged by those who say: "We believe in these people, too."

To all our supporters – thank you for believing.

We also want to recognise the contribution of our valuable volunteers and staff and thank them for continually sharing their time and skills with us. Finally, our thanks go out to our dedicated staff and board members – thank you for the unwavering expertise and devotion you contribute, day after day.

You are the backbone of this organisation.

As we move boldly into 2014, we are excited for a year of continued growth from a strong platform.

We are committed to believing in people like Karpagam to leave poverty behind, and we hope you will continue to give them the opportunity to do so. Because when it comes to making a difference, we believe in you walking hand in hand with us, to serve the poor through sustainable and developmental programs that help them transform their lives and their community to extricate out of poverty.

*By
Editorial team*

About Us...

V^{al}
A^{diti}
S^{ocial}
F^{inance}
P^{rivate}
L^{imited}
(VASFPL)

is a registered non deposit accepting, Non-banking Finance Company promoted by the Mutual Benefit Trusts, wholly community based organizations formed by the self-help groups to provide micro financial services among themselves and their community living in poverty to transform their lives socially and economically through micro credit plus financial services' which include developmental programs that empower poor families and their communities to maintain sustainable livelihood and break free from poverty permanently.

It is a legally accepted lending institution and a financial vehicle initiated by the St Joseph's Development Trust (SJDT) founded by Rev. Dr. Bro. Sebastian, an ardent social worker serving the underprivileged and underserved poor community for more than twenty years and Best Seller Fund - Denmark, both pursuing the like minded objective of "Giving the marginalized Poor a Working Chance" by facilitating them with small and micro business loans, training and micro enterprise developmental services which considers financial and social inclusion that enable them develop and sustain income-generating and job-creating enterprises besides imparting training, health and hygiene facilities and other empowerment programs, all through the a network of mutual benefit trusts and interested partners working for the up-liftment of the poor.

VASFPL's vision is ***to help establish an equitable and inclusive society where social justice reigns***

VASFPL's mission is ***to become a preferred financial service provider and thereby reduce poverty and bring about sustainable socio economic development for marginalized groups in the society***

VASFPL's objectives;

The main objective is to provide financial and social inclusion service to the rural poor through a network of Mutual Benefit Trusts and other forms of organizations, which are interested in the overall development of rural poor using the Micro-Finance approach.

The Company will provide financial and social inclusion service to the members of the women SHGs and people with disabilities for the following purposes.



- Agricultural Development.
- Promotion of low carbon forming in agriculture
- Renewable solar energy inclusion to rural household
- Social security schemes especially in life, health and agriculture and allied activities.
- Inclusion of rural women in reproductive health and hygienic services.
- Micro Enterprises Development.
- Market linkages Development.
- Habitat Development.
- Dairy Development
- Any other appropriate rural based sustainable enterprises on market linkages that will be defined and decided by the federation of SHGs.

VASFPL displays its core values of;

- Commitment.
- Transparency.
- Innovation.
- Exceptional team work and
- Ethics in business

To accomplish the mission of serving the underprivileged through a strategically planned “MEALS” approach oriented towards motivating and mobilizing the community as a facilitator from the outside, equipping them through skill transfer, accompanying the community by providing relevant support eventually linking them with mainstream resources and being instrumental for policy influences.



MICROFINANCE

Power to break Poverty Cycle

VASFPL believes that micro finance is a powerful instrument initiating a cyclical process of growth and development and improved access of the rural poor women and disabled persons to financial services in the form of savings, insurance, training, capacity building initiatives besides credit which provide the underprivileged, increased access to loans and strengthening their resistance to external shocks and much dependence on loan sharks. Micro credit makes a tangible and positive impact if only it is well planned and strategically executed to bring about a holistic transformation in the lives of the marginalized community.

“Small opportunities are often the beginning of great enterprises.” - Demosthenes

Small loans are core to microfinance – giving people a means to start a business and work their way out of poverty, but microfinance is about more than just credit. It involves providing access to all kinds of financial services, including savings accounts, money transfers, insurance and pensions, often alongside non-financial services such as business training and capacity building interventions that bring about sustainable socio-economic development for marginalized groups in the society.

Microfinance empowers people who wouldn't usually qualify for regular banking services because they have no form of collateral, formal identification or regular income.

For many women in poverty, a small loan can be the answer to a big dream. By helping a poor mother with a small loan to buy palm leaves for knitting and selling thatched roofs or running a simple catering joint or providing a loan for child's education and so on, micro finance enables people living in poverty to earn an income for their families to help them extricate out of this miserable bondage.

As each business grows, loans are repaid and lent out again. And with 98 % of loans paid back, the cycle continues, year after year. Each successful business feeds a family, employs more people and eventually helps to empower a whole community.

To illustrate how micro finance has the power to break poverty cycle to change lives, here is a typical story of Shanthi to explain how transformation had taken place in her life.

“With her potter husband struggling to provide for their family, Shanthi began to think of ways she

could help her family get out of poverty. On securing a loan from Valar Aditi Social Finance, Shanthi began supporting her husband in making and selling cooking pots and bowls, which fetched them good income to enhance their living standards by providing good food, clothing, shelter, increased savings and also sending their children to good school.”

Shanthi, aged 38 was the eldest, born to a poor family living in Tharangampadi, in Nagai District. She has 3 sisters and two brothers and her father being a coolie was unbearably struggling to feed his family with a full meal a day. There had been many days when the family went to bed with starved stomach. Days passed by and Shanthi was given in marriage to Mr. Mahalingam who is a potter making cooking pots and bowls. Nevertheless Shanthi's life did not change for the better and she continued to be strangled with financial burden as there was no money to invest in pot making and her husband had to go for irregular coolie jobs which was just not sufficient to have a square meal a day or sending the children to school.



Shanthi's hopes of recovery got dashed and she felt her family and children have reached an irreparable state until she heard about Valar Aditi Social Finance Private Limited offering micro credit to the economically down trodden women self help group members for engaging in livelihood business opportunities to scramble out of poverty. As guided by one of the staff, Shanthi along with 12 others members formed a WSHG wherein seminars and workshops empowered the women instilling motivation to save, confidence and perseverance to confront challenges in all walks of life. Thereafter Shanthi witnessed that her days of sorrows had turned to joy when 'Valar Aditi' offered her micro-credit loan of 15,000/ four times in succession to start and improve the Pot making business. Since her husband was very good at pot making, a lot of orders came and Shanthi ably supported him in business even though she was a novice. Sales improved remarkably, increasing their incomes substantially to make a comfortable living, sending their children to good schools and in the process relieving the entire family from the clutches of poverty. Shanthi, while thanking Valar Aditi Finance and the Valar Trust for their stupendous support all the way, she recalls her past and the present to explain how the transformation in her life is a lesson to be shared with the poor and needy to enable them scramble out of poverty.

Our methodology

VASFPL works through formally registered MBT's, a community based organization formed by the SHG's in each area, for their mutual support and cooperation to address effectively the financial and credit needs of the people living in poverty so as to help them improve their socio-economic conditions.

More than loans

While our financial support is the key, VASFPL believes that micro loans alone are not always enough to lift a person out of poverty but needs to be supplemented with a range of flexible financial and non-financial services to nurture and help poor community extricate out of poverty for good.

VASFPL is committed to support like minded partners who offer capacity building and technical assistance besides community development services to microfinance clients with interventions involving healthcare, education, infrastructure, clean water and sanitation, etc.

The success of a micro finance institution no doubt poses a great challenge in regions where poverty is deep-rooted but VASFPL believes that non-financial support alongside funding would allow its support partners to refine their operations and reach out to more and more people living in poverty.

*By
Editorial team*

Self Help Group Movement

MBT's - the bedrock of empowerment

It was formed by Self Help Groups as a legally recognized community based organization to promote and maintain through mutual support and solidarity, sustainable livelihood and social and economic transformation in the lives of the members of the group and the underprivileged rural women community. It was through the MBT's network the financial resource of the Self Help Groups was harnessed as capital investment into Valar Aditi Social Finance Private Limited (VASFPL), the NBFC promoted with the objective of providing financial and social inclusion services over a vast geographical expansion reaching out the un-served and underserved poor population.

Presently the four MBT's namely; Lassalian MBT – Genguvarpatti, Lassalian MBT – Avudaiyarkovil, Valar 2010 MBT – Tharangampadi and Valar 2010 MBT – Kaniyakumari holding 99.97 % of the shares in VASFPL are managed by a Board of Trustees, elected through a democratic process, giving a fair and equal representation for different sections of the poor and disabled women community.

The MBT's being shareholders, form a consortium to ensure their shareholding rights in NBFC is exercised transparently and the community interests are protected through equal and proportionate representation as Directors to the Board of Valar Aditi Social Finance Private Limited.

SHAREHOLDING PATTERN

Name of Shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of Shares held	Holding %	No. of Shares held	Holding %
Lassalian MBT Genguvarpatti	1,43,915	39.11	56,865	20.24
Lassalian MBT Avudaiyarkovil	97,405	26.47	97,405	34.67
Valar 2010 MBT Tharangampadi	76,545	20.80	76,545	27.25
Valar 2010 MBT Kaniyakumari	50,000	13.59	50,000	17.80
Individuals	135	0.03	135	0.04
Total	3,68,000	100.00	2,80,950	100.00

The Consortium of MBT's realizing the need of coming together in addressing sustainable livelihood and developmental issues of the self help groups among the disadvantaged rural women community, have organized Development Committees with defined roles and responsibilities to coordinate and execute the developmental programs that empower the community in all walks of life. They have also introduced a Social Security Scheme for the members of the MBT's to mutually help themselves in times of crisis which in fact knots them together to pursue community goals.

COMPOSITION OF MUTUAL BENEFIT TRUST

Mutual Benefit Trust	Region	As at 31 March 2013		As at 31 March 2012	
		No of SHG's	Members	No of SHG's	Members
Lasallian MBT - Genguvarpatti	Periyakulam Block Theni District	393	5109	341	4982
Lasallian MBT - Avudaiyarkovil	Avudaiyar Koil Block Pudukkottai District	464	6032	386	5743
Valar 2010 MBT - Tharangampadi	Semmanar Koil Block Nagapattinam District	437	5181	375	5234
Valar 2010 MBT - Kanniyanumari	Kaniyakumari District	488	6344	460	6213
Lasallian MBT- Dindigul	Sempatti block, Dindigul District	152	1576	40	520
Valar2010 MBT – Sirkazhi.	Sirkazhi regions, Nagapattinam District	376	4384	189	2457
Valar2010 MBT - Cuddalore	Killai Block, Nagapattinam District	162	2106	60	780
Velar2010 MBT – Nagapattinam.	Nagapattinam block. Nagapattinam District.	135	1755	38	494
Total		2607	32487	1889	26423

The MBT's formed by the Self Help Groups are governed by the elected Trustees under defined rules and regulations duly constituted and registered for administering the Trust. The MBT's serve as a conduit between VASFPL and the Self Help Groups by performing several activities to the advantage of both the Valar Aditi Social Finance Private Limited and the Self Help Group Women Community, which forms the bedrock in integrating and promoting the social development of the SHG community.

All these measures have not only become trend setters to build a vibrant, empowered and a transformed rural community through intervention of MBT's, but also makes a paradigm shift in the social, economical, political, educational, health, and infrastructural status of the community.





PRO POOR & PRO POVERTY Vs POVERTY ERADICATION THROUGH WEALTH CREATION

1. INDIAN ECONOMY

India was making an empty boast of its economic growth rate at 7 to 9 percent for nearly a decade starting from 2000 to 2008; nonetheless the year 2008 growth suffered a setback from a fairy tale. The growth rate pendulum dangled hardly between 5 and 6 percent. The economic slowdown was across all sectors. The fall in growth rate of agriculture, forestry and fishing industry affected 55% of India's population. To make matters worse, the inflation listed all time high of 10% which pushed up the price of essential commodities resulting in dire consequences on the poor.

2. FINANCIAL SERVICE TO THE POOR:

It is against the backdrop of these economic scenarios we have to look at the status of financial inclusion services to the poor. It is very unfortunate to note that in India only 35% of people have a bank account while the global average is 50%. This gives us the glimpse of the extent to which the poor are excluded from financial services.

3. SHG AND BANK LINKAGE:

To bridge this gap the development agencies found a tool called SHGs to access financial services from the bank. The government, banking institutions and all civil societies were boasting so much of the SHG bank linkage; but due to the recent impeding economic crisis and the status of Non Performing Assets (NPA) of the bank, it has become all the more difficult for the SHGs to access bank loans. Take for instance in the case of Tamil Nadu in 2011, 5,35,384 SHGs had bank accounts but in 2012 the no of group accounts was shrunk to 5,14,203 reflecting the poor support extended to the SHG's which was once the stem of a glorious linkage model but now turned out to be an impossible dream.

4. SHGS' AND WOMEN EMPOWERMENT:



For quite some time the government, NGOs and other civil society activists claimed that rural India and the rural women empowerment is revolutionized through SHGs and financial inclusion. There is no doubt to the fact that basically all empowerment starts with women empowerment on financial linkages. Access to savings and credit enable women to negotiate gender barriers, increases their control over economic resources and improve relative positions within and outside their households. Majority of women involved in these programmes maintain a significant control over their incomes. Although the magnitude of financial transaction is very small, it's effect on economic and social empowerment are tremendous.

5. BANK LINKAGES AND THE MIDDLEMAN'S ABUSE OF SHGS

Several statistics in the past proudly claimed of the SHGs' performance above 90% repayments. However due to irresponsible lending of banks, abuse of money by the middlemen and the unavoidable IGP suggested by grant receiving NGOs; the groups had miserably failed in their repayment commitments. Moreover the middleman and NGOs who assist the women in bank linkages never provided sustained support for repayment thus leading to defaults in repayments and consequently making women vulnerably ineligible for financial dealings. Just to mention in this context that the Non Performing Asset of banks against loans to SHGs has gone up from Rupees 14.74 billion(4.74%) as on 31st March 2011 to rupees 16.55 billion(6.38%) as on 31st March 2012 and a study on who has defaulted, is another revealing matter which ultimately boils down to gross abuse of SHG's by the careless financial institutions, power hungry politicians, short sighted NGOs and the selfish activists, who have all tarnished the past glories of SHGs eventually rendering them irrelevant and ineffective institutions.

Nevertheless this impression gets overridden when we delve to understand how despite all odds, our MFI – Valar Aditi Social Finance Private Limited (VASPL) promoted by the consortium of the Self Help Groups is uniquely placed in reaching out to the poor and marginalized.

- i. Our strength and collateral are Self Help Groups which form the bedrock on which this MFI's pillars are built. Hence its proper functioning is cemented through regular meetings and full participation of its members, leadership rotation, proper record keeping & transparency in account keeping and decision making and above all, their active involvement in social issues and needs.
- ii. Our MFI is fully owned by the people and the shareholders are the federations of Self Help Groups, who are thoroughly and continuously educated that this MFI which is owned and operated by them serves them. This means that all success as well as failures belongs to them.
- iii. Our MFI's operating team is basically inherited from our parent organization St. Joseph's Development Trust (SJDT) which initiated the sustainable community development and our MFI is an offshoot to sustain the community development initiatives.
- iv. The poverty alleviation through credit → income generation activities → employment generation → livelihood enhancement → social change; an empowerment tool; adopted by SJDT in the context of tsunami disaster is the core strength which gives us a competent edge over others to implement this strategic interventions.

6. ECONOMIC IMPACT PERMEATING ALL OTHER SPHERES OF LIFE.

A cursory survey reveals that the financial inclusion services from our end which takes the form of Credit Plus Services has created an enormous and encouraging all round impact socially, politically and economically in almost all the families of our MFI beneficiaries. The enclosed case studies will stand as witness to this fact. I personally have witnessed families of the homeless owning home, landless buying land, jobless finding gainful employment, youths becoming blooming entrepreneurs, parents re-schooling their dropout children in quality schools, widows and persons with disabilities who were hidden inside houses coming out as economic active members in the village, timid shy women taking up political responsibilities, etc; This is what I feel is the Credit Plus impact of our MFI.

1) Inclusion of most marginalized

This is yet another milestone achieved. Our MFI purposefully focus on including Person with Disabilities (PWDs), widowed women, dalit women, parents of school dropouts with the condition of re-schooling, etc. This gives us unique identity among our beneficiaries.

2) Bottom - up management by bottom of the pyramid

As mentioned earlier our MFI is fully owned and governed by our Self Help Groups whose members are the marginalized poor people at the Bottom of the Pyramid (BOP). Accordingly the management systems and leadership values are also adequately designed as bottom up management. This empowers our organization to be very effective and efficient as well as

transparent and people friendly. Poor are our owners and masters at the same time they are our clients and beneficiaries. This is a unique partnership relationship which places them in the governance seat assigning unique roles and responsibilities demanding accountability and at the same time fulfilling demands as clients.

3) Compliance to legal & regulatory prescriptions of RBI

In India there are mushrooming of micro credit providers among which majority of institutions do not comply with legal requirements. Our MFI is a legally registered Non Banking (Non-deposit taking) Finance Company monitored by the Reserve Bank of India in accordance to the prescribed MFI regulations. Hence it means compliance to regulatory requirements aimed at transparency, good governance and adoption of fair practices.

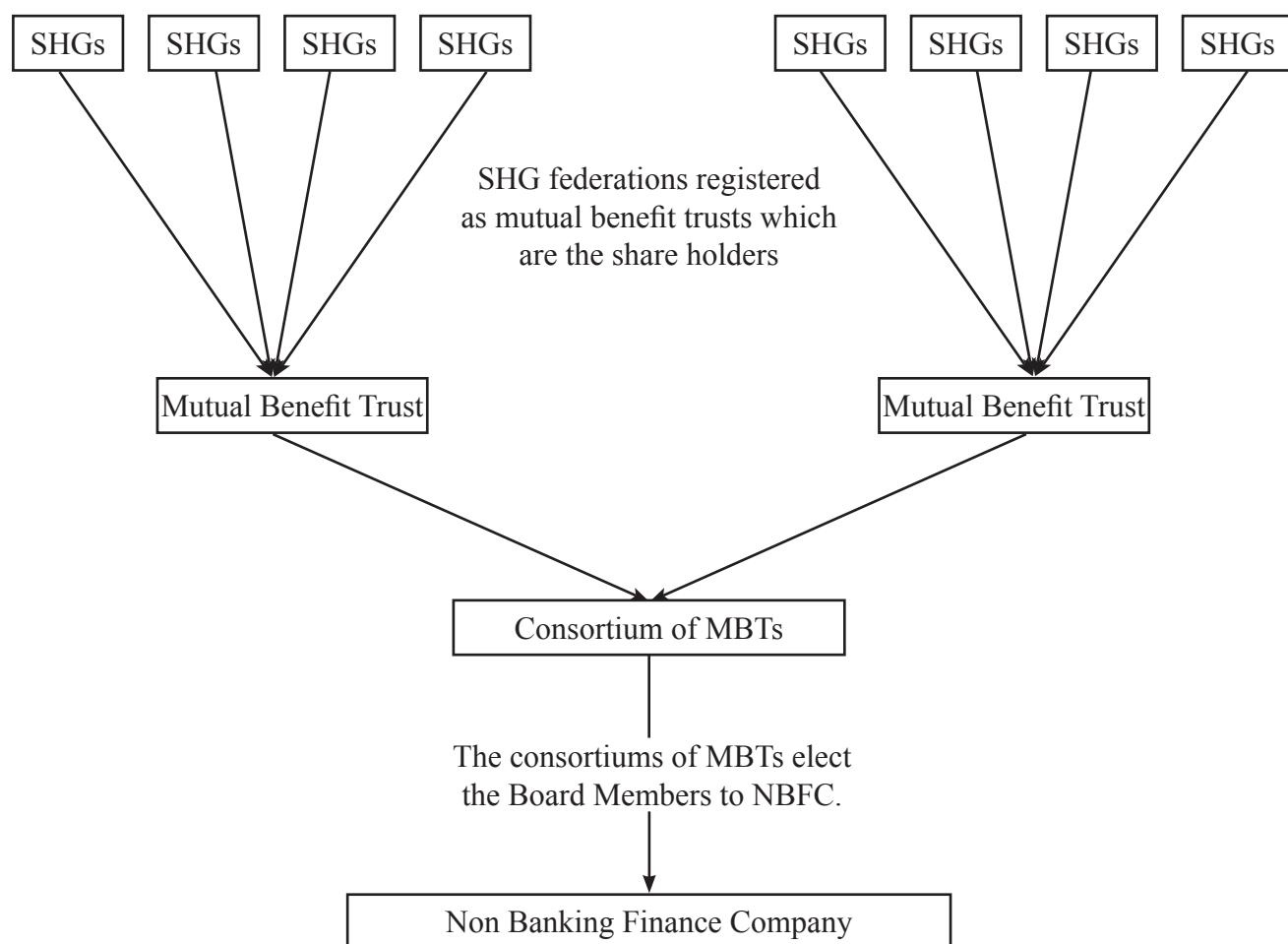
4) Loan products adapted to clients need

The loan products are dynamically designed to appropriately suit our client's need in the long run. Regular review of the products is made for its appropriate modification and change to suit people's demand and need. We also have a mechanism by which we constantly receive feedback from our clients and staff and make necessary changes by way of monthly review meetings, regular field visits, survey, etc.

5) Community Based MFI institution with democratic principles

Any institution that is community based and its lenders democratically elected will provide non-exploitative transparent services to the people. Our microcredit institution is totally a grass root level bottom up people's based institution with its leaders emerging from its own cadres elected in democratic process. See below the governance structure.

STRUCTURE



In our governance structure the SHG federations have emerged as a critical institutional mechanism to ensure sustainability, transparency and democratic leadership. Moreover these federations in addition to facilitating financial services will also initiate other development initiatives.

7. BALANCING BUSINESS AND SOCIAL TARGETS

Our MFI has emerged from a total developmental institution called "St. Joseph's Development Trust". We prefer to put our social agenda in priority to our business agenda. This is the reason why our whole governance and administrative structure is grass root based institution such as SHG → cluster level federation → Mutual Benefit Trust and NBFC. In these the MBTs are the development face of the structure which takes up the local community issues and addresses them appropriately. To our credit a list of development issues addressed by our federations are listed in the annual report.



8. POOR AND PRO POVERTY

The word poverty itself is terrible, sickening and demeaning to the human beings. This simply means not having the means to fulfil ones basic needs. Inspite of all our claims India is one of the poverty heavens. We are very familiar with the word "teeming millions". One would be surprised and even shocked if we analyze this poverty in the context of numerous smart and powerful people claiming to be representing the poor. Innumerable politicians, academics, poverty economists and activists, NGOs all are claiming to help the poor but it is baffling that poverty is not quitting India.

All people are experts on the poor and their suffering but have very little idea that MONEY is one of the major tools that can be eventually used to reduce poverty substantially. It is tragic that all these pro poor top thinkers are little aware of wealth creation, true economic empowerment, productivity and competitiveness. For many of these top thinkers the reason for poverty is not as important as to appear to be caring for the poor. But we in SJDT don't believe in those pro poor and pro poverty principles. We strongly believe in eradicating poverty through wealth creation for which access to financial service is an essential ingredient.





MICRO CREDIT –

"WOMEN'S EMPOWERMENT – an ART"

Mohammed Yunus, the Nobel Peace Prize winner in his noble lecture said "I believe that putting resources into improving the lives of the poor people is a better strategy than spending it on guns". As a budding stem of VALAR ADITI's micro credit programme, I am much convinced of the above said fact and I believe my conviction has reference to ground realities.

Micro credit is a strategic tool empowering urban and rural poor women to pursue goals of development and growth through sustainable livelihood opportunities. Our experience reveals that the success of micro credit largely depends on reaching the women community. This is because they are better clients of micro credit institutions and women's access to micro credit has more desirable development outcomes, since women tend to spend more money on basic needs compared to men.

Customs exhibit that women are more likely to retain control over the loans in traditional women's work like livestock rearing which are considered "women's work" in rural villages. Micro credit has been instrumental in elevating women's role in household decision making, instilling greater confidence, earning self respect in the family and enhancing their ability to interact with others through improved literacy levels.

Micro credit contributions to women's empowerment in India are highly significant serving as a gateway for creating awareness among women community and their family members influencing them on children - related issues like family planning, educational expenses, girl education, daughter's marriage, among other things. This apart, it has been a medium to impart training on income generating activities, helping women to gain knowledge on maintaining financial records.

Valar Aditi Social Finance Private Limited (VASPL) built on social foundation, exclusively lends to women and persons with disabilities. Lending is perceived as an empowerment since it encompasses organizing people and building their capacities. We strongly believe that lending to women and persons with disabilities enhances their social standing within the patriarchal societies, thus improving economic conditions for their children. The poor women and persons with disabilities over a few cycles of loan taking, begin to improve their asset base and demonstrate a tremendous confidence in their ability to manage their economic affairs besides enjoying other positive impacts at the society level.

It is beyond doubt that micro credit is imperative to empower rural women and persons with disabilities and Valar Aditi Social Finance Private Limited engages to extensively support them grow better opportunities that pave their lives in a more meaningful way which we believe is the focussed transformation we desire to accomplish as our mission.



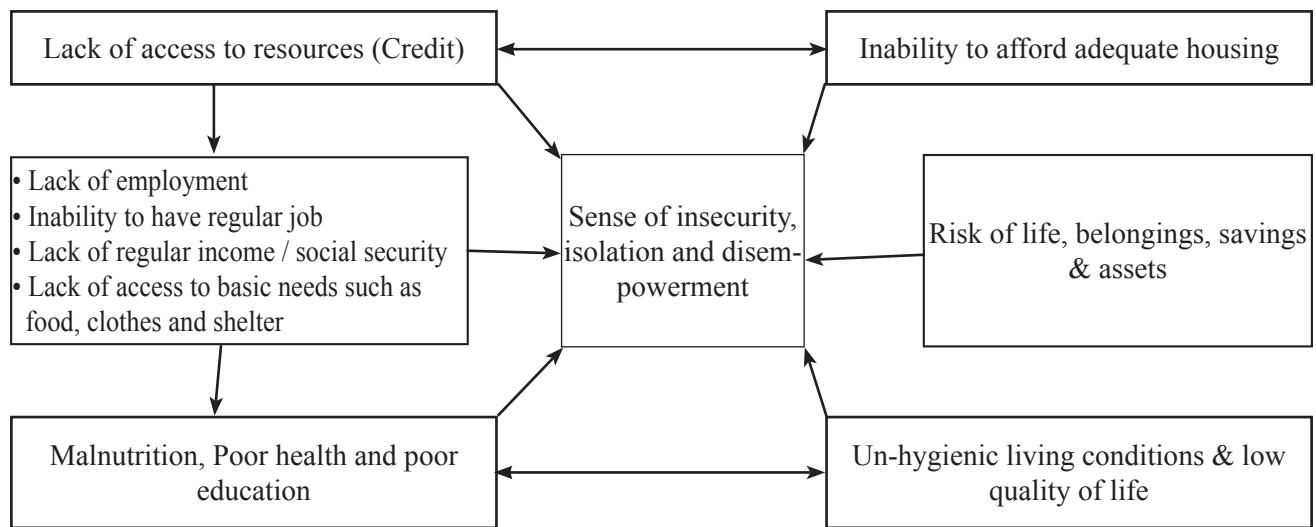
Mr. Antoni Samy,
Chief Operating Officer.

POVERTY REDUCTION AND EMPOWERMENT THROUGH MICRO CREDIT

Poverty reduction and empowerment are two words used interchangeably by many both in the positive and negative sense without fully comprehending how laden these two words are. Developmental agencies, social activists, politicians and different institutions use "Empowerment and Poverty Reduction" in an elusive sense eventually making it impractical to measure, track and evaluate with no definite measuring tools.

As for SJDT and Valar Aditi SFPL, Empowerment means a process of enhancing individuals/groups capacity to make informed choices ". In the context of poverty reduction, we believe that if adequate resources are made available to the individual/groups then they would deploy their capacity to effectively use the capital to generate income and enhance their livelihood which in turn impacts other spheres of their lives."

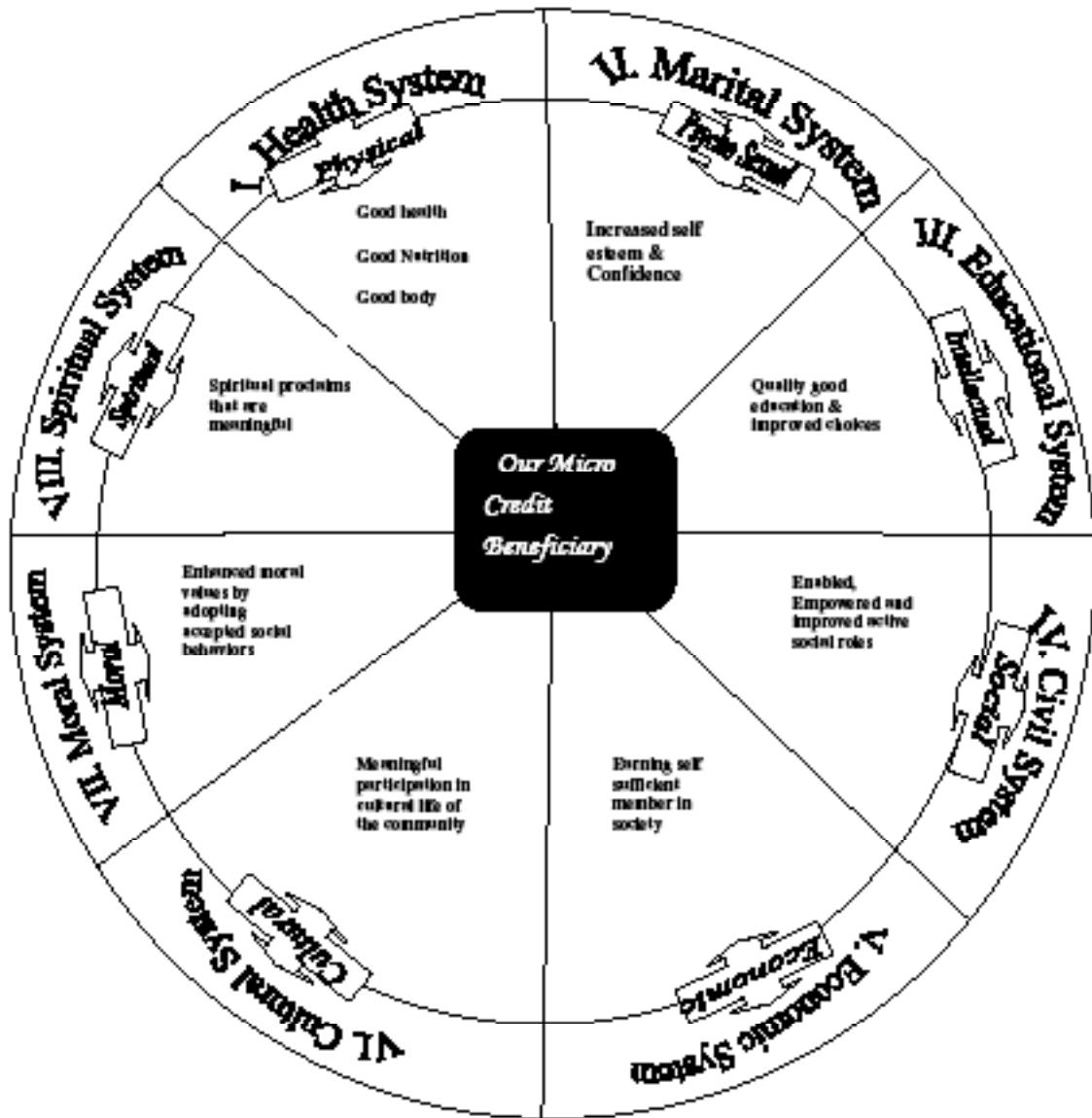
CUMULATIVE IMPACT OF LACK OF ACCESS TO RESOURCES (CREDIT) A LOGICAL FRAME WORK



Access to credit resources can change the above negative log frame to a positive frame;

Access to resources enables use of one's capabilities embracing gainful employment which has diverse impact in choices one makes in life.

In fact we have ourselves witnessed the positive impact of micro credit (availability of resources) in all spheres of the women beneficiaries. To make it more focused we give below a diagram showing "All round development of a credit beneficiary".



To substantiate the impact that micro credit has on our beneficiaries in all the eight spheres of life, we append some case studies that illuminate its benefits.

SUCCESS CASE STORIES REFLECTING THE IMPACT OF MICRO LOANS IN CHANGING LIVES



Empowering the daughter of Situ a widowed mother, to start a business and earn an income for the family, the micro loan from Valar Aditi Finance ends up in transforming the entire families' living condition from abject poverty to improved standards impacting in turn the lives of siblings who are able to attend school, get good education and go on to lead lives that are no longer impeded by poverty.

Sittu, a widow from Devathanapatti village in Periyakulam Block of Theni District reveals the helpless and miserable days she passed through in bringing up her three daughters after her husband's death. She narrates that many a times suicide attempts throbbed within her as she could not bear the pangs anymore; but the innocent faces of her children kept preventing her from taking the dire step. Nonetheless, Situ was left with no other option except to stop her eldest daughter from school and to join her in doing coolie jobs to support the family financially. Years passed by and the other two children also grew up. They wanted to pursue their studies but Situ stopped them from school and wanted the other two daughters to take up coolie jobs to support the family. Nevertheless, the eldest daughter wanted her sisters to pursue further studies for which she borrowed money temporarily from her friends & neighbours to pay for their education.

However, realizing the need to find some way out the critical situation, she joined the self help group on hearing about their activities and the loan facility extended to the poor for starting a business. Though her mother was opposed to the decision the daughter was firm in going ahead with the decision. Her active involvement in the group meetings, sharing with members and conforming to eligibility criteria enabled her to secure a loan of Rs.15000/- from Valar Aditi Social Finance for putting up a Petty Shop in her village. This boosted her confidence and she intensely pursued to improve and expand her business and show the people how to confront challenges in their lives. The situation changed when Situ herself supported her daughter in the daily tasks and all people started purchasing things from her petty shop which fetched her good income.

She received a second loan and bought additional goods for the shop and the business flourished and she had repaid the debts to her lenders. Above all, her sisters are doing their college studies and all their expenses are met without much difficulty. Situ (the widow) desires that her eldest daughter, who has sacrificed for the family get settled in marriage and have a good life but the eldest daughter wants to wait until her sisters complete their studies. Both Situ and all children in the family acknowledge with thanks, the extraordinary support given by Valar Aditi Finance and the group members in re-building the family which was once in a dilapidated condition.



Despite being crippled through polio attack since childhood and unable to walk freely, Puniya Moorthy the eldest, born to poor parents, narrates how her days of sorrow and misery were turned to joy when she secured a micro loan to grow a successful petty shop business. Thanks to her hard work for her business is now supporting her family and also paying for her brother's schooling.

Puniya Moorthy being handicapped was always tormented with depressions at every stage in her life especially as she grew up and had to depend on her parents for everything including going to the toilet. Nonetheless, she did not lose heart and with the help of her friend she completed her M.A. through correspondence course with a hope she could take up a job to support her poor family as her father did irregular coolie jobs which only fetched very meager income that was not sufficient even for a square meal a day.

However to her utter disappointment all her expressed hopes got dashed and she was plagued to find a way out to shoulder the family's responsibility. She continued have an unceasing faith in God who opened the way through SHGs which helped her secure a micro loan of Rs.15000/- from Valar Aditi Finance, for starting a petty shop. The business flourished as her mother also helped her in business and the income increased to support the family and her brother's schooling. She recalls the struggles she had gone through and how the seminars and workshops organized by the WSHGs developed self confidence to extricate out of the misery of poverty to portray to the society that she is differently abled in viewing the future ahead of her.



For many women in India, a small loan can be the answer to a big dream. Selvi, a deserted mother with three children who once lived in abject poverty, used the loan from Valar Aditi Finance to invest in fast food catering business which started thriving and Selvi was able to clear all her debts including the moneys borrowed for her daughter's marriage and also save to improve and expand her business. She is no longer afraid of her future, Selvi is grateful for the change the loan has made in her life. .

Selvi, a mother of three children living Karaikal was deserted by her lazy husband and an alcohol addict, who had no concerns for the family and never went for work even while he was living with them. Terrible situation at home forced her to take up a coolie job to feed her children. Anxiety and fear throttled her as she was caught in a debt trap that was hardening her breath. Days passed by in tears with no help forthcoming. She was not able to face the hard realities of life and was living desperately without hope until one day she was introduced by the considerate SHG members to join the VALAR TRUST self help group which changed her life and she realized that she could face life with confidence and determination.

After joining the SHG, she received a micro-loan of Rs.15000/- from Valar Aditi Social Finance Private Limited which she invested in making breakfast items like Idlies & Apam, famous South Indian dishes and selling them to fast food centres and mini eating joints. The business was flourishing fetching good income. She was able to clear the debts borrowed for her daughter's marriage and also sending her son to the Engineering College, which she had never dreamt. He is grown up in stature and she is proud of this achievement in her life. She is earning well and repaying her dues on time besides saving for the future. She exclaims "If I were to recollect the Selvi – before and after this change, it is simply impeccable and I will never forget to thank Valar Aditi Social Finance and Valar Trust for reviving my life?" She recalls the holistic change the meetings, workshops and seminars organized by the SHG's have strengthened her weaknesses as a woman and propelled a positive approach in her life.



There are times when all seems lost and our hope that we will be able to enhance our living condition gets buried and we really don't know what to do. Yes we are fortunate that these micro loans which are core to microfinance - give people a tool to start a business and progress their way out of poverty. Which we now recognise is true.

Vijaya, a widow aged 30 years lives with her son Madhan in Nanchilnadu, a small village in Nagapattinam district. Her husband passed away at a very young age leaving the family in a most pathetic condition. She ran helter in skelter after her husband's death. At last she forced herself to take up palm leaf knitting to make a living for which she was paid very meager wage that was not sufficient to make a square meal a day. She and her son were in rags with no proper food and clothes to wear. With tears Vijaya shared her suffering with one of her neighbours who suggested that she join the self help group which work towards empowering the down trodden women community to support themselves with sustainable livelihood opportunities. Vijaya became a member in Lassalle Thangam self help group, took active

part in the group meetings and became well known to all the group members.

She received a loan of Rs.6000/- and started the business of palm leaf knitting for which she purchased coconut palm leaves from different farms to make thatches for roofing. She sold the thatches for a good price fetching her good income. She continued doing this business regularly at her home itself to secure consistent income which was sufficient to meet her basic needs including her son's schooling besides paying the debts and loan dues and saving comfortably. Thanks to her hard work and perseverance in standing up to challenges of poverty with the support of Valar Aditi Finance and the SHG members.

The poor parents invariably are unable to afford educating their children because they have no means to spend for their schooling. The very little they earn is insufficient to feed the family and since persisting poverty encircle their lives, they do not think of sending their children to school.

However Savithri from Keelatheru village narrates how she succeeded in schooling her children though she was not educated by her poor parents who were just coolie workers who neither knew the importance of children's education nor could afford to spend for their children's schooling because of breeding and persisting poverty.

Savithri, her brothers and sisters born to poor and illiterate parents wished that they could go to school as other children in their village. But this did not happen. They very soon realized that it was a wishful thinking that can never come true as their parents could not afford sending them to school. All that they did was to watch from a far, the children going to school neatly dressed in uniforms and studying alphabets. As the distressed days passed by Savithri grew up and she was given in marriage to Ramadoss who was also a coolie worker. Both went for coolie jobs to maintain the family and feed their three children. However Savithri was particular that her children must be educated and so started borrowing money for children's education. Very soon she was caught up in a debt trap and money lender started tormenting her to repay with extraordinary interest charges for delayed payments. She didn't know what to do and where to go but she exclaimed that "the God whom I cursed for the miserable situation had sent the Valar Trust group members to rescue me."

The SHG members explained about the service of Valar Trust for uplifting the economically weaker section of the women society and how the poor women members managed to survive and save money under Micro Credit Scheme. This infused a lot of confidence in Savithri and she along with 13 other women formed a SHG, organized regular meetings, other group activities and also saved money as required to secure a loan. After three months of waiting Savithri received a micro credit loan of Rs.15,000/ from Valar Aditi Finance with which she bought 3 goats, raised them to be sold in the market for a good price. She bred and sold goats, which fetched her good incomes to meet all family commitments including school fees and books for their children besides repaying borrowed loans. This apart the SHG group members had coached and mentored Savithri to read & write, maintain basic records which proved to be very useful for Savithri. The Exposure programmes have helped her to be hygienic, a great leader, a pious woman and above all a true mother to her children. She feels grateful to all her supporters who had held her hands in the ceaseless journey to cross over the borders of poverty.



SUMMARY OF ACHIEVEMENTS IN 2012-13

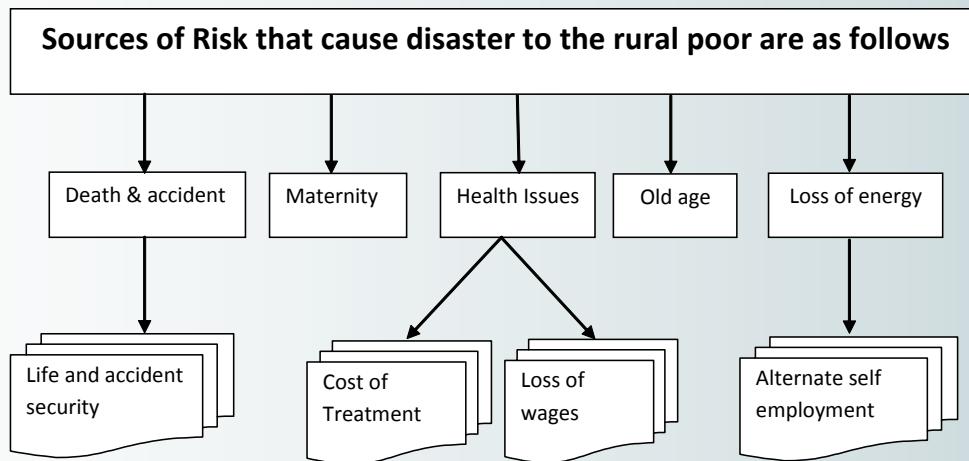
Particulars	Valar Aditi Social Finance Private. Ltd			SHGs Internal support	Cumulative Total
	2010-11	2011-12	2012-13		
District (coverage) Tamil Nadu	3	5	5	4	9
Branches	4	6	7	4	11
Villages	176	217	264	143	407
Women Self Help Groups	480	1046	1396	1211	2607
Members	7,868	13,633	16,752	15743	32495
Self Help Groups of Persons with disability.	32	40	40	6	46
PWDs members	311	367	367	43	410
Loan Disbursement	2,41,84,000	5,16,11,000	4,81,19,000	3,54,17,000	8,35,36,000
Average Loan Size	3000	4000	3000	2200	2500
Staff	4	6	9	42	51
Income	11,19,232	51,30,658	63,07,892	86,81,330	1,49,89,222
Expenditure	9,83,189	42,72,554	24,19,902	39,80,754	64,00,656
Profits before Depreciation & Tax	1,36,043	8,58,104	38,87,990	47,00,576	85,88,566
Taxes	40,478	2,73,286	12,01,388	7,25,338	19,26,726
Net Profit	95,565	5,84,818	26,86,602	39,75,238	66,61,840
Operational Self Sufficiency	114%	120%	260%	218%	239%
Repayment Rate	100%	100%	98.63%	98%	98.31%

RISK REDUCTION, COMMUNITY OWNED AND OPERATED SOCIAL SECURITY SCHEME AN INNOVATIVE SOCIAL INTERVENTION

By providing capital through micro credit the poor women are empowered and enabled to embark on income generating livelihood enterprises. Gradually by injecting additional capital at subsequent regular intervals, the enterprise expends and creates additional rural employment. The women graduate from wage earner to employment provider.

But all this in our experience is a pleasant linear progression till the time another major factor comes in to play into the lives of the poor. This factor is known as "RISK". The rural poor face risks from multifarious angles which demands proper risk mitigation exercises that is very much lacking in them.

The types of risks rural women face can be broadly classified as below.



Unless these risks are mitigated by some security cover the rural poor can never fully contribute to their livelihoods.

We need to ensure these risks security cover products are viable and sustainable and as well as manageable to the people owning them.

To start with our first 'social security scheme' cover includes the following.

Accident & Death coverage

Maternity benefit coverage

Death coverage for other family members

The whole security scheme will be managed and operated by our self help groups' federation which is legally registered as "Mutual Benefit Trusts". We intend to promote this risk covering security later to other risk areas.

Salient Features

Scheme owned and operated by federation and hence very transparent and participative

Easy Access to the security scheme in terms of premium payment as well as security claims.

No middle men or commission agents are entertained and so it is personal, direct and accessible scheme.

A clear claim process is put in place empowering the local women SHGs' to recommend the claim.

A community owned cost effective sustainable social security scheme that is now in operation mitigates the two major risks that rural poor women face namely death and maternity.

LOOKING FORWARD TO 2014 AND BEYOND

FUTURE VISION AND STRATEGY:

Valar Aditi's mission is to empower as many of the people living in poverty by providing them sustainable livelihood opportunities so as to transform their lives out of poverty permanently. We seek to ensure that all buoys in the transformation chain beginning with the client and their business, the community groups and the facilitating partners and us a supporting organization remain sustainable.

In order to achieve this mission, Valar Aditi's team envisages a comprehensive organizational strategy detailing the outcome expected of specific activities that will be focused at accomplishing the goals.

Our vision continues to be one of steady and stable growth based on the people's need which include but does not limit to the following;

- a. Increasing program outreach and enhancing support of our microfinance offering with enterprise development services creating sustainable livelihoods for poor families and communities.
- b. Developing tailored programs that are growing, sustainable and has a transformation impact;
- c. Providing new credit products that caters to the needs of our clients;
- d. Facilitating cost-effective delivery of micro financial services;
- e. Strengthening and diversifying funding sources to provide security for existing programs and to enable expansion of new programs;
- f. Empowering and developing our people to perform, succeed and live up to core values;
- g. Enhancing infrastructure facilities to support standard MIS for improving skills and efficiency;
- h. Improving performance management through sustained training & development programs;
- i. Providing financial inclusion services not only to Persons with Disabilities (PWDs) but also extending outreach to the most marginalized which include mentally ill, poor widows, transgender community etc;





FINANCIAL REVIEW

2012 - 2013

1. BOARD OF DIRECTORS

Rev. Dr. I. Sebastian – Chairman & Managing Director



Mr. S. Olaganathan – Director



REGISTERED OFFICE

VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED (MUMBAI)

102/A, Ranjit Studio Complex

Dada Saheb Phalkey Road, Dadar

Mumbai – 400014, Maharashtra, India

CORPORATE OFFICE

8-4-54-A, George Puram,

Batlagundu Main Road, Nilakottai

PO – 624208, Dindigul District, Tamil Nadu

AUDITORS

M/s Arockiasamy & Raj

Chartered Accountants

No. 2/33, Second Cross Street

West C.I.T. Nagar, Chennai 600 035

SECRETARIAL AUDIT

M/s. B.M. & ASSOCIATES

Company Secretaries

No. 2/33, Second Cross Street

West C.I.T. Nagar, Chennai 600 035

BANKERS

Indian Overseas Bank, AKKUR – Nagapattinam, Tamil Nadu - 609301

Karur Vysya Bank, BATLAGUNDU – Dindigul, Tamil Nadu - 624202

Indian Bank, SIRKAZHI, Tamil Nadu – 609111

Karur Vysya Bank, CHIDAMBARAM, Tamil Nadu - 608001

Karur Vysya Bank, NAGARKOVIL, Kanniyanakumari, Tamil Nadu - 629001

Indian Overseas Bank, TRANQUBAR – Nagapattinam, Tamil Nadu - 609301

Karur Vysya Bank, MAYILADUTHURAI, Nagapattinam, Tamil Nadu - 609001

Indian Overseas Bank, AVUDAIYARKOIL – Pudukkottai, Tamil Nadu - 614618

2. NOTICE TO MEMBERS

Notice is hereby given that the Third Annual General Meeting of the Members of VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED (MUMBAI) will be held on Monday the 28th September, 2013 at 11.00 a.m., at the Registered Office of the Company situated at No. 102/A, Ranjit Studio Complex, Dada Saheb Phalkey Road, Dadar, Mumbai – 400014, Maharashtra, to transact the following business:

ORDINARY BUSINESS

1. TO ADOPT FINANCIAL STATEMENTS AND REPORTS THEREON

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution

“RESOLVED THAT the audited Balance Sheet of the Company as on 31st March, 2013 and the Profit & Loss Account for the year ended on that date together with the Directors’ Report and Auditors Report be and are hereby approved and adopted.”

2. APPOINTMENT OF AUDITORS & FIX THEIR REMUNERATION

To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Arockiasamy & Raj, Chartered Accountants, Chennai - 35, the retiring auditors be and are hereby reappointed as the auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors.”

Place : Chennai. Date : 18 July, 2013	By Order of the Board Rev. Dr. I. Sebastian Managing Director
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Notes

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. The proxy form duly completed must be sent so as to reach the company, not less than 48 hours before the commencement of the meeting. A blank proxy form is attached

Members attending the meeting are requested to complete and bring the attendance slip enclosed with the Annual Report and hand over the same at the entrance of the meeting hall, duly signed.

Place : Chennai. Date : 18 July, 2013	By Order of the Board Rev. Dr. I. Sebastian Managing Director
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3. DIRECTORS REPORT

Dear Shareholders,

Your Directors are pleased to present the Third Annual Report together with the Audited Statement of Accounts and the Auditors Report of your Company for the financial year ended 31st March 2013.

The summarized financial results for the year ended 31st March 2013 are as under:

PARTICULARS	Financial Results	
	For the year ended (in Rupees') 31.03.2013	31.03.2012
INCOME	63,07,892	
	51,30,658	
Profit/(Loss) before Interest, Depreciation & Tax	39,53,590	9,23,704
Less: Interest	—	—
Depreciation/Amortization	65,600	65,600
Net Profit/(Loss) before Tax	38,87,990	8,58,104
Less: Income Tax	12,01,388	2,73,286
Net Profit/(Loss) after Tax	26,86,602	5,84,818
Less: Appropriations		
Transfer to Statutory Reserve (20%)	5,37,320	1,18,590
Dividend	—	—
Profit/(Loss) carried to Balance Sheet	21,49,282	4,66,228

REVIEW OF OPERATIONS

Valar Aditi Social Finance Private Limited (VASFPL), amidst a challenging environment witnessed by ballooning economic constraints engulfing the market buoyancy and the regulatory restrictions consequent to the A.P. crisis throttling the MFI sector, staged a confident but gradual scale up reaching a modest total income of Rs.63.08 Lakhs during the current year as against Rs.51.31 Lakhs in the previous year, indicating a reasonable increase of 23 percent. The financial year ended March 31, 2013 closed with an impressive net profit after tax at Rs.26.87 Lakhs after considering an adjustment of Rs.12.01 Lakhs towards Income Tax as compared to a net profit after tax of Rs.5.85 Lakhs during the previous year. This was also possible due to strategic plans focussed at pruning down costs to match the downsized portfolio scale on account of constricted financial flows with no external support from banks & institutions and other supporting agencies due to compounded RBI's restrictions on priority sector lending towards MFI operations.

However your company envisages countering adverse situation in the future through application of strategic initiatives with a focussed business plan oriented at establishing enhanced organizational capacity and management bandwidth to accomplish mission and value objectives.

In the light of financial impediment compounded by RBI's regulatory directions given to the MFI sector on the basis of MALEGAM Committee's recommendation, your Company witnessed a moderate increase in the number of active client from 13,633 as of March 2012 to 16,752 as at the end of March 2013.

During the year ending March 2013; 3,476 Loans were disbursed totalling Rs.481.19 Lakhs with an average loan size approximating Rs.13,800/- and a portfolio at risk (PAR) > 30 days at 1.60% as against 3,744 Loans totalling Rs.516.11 Lakhs disbursed during the previous year with an average loan size of Rs.13,800/- and a PAR > 30 days being 0% respectively. The outstanding portfolio as on 31 March 2013 stands at Rs.145.21 Lakhs before considering current loan loss provision. The Company's operational sustainability for the year 2012-13 is slated to be 260 per cent as against 120 percent in the previous year. This apart, the company has transferred Rs.5.37 Lakhs to Statutory Reserve Fund, being 20% of the profits for the current year in pursuance of Section 45 1C of the Reserve Bank of India Act 1934.

DIVIDEND

Your Directors have not recommended any equity dividend for the year ended 31st March 2013 in view of the plans to build up reserves to provide for social developmental activities, meeting contingencies and to source expansion through internal funds.

DIRECTORS

The present Board of Directors is Rev. Dr. I. Sebastian, Managing Director and Mr. S. Olaganathan, Director. There is no change in the Board constituted.

AUDITORS

M/s Arockiasamy & Raj, Chartered Accountants retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for reappointment.

RESERVE BANK OF INDIA GUIDELINES

Certificate of Registration: Valar Aditi Social Finance Company Private Limited (the Company) is registered with Reserve Bank of India (RBI) vide Certificate No.B-13.01582-dated 22.03.2002, as a Non-deposit accepting NBFC (NBFC-ND) under Section 45-IA of the RBI Act, 1934. The company continues to carry on micro finance activities, a specified activity permitted under the 18 activities as mentioned in the notification no. FEMA/94-2003-RB dated 18th June 2003.

The Company has proposed to apply to RBI for a separate NBFC-MFI status in compliance to the RBI Notification dated December 2, 2011 as amended to date requiring such NBFC's to comply with the regulatory prescriptions enunciated therein.

Non-Acceptance of Deposits: In pursuance of the disclosure compliance required under the Non-Banking Finance Companies (RBI Directions-1998) and further amended and consolidated to date vide Master Circular dated 1.7.2012, the Board of Directors hereby affirm and state that the Company did not accept any public deposits during the year and does not hold any public deposits at the end of the year.

Adoption of NBFC Prudential Norms/KYC Norms & Fair Practice Code: The Board of Directors confirm the adoption of NBFC Prudential Norms (RBI Directions-2007) amended to date vide RBI Circular dated 2nd December 2011, the updated RBI guidelines on KYC (Norms) and Anti-Money Laundering Standards for NBFC's and also the adoption of the guidelines recently prescribed on Fair Practice Code for NBFC's vide RBI's Circular dated 26th March 2012, respectively.

Pricing & Interest Regulation: Regarding pricing of credit and regulation of interest charged by NBFC's, your company's board has adopted the specific guidelines pronounced by RBI on the captioned subject in its Monetary Policy Document 2011-12 and further consolidated vide Circular dated 2nd December 2011. Your Company ensures to maintain an aggregate margin cap of not more than 12 percent; an interest rate not exceeding 26 percent apart from a processing fee of not more than 1 percent of the gross loan and the actual cost of insurance for the borrower and spouse.

Foreign Direct Investment (FDI) & Minimum Capitalization Norms: As regards FDI and minimum capitalization compliance, your Directors wish to state that your company has not raised any foreign equity till now and hence the provision of FEMA regulations does not apply.

RESOURCES AND LIQUIDITY

Your Company being a Non-Deposit Accepting NBFC is subject to the capital adequacy requirements prescribed by the Reserve Bank of India. We need to maintain a minimum ratio of 12 percent as prescribed under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2009 (as amended from time to time) based on total capital to risk weighted assets. Your company maintains a sound capital adequacy very much higher than the statutorily prescribed Capital Adequacy Ratio (CAR). The capital adequacy ratio as on 31st March 2013 is 284 percent as against 140 percent as of 31st March 2012 respectively.

SHARE CAPITAL

During the year there has been no change in the Authorised, whereas the Paid-up Equity Share Capital of the Company has been increased by Rs.87,05,000 from Rs.2,80,95,000 in the year 2011-12 to Rs.3,68,00,000 in 2012-13 respectively.

SECRETARIAL COMPLIANCE CERTIFICATE

As a strong measure of transparency and control and to ensure good corporate governance in practice, the company has obtained a Secretarial Compliance Certificate from a Practicing Company Secretary for the year 2012-13, which is enclosed with this report. The Secretarial Compliance Report confirms that the Company has complied with all the provisions of the Companies Act, 1956, the related laws, rules & regulations and guidelines as applicable to the company.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Disclosure of particulars required to be complied with respect to the provisions of Section 217(1) (e) of the Companies Act, 1956 and also as required as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, do not apply for the year ended 31st March 2013, as your company is engaged in activities of micro finance and developmental financial services focussed at promoting economically and socially, women and poor communities from below the poverty line to empower and enable them to extricate out of poverty by enhancing their income and generating jobs and employment both in urban and rural areas in Tamil Nadu impacting in the process a larger section of the underserved community.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended; we report that during the year there is no employee falling under the category of employees drawing a remuneration that crosses the limits set out in the rules.

RELATION WITH EMPLOYEES

Relationship with employees continued to remain good throughout the period under review. The Company firmly believes in the commitment and loyalty of the employees to participate in the growth of the Company. Your Directors place on record and acknowledge the commitment and dedication displayed by all the employees during the year.

ADEQUACY OF INTERNAL CONTROLS

The company has adequate internal control systems commensurate to the nature of its business, size and complexity of its operations. These systems are designed to ensure that all the assets of the company are safeguarded and protected against any loss and that all the transactions are properly approved, systematically recorded and adequately reported.

The company has in place an internal audit function which is empowered to examine the adequacy and compliance with policies, plans and statutory requirements. It is also responsible for assessing and improving the effectiveness

of risk management, control and governance process. The internal audit function comprises of qualified and experienced professionals who conduct regular audits across the company's operations particularly focussed towards achieving quality and efficiency in operations, optimum utilization of resources, effective monitoring and compliance with all applicable laws and the management adherence to all internal control practices and procedures. The management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent audit committee which critically reviews the adequacy of internal controls periodically.

As a further step towards ensuring better compliance and risk monitoring & mitigation, your Company plans to set up a separate department – “the Risk and Internal Compliance Department”.

RISKS AND CONCERNS

The company is exposed to normal industry risks such as credit risk, operational risks, market risks, liquidity risks, interest rate changes, regulatory environment, strategic risks, economic cycle, competition, and inflation risk. Your company manages these risks by adopting prudent business policies and best practices adequately supported by effective risk management methods and procedures.

FUTURE OUTLOOK

Against the stark backdrop of the A.P. crisis witnessed last year, the RBI announced on May 3, 2011 certain regulations on the basis of MALEGAM Committee's recommendation which was re-enforced in December 2, 2011 with some amendments and refinements as to loan limits, margin cap, interest rates, provisioning norms and capital requirements bringing in a new regulatory framework to allow the private sector to grow and achieve financial inclusion in a socially acceptable and disciplined manner.

Your company is exploring potentially unbanked areas for expansion besides concentrating on under-served rural, peri-urban and urban areas. Through a pragmatic business supported by able personnel it is planned to double the existing client outreach and achieve positive results in the upcoming period.

As part of the overall strategic drive, your company focuses on managing financial inflows as the non support from banks & institutions has strained operations due to piquant market environment. By prioritizing outflows, reducing operating costs, serving good customers, protecting portfolio quality and implementing a robust recovery program, your company is confident to meet the revised targets. Rationalizing branch structure, achieving optimum client load efficiency, improving governance leadership and management development skills supplemented by improved clients' services, recuperating existing products in addition to developing new products and services, are the key drivers to achieve the business plan.

Your company envisions to penetrate deeper in Tamil Nadu and adjoining territories besides expanding to other States as well, thus building in the process in close cooperation with the Mutual Benefit Trusts, a strong and extensive clientele base with a high client retention rate, quality portfolio growth and a portfolio at risk ratio (greater than 30 days) at less than 1 percent. Valar Aditi Social Finance continues to extend all support by investing significant time, energy and resources in training employees with focussed programs on process and managerial skills to ensure high quality services at different levels.

Your company is gearing up to accomplish the above said strategic objectives via surveys and focus groups involvement, which is expected to result in new offerings better able to meet the diverse client needs and firmly support retention efforts. As potential products are developed and growth consolidated, the company would continue to strengthen the pivotal base providing transformational microfinance services coupled with women's empowerment programs in concert with St Joseph's Development Trust (SJDT), a registered and long established trust, pursuing social and developmental goals impacting clients socially and economically.

In the long run, it is important to remain within the ambit of our mission to provide micro financial services to the poor. Micro finance can only succeed if it becomes a full service provider to this segment. The setting up of

NBFC-MFI as a separate category by the RBI and the announcement by the Ministry of Finance for separate banking licenses which focus on financial inclusion are clear pointers. The path is littered with obstacles and regulated reforms but the long term direction is clear.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with regard to Directors' Responsibility Statement, your Directors would like to inform the members that:

- I. The audited accounts containing the financial statement for the period ending 31st March, 2013 are in full conformity with the requirements of the Companies Act, 1956 and they believe that the financial statements reflect fairly the form and substance of the transactions carried out during the year.
- II. The accounting operations are in conformity with the applicable provisions of the Companies Act, 1956, the Reserve Bank of India Act, Non-Banking Financial Companies (RBI) Directions and Accounting Standards issued by the Institute of Chartered Accountants of India.
- III. Your Directors have taken the professional guidance of experts while adopting certain additional accounting policies, particularly related to microfinance institutions. These policies are detailed under the "Accounting Policies" in the Notes to Accounts forming part of the Annual Report.

Further, the Directors declare and confirm that:

- The annual accounts are prepared in consonance with all generally accepted accounting principles and applicable accounting standards read with all related rules and regulations and amendments prescribed under the Companies Act, 1956 and there are no material departures from the same.
- The accounting policies selected and applied by the directors are consistent, prudent so as to give a true and fair view of the accounts of the company.
- Proper and sufficient care has been taken by them for maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for detecting frauds and irregularities.
- The annual accounts of the Company are prepared on a "going concern" basis.

ACKNOWLEDGEMENT

The Directors of your Company wishes to gratefully express their appreciation for the assistance and co-operation extended by the Reserve Bank of India, Banks & Financial Institutions and other Government Departments and also to the employees and for their committed and untiring efforts, dedication and unstinted support extended which has enabled the company to wade through rough weathers setting before itself newer benchmarks in the journey to forge ahead in the coming years.

Place: Chennai Date: 18 July 2013	For and on behalf of the Board Rev. Dr. I. Sebastian Managing Director
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4. CORPORATE GOVERNANCE

Valar Aditi Social Finance Private Limited (VASFL) (Mumbai) maintains good standards of corporate governance policies, code of conduct, principles and sound practices. Our Company's Corporate Governance Philosophy is transparency, accountability, and equity based on the principles of integrity, fairness, and commitment to core values in all facets of its interactions with its stakeholders from customers, shareholders and employees to lenders, government and the wider community.

Your company has a well defined policy framework encompassing prudent and consistent business policies, values and commitment policy in alignment with the Company's goal to enhance the standards in addition to adhering with the requirements of all the applicable statutory and legal compliances and conforming to effective governance systems and practices exhibited through disclosures, transparency, and internal control systems and procedures being successfully implemented to carry on the business within the risk framework.

Board of Directors

The Board of the Company provides requisite leadership and strategic guidance, objectively reviews management decisions, manages risks and exercises control over the Company.

The Board has plans to induct in the immediate future, independent directors on the Board so as to reinforce the corporate governance structure of the Company.

Board Meetings

The Meetings of the Board of Directors are scheduled with proper notice and agenda, with explanatory notes & material being distributed sufficiently in advance to the board members.

Board Structure

The Board comprises of directors with considerable experience in their respective fields.

The Company does not have any pecuniary relationship or material transactions with the directors during the period under review.

Sl. No.	Name of Director	Executive / Non-executive
1.	REV. Dr. I. SABESTIAN	Chairman & Managing Director
2.	S. OLAGANATHAN	Non-Executive

Other Provisions as to Board and Committees

The Board's prime role is monitoring corporate performance; in addition to the following functions:

- a) Review and approve financial plans and budgets;
- b) Discuss, review and decide on the opportunities for expansion, modernization, merger, acquisition and divestments;
- c) Review of financial statements;
- d) Reviewing/adoption of the audited/un-audited quarterly results and the audited annual accounts and consolidated financial statements of the Company; and
- e) Periodical review of compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.

To enable the Board to discharge its responsibilities effectively, detailed reports on the performance of the Company are placed for discussion before the Board. Minutes of the Audit Committee is also placed for adoption by the Board at its meetings.

Audit Committee

The Company has constituted an audit committee in compliance to the various legislative requirements. The audit committee pursues its primary objective of monitoring and supervising company's financial reporting system with a view to provide accurate, timely and proper disclosures and ensures integrity and quality of financial reporting at periodical intervals to the board of directors.

During the year under review, three Audit Committee meetings were held at periodic intervals prior to the scheduled board meetings and the related minutes of the audit committee's meetings were placed before the Board.

The audit committee apart from advising the management on areas where internal audit can be improved, reviews with the management the annual financial statements before submission to the board focussing primarily on:

- Matters required to be included in the Director's Responsibility Statement included in the Directors Report to members;
- Any changes in accounting policies and practices and major accounting entries based on exercise of judgement by management;
- Significant adjustments arising out of audit;
- Compliance to legal requirements concerning financial statements and disclosure of any related party transactions;
- Qualifications in the draft audit report;
- Adequacy of internal controls and the internal audit function including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audit;
- Discussions with the internal auditors on any significant findings and follow-up thereon;
- Internal investigation findings by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature;
- Discussions with statutory auditors before the audit commences about the nature and scope of audit as well post audit discussion to ascertain any area of concern;
- Functioning of the "Whistle Blower" mechanism;
- Management Discussion and Analysis of financial condition and results of operations;
- Management letters/letters of internal control weaknesses issued by statutory/internal auditors.

Disclosures

The Company has effective disclosure controls and procedures in place. The communication of company's policies, plans and accomplishments are made in an effective manner. The Company observes the Secretarial Standards issued by the Institute of Company Secretaries of India. The Company has complied with various rules and regulations prescribed under different statutes. There are no materially significant related transactions i.e. transactions of material nature with the Company, with its promoters, the directors or the management, their relatives etc, that may have potential conflict of interest with the company at large.

RESPONSIBILITY STATEMENT

The secretarial audit carried out by a qualified practicing company secretary confirms that:

- The company has maintained all the books of accounts and statutory registers.
- Filed all the necessary forms and returns and furnished all necessary particulars to the Registrar of

Companies and/or authorities as prescribed under the Companies Act, 1956.

- Issued all notices required to be given for board meetings and general meetings within the time limit prescribed by law.
 - The company has conducted the board meetings in accordance with the provisions of the Companies Act, 1956.
 - Adopted the Reserve Bank of India's Guidelines on "Fair Practices Code" and "Know Your Customer (KYC) Norms" prescribed for Non-Banking Finance Companies.
 - The company has not exceeded the borrowing powers.
 - The company has complied with the regulations prescribed by the relevant statutes and also statutory requirements under the Companies Act, 1956.

Place: Chennai. Date: 18 July 2013.	For and on behalf of the Board Rev. Dr. I. Sebastian Managing Director
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5. SECRETARIAL COMPLIANCE CERTIFICATE

M. MANOHARAN

2/33, Second Cross Street

For B.M. & Associates

West C.I.T. Nagar, Chennai – 600 035

Company Secretaries

Phone: 044 – 43857016 Mobile: 94444 50293

Email: leadcs@gmail.com

NAME OF THE COMPANY	VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED (MUMBAI)
REGISTRATION NUMBER	CINU-65910-MH-1985-PTC-037720 RBI-COR-No: B - 13.01582 dated 22.03.2002
AUTHORISED CAPITAL	Rs.6,00,00,000
ISSUED, SUBSCRIBED & PAID-UP CAPITAL	Rs.3,68,00,000

To

The Members,

Valar Aditi Social Finance Private Limited (Mumbai),

102/A, Ranjit Studio Complex

Dada Saheb Phalkey Road, Dadar

Mumbai – 400014, Maharashtra, India

We have examined the registers, records, books and papers of Valar Aditi Social Finance Private Limited (Mumbai), (the Company) required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the

Company for the financial year ended on 31st March 2013, (financial year).

In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year.

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries required to be made, have been duly recorded therein.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies, or the other authorities under the Act and the rules made there under.
3. The Company being a Private Limited Company has the minimum prescribed Paid-up Capital and its maximum number of members during the said financial year was Six (6) and the company during the year under scrutiny has;
 - i. Not invited public to subscribe for its shares or debentures and
 - ii. Not invited or accepted any deposits from any persons including its members, directors or their relatives.
4. The Board of Directors duly met Four (4) times on the dates referred to Annexure 'C' to this certificate, in respect of which proper notices were given and the proceedings were properly recorded and signed in the minute's book maintained for the purpose.
5. The Company was not required to close its Register of Members or Debenture Holders during the financial year.
6. The Annual General Meeting of the Company for the financial year ended on 31st March 2012 was convened on 28TH September 2012 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. There was no Extra-Ordinary General meeting held during the financial year.
8. The Company, being a private company, the provisions of Section 295 of the Companies Act, 1956 are not applicable to the Company.
9. As explained to us, the Company has entered into related party transactions for the issue of equity shares and for the lending activity during the financial year.
10. During the year the Company has made necessary entries in the register maintained under Section 301 of the Companies Act, 1956.
11. As there were no instances falling within the purview of Section 314 of the Act, there was no necessity for the Company to obtain approvals from the members or Central Government, as the case may be.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company has:
 - (i) Allotted 87,050 Equity Shares of Rs.100/- each on 14th March 2012 and has delivered all the certificates on allotment of securities and have duly filed all necessary forms with the Registrar of Companies (Mumbai) and there was no other transfer/transmission of securities during the year;
 - (ii) Not deposited any amount in a separate bank account as no dividend was declared during the financial year;

- (iii) Not posted warrants to any member of the Company as no dividend was declared during the financial year;
 - (iv) Not paid any equity dividend from the date of incorporation and hence transferring of unpaid or unclaimed dividend to the unpaid dividend account, education and protection fund does not arise;
 - (v) Neither held any application money due for refund nor any deposit that was matured and therefore transferring of unpaid, unclaimed deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years, to Investor Education and Protection Fund does not arise.
 - (vi) Duly complied with the provisions of Section 217 (2A) of the Companies Act, 1956;
14. The Board of directors of the Company is duly constituted and the provisions of the Companies Act, 1956 relating to the directors appointment, resignation, retirement and re-appointment have been duly complied. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
 15. The Company being a Private Company, the provisions of Section 269 of the Companies Act, 1956 with regard to appointment of managing director/whole-time director/manager are not applicable.
 16. The Company has not appointed any sole selling agents during financial year.
 17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities prescribed under the various provisions of the Companies Act.
 18. The Directors have complied with the requirements as to disclosure of interests and concerns in other firms/companies pursuant to the provisions of the Act and the rules made there under.
 19. The Company has issued 87,050 Equity Shares of Rs.100/- each on 15th November 2012 to the resident individuals during the financial year.
 20. The Company has not bought back any shares during the financial year.
 21. The Company has not issued any redeemable Preference Shares or Debentures and hence there was no question of redemption of Preference Shares or Debentures during the financial year.
 22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, right shares and bonus shares pending registration of transfer of shares.
 23. The Company has not invited/accepted any deposits falling within the purview of Section 58A, during the financial year.
 24. The company has not borrowed any moneys from banks, financial institutions and others during the financial year so as to attract the provisions relating borrowing under section 293 (1) d of the Companies Act, 1956.
 25. The Company has not made any loans or advances or given guarantee or provided any security to other bodies corporate and consequently no entries were required to be made in the registers kept for the purpose.
 26. The Company being a private limited company, the provisions of Section 372-A of the Companies Act, 1956 are not applicable.
 27. The Company has not altered the provisions of the Memorandum with respect to the situation clause of the company's registered office from one state to another during the year under scrutiny.

28. The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
30. The Company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
31. The Company has not altered its articles of association during the financial year
32. There was no prosecution initiated against or show cause notices received by the company, during the financial year, for offences under the Act.
33. The Company has not received any money as security from its employees during the year.
34. The Company has deposited both employees and employers' contribution to Provident Funds during the financial year, with prescribed authorities within the prescribed period specified under the Employees Provident Act; hence the application of Sec 418 of the Companies Act, 1956 does not arise.

Place: Chennai Date: 18 July 2013	For B.M. & Associates Name of the Company Secretary : M. Manoharan C.P No: 6240
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Annexure "A"

REGISTERS AS MAINTAINED BY THE COMPANY

S. No.	Section Number	Name of the Register/s
1.	108	Share Transfer Register
2.	150	Register of Members
3.	193	Minutes of all meetings of Board of Directors
4.	193 (1)	Minutes of General Meetings
5.	303	Register of Directors
6.	307	Register of Directors' Shareholding
7.	301	Register of Contracts in which directors are interested
8.	143	Register of Charges
9.	-	Board Meeting Attendance register

Annexure “B” - SECRETARIAL COMPLIANCE CERTIFICATE

Returns/Documents/Forms filed with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March 2013.

Sl. No.	Form No.	Relevant Section	Description	Date of filling	Whether filed within prescribed time Yes/ No	If delay in filing is requisite additional fee paid Yes/No
1.	Form 20 B	159	Annual Return in respect of AGM held on 28th September 2012	20.10.2012	Yes	No
2.	Form 23ACA, 23AC	220	Annual Report for the period ended 31st March 2012	12.10.2012	Yes	No
3.	Form 66	383 A	Compliance Certificate for the period ended 31st March 2012	09.10.2012	Yes	No
4.	Form 2	75	Issue & Allotment of 87,050 Equity Shares of Rs.100/-each made on 15th November 2012	05.07.2013	No	Yes
5.	Form 23 B	224(1) A	Information by Auditor to register 31st March 2012	07.08.2012	No	Yes
6.	Form 23 B	224(1) A	Information by Auditor to register 31st March 2013	02.04.2013	No	Yes

Central Government NIL

Regional Director NIL

Annexure ‘C’

The following Board Meetings were held during the financial year 2012-13.

1st Quarter (Apr – June)	2nd Quarter (July – Sep)	3rd Quarter (Oct – Dec)	4th Quarter (Jan – Mar)
4TH April, 2012	27th August, 2012	15th November, 2012	12th March, 2013

Place: Chennai Date: 18 July 2013	For B.M. & Associates Name of the Company Secretary : M. Manoharan C.P No: 6240
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6. AUDITORS' REPORT

M/s AROCKIASAMY & RAJ
Chartered Accountants

H.O. No.2/33, Second Cross Street
West C.I.T. Nagar, Chennai – 600035
Phone: 044-65381661, 24340415
Mobile: 9444035374
Email: anaga_in@yahoo.co.uk

TO MEMBERS OF VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED, (MUMBAI)

A. Report on the Financial Statements

We have audited the accompanying financial statements of Valar Aditi Social Finance Private Limited, (Mumbai) ("the Company") which comprises the Balance Sheet as at March 31, 2013 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date along with a summary of significant accounting policies and other explanatory information, annexed thereto, which we have signed under reference to this report.

B. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

C. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments; the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

D. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us ;
- c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from branches not visited by us;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) Since the Central Government has not issued any notification as to the rate at which the Cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said Section, prescribing the manner in which such Cess is to be paid, no Cess is due and payable by the Company.

E. Opinion

Further to our comments in the annexure referred above we report that:

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. In the case of Balance Sheet, of the State of Affairs of the Company as at March 31, 2013;
- ii. In the case of Profit & Loss Account, of the Profit/Loss for the year ended on that date; and
- iii. In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Place: Madurai Date: 18 July 2013	For M/s AROCKIASAMY & RAJ Chartered Accountants Firm Regn. No.006850-S (P.AROCKIASAMY) Partner Memb. No. 018348
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7. ANNEXURE TO THE AUDITORS' REPORT

M/s AROCKIASAMY & RAJ
Chartered Accountants

H.O. No.2/33, Second Cross Street
West C.I.T. Nagar, Chennai – 600035
Phone: 044-65381661, 24340415
Mobile: 9444035374
Email: anaga_in@yahoo.co.uk

REFERRED TO IN OUR REPORT OF EVEN DATE TO MEMBERS OF VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED, (MUMBAI)

[Pursuant to the Company (Auditor's Report) order, 2003]

In Respect of items stated in Paragraph 4 of the Order:

1. The Company has not granted any loan secured or unsecured to companies, firms or other parties listed in the register required to be maintained under Section 301 of the Companies Act, 1956.
2. In our opinion and according to the information and explanations given to us, the terms and conditions of such loan are not *prima facie* prejudicial to the interest of the company and there is no overdue amount in respect of the aforesaid loan.
3. In our opinion and according to the information and explanations given to us, the company has adequate internal control systems commensurate with the size and nature of its business.
4. According to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Act that need to be entered in the register required to be maintained under that section.
5. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
6. The Company has an internal audit system which in our opinion is commensurate with the size and nature of its business.
7. The Company has been regular in depositing statutory dues with appropriate authorities. As on the last date of the financial year there are no dues outstanding for more than six months.
8. According to the information and explanations given to us, there were no disputed amounts payable in respect of Income Tax, Sales Tax, and Custom Duty which were outstanding as at March 31, 2013 for a period more than six months from the date they become payable.
9. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. The Company does not deal or trade in shares, debentures, or other investments.
11. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
12. The Company is in the business of providing micro finance, which involves provision of short term loans up to a maximum period of 24 months.
13. The Company has not made any preferential allotment of shares to Companies covered in the register maintained under section 301 of the Act.
14. The Company has not issued any debenture during the year.
15. The Company, during the year has not raised any money through public issue of shares.
16. Other clauses of the order are not applicable to the Company.

Place: Madurai
Date: 18 July 2013

For M/s AROCKIASAMY & RAJ
Chartered Accountants - Firm Regn. No.006850-S

(P.AROCKIASAMY)
Partner Memb. No. 018348

8. AUDITORS' REPORT TO MEMBERS PURSUANT TO NBFC (RESERVE BANK) DIRECTIONS 1998

M/s AROCKIASAMY & RAJ
Chartered Accountants

H.O. No.2/33, Second Cross Street
West C.I.T. Nagar, Chennai – 600035
Phone: 044-65381661, 24340415
Mobile:9444035374
Email: anaga_in@yahoo.co.uk

We have audited the attached Balance Sheet of VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED, (MUMBAI) as at

March 31, 2013 and the annexed Income & Expenditure Account for the year ended on that date & report that:

Further to our audit report of even date issued under section 227(2) of the Companies Act, 1956, and as required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank Directions 1998), and based on the information and explanations given to us and the records produced, we state below a statement on matters specified in paragraph 3 of the said directions.

IN THE CASE OF ALL NON-BANKING FINANCIAL COMPANIES (PARAGRAPH 3(A) OF THE ORDER)

The Company has obtained a certificate of registration as Non-Banking Financial Company vide certificate No.B-13.01582 dated March 22, 2002 pursuant to Sec. 451A of the Reserve Bank of India Act,1934(2of 1934).

IN THE CASE OF NON-BANKING FINANCIAL COMPANIES NOT ACCEPTING PUBLIC DEPOSITS (PARAGRAPH 3(C) OF THE ORDER):

The board of directors has passed a resolution in the meeting held on 04.04.2012 in respect of non-acceptance of any public deposits.

The Company has not accepted any public deposits during the period under review.

The Company has during the period ended March 31, 2013, complied with the prudential norms relating to income recognition, assets classification besides adopting established accounting standards, prudent provisioning policy for bad & doubtful debts, prescribed fair practice code & KYC norms as per RBI Directions.

The Company has maintained the required capital adequacy ratio. The accounting policies adopted by the company in adherence to prudent accounting standards are reported in the notes forming part of accounts.

The Company has fulfilled the requisite conditions as indicated in the annexure to this report for being classified as an NBFC-MFI as per RBI guidelines in this regard

The company maintains the cap with regard to interest rates and the margin prescribed by the RBI for NBFC-MFI vide circular DNBS.PD.No.235/CGM (US) dated December 02, 2011

Place: Madurai
Date: 18 July 2013

For M/s AROCKIASAMY & RAJ
Chartered Accountants - Firm Regn. No.006850-S

(P.AROCKIASAMY)
Partner Memb. No. 018348

Annexure to the Auditor's Report

The degrees of compliance with each of the conditions stipulated by the RBI vide Circular No. DNBS CC. PD No. 250/03.10.01/2011-12 dated December 2, 2011 to be classified as an NBFC – MFI is as follows:

S. No	Conditions laid down by the RBI	Degree of compliance
1	Maintaining a minimum Net Owned Fund of Rs 5 Crores	Net owned funds as on 31.3.2013 is Rs. 4,17,01,557/-
2	Qualifying Asset should not less than 85% of the Total Assets of MFI	Total qualifying asset is 90 % of the total assets of the MFI.
3	Loan disbursed to a borrower with a rural household annual income not exceeding Rs. 60,000 or urban and semi-urban household income not exceeding Rs. 1,20,000	As per the declaration given by the management, the condition has been complied.
4	Loan amount does not exceed Rs. 35,000 in the first cycle and Rs. 50,000 in subsequent cycles	As per the declaration given by the management, the condition has been complied.
5	Total indebtedness of the borrower does not exceed Rs. 50,000	As per the declaration given by the management, the condition has been complied.
6	Tenure of the loan not to be less than 24 months for loan amount in excess of Rs. 15,000 with prepayment without penalty	As per the declaration given by the management, the condition has been complied
7	Loan to be extended without collateral	As per the declaration given by the management, the condition has been complied.
8	Aggregate amount of loans, given for income generation, is not less than 75 per cent of the total loans given by the MFIs	As per the declaration given by the management, the condition has been complied.
9	Loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower	As per the declaration given by the management, the condition has been complied.

9. BALANCE SHEET AS ON 31ST MARCH 2013

BALANCE SHEET AS AT	Ref	31st Mar'13 (in Rupees)	31st March'12 (in Rupees)
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
Share Capital	14.1	36,800,000	28,095,000
Reserves & Surplus (Net)	14.2	5,098,357	2,411,755
(2) Non- Current Liabilities			
Long-Term Borrowings		--	--
Deferred Tax Liabilities (Net)		--	--
(3) Current Liabilities			
Short-Term Borrowings		--	--
Other Current Liabilities	14.3.1	547,713	468,094
Short-Term Provisions	14.3.2	1,329,882	365,479
TOTAL		43,775,952	31,340,328
II. ASSETS			
(1) Non-Current Assets			
a) Fixed Assets -(i) Tangible Assets	14.5		
Furniture & Fixtures		--	--
Vehicles		--	--
Office Equipment		--	--
Computer Hardware, Laptops & Accessories		--	--
(ii) Intangible Assets			
Computer Software & License		--	--
b) Non-Current Investments		--	--
c) Deferred Tax Assets (Net)		--	--
d) Long-Term Loans & Advances		--	--
e) Unamortized Expense Items		131,200	196,800
(2) Current assets			
(i) Cash and Cash Equivalents	14.4.1	27,695,476	8,930,198
(ii) Receivables under Financing Activity	14.4.2	14,520,673	21,459,049
(iii) Short-Term Loans & Advances	14.6	1,177,455	394,711
(iv) Unamortized Expense Items		65,600	65,600
(v) Interest receivable on Loans		185,548	293,970
TOTAL		43,775,952	31,340,328

Note: Contingent Liabilities - Nil

The significant accounting policies & notes to accounts form an integral part of the financial statements.

Madurai 18 July 2013	For and on behalf of the Board		As per our report of even date attached For M/s AROCKIASAMY & RAJ Chartered Accountants Firm Regn. No.006850-S
	Bro. I. Sebastian Managing Director	S. Olaganathan Director	
			(P. AROCKIASAMY) Partner Memb. No. 018348

10. INCOME & EXPENDITURE ACCOUNT FOR THE PERIOD ENDING 31ST MARCH 2013

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED	Ref	31st Mar'13 (in Rupees)	31st March'12 (in Rupees)
I. Revenue from Operations	15.1	6,307,724	5,130,658
II. Other Income		168	-
III. Total Revenue (I + II)		6,307,892	5,130,658
IV. Expenses :			
Employee Salary & Benefits	15.2	794,139	841,232
Finance Costs		-	-
Depreciation & Amortization		-	-
Preliminary Expenses Written-off		65,600	65,600
Provision for Doubtful Loans		36,301	53,648
Other Operating Expenses	15.3	1,523,862	3,312,074
Total Expenses (IV)		2,419,902	4,272,554
V. Profit before Extraordinary Items & Tax (III-IV)		3,887,990	858,104
VI. Profit/(Loss) before Tax		3,887,990	858,104
VII. Tax Expense :			
(1) Current tax		1,201,388	273,286
(2) Deferred tax		-	-
VIII. Profit/(Loss) for the period from Continuing Operations		2,686,602	584,818
IX. Profit/(Loss) for the Period		2,686,602	584,818
X. Earnings per equity share :			
(1) Basic		7.30	2.11
(2) Diluted		7.30	2.11
APPROPRIATIONS			
Transfer to Reserve (20 %)		537,320	118,590
Dividend		-	-
Profit/(Loss) for the Current Year		2,149,282	466,228
Add:-Balance brought forward from previous year		2,274,052	1,807,824
Profit carried over to Balance Sheet		4,423,334	2,274,052

The significant accounting policies & notes to accounts form an integral part of the financial statements.

Madurai 18 July 2013	For and on behalf of the Board		As per our report of even date attached For M/s AROCKIASAMY & RAJ Chartered Accountants Firm Regn. No.006850-S
	Bro. I. Sebastian Managing Director	S. Olaganathan Director	
			(P. AROCKIASAMY) Partner Memb. No. 018348

11. CASH FLOW STATEMENT

CASH FLOW STATEMENT	31st Mar'13 (in Rupees)	31st March'12 (in Rupees)
A. CASH INFLOW FROM OPERATING ACTIVITIES		
Profit before Tax	3,887,990	858,104
Add: Provisions	36,301	53,648
Preliminary Expenses Written off	65,600	65,600
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	3,989,891	977,352
(Increase)/Decrease in net Receivables under Financing Activity	6,938,376	(6,041,201)
(Increase)/Decrease in Loans and Advances	(674,322)	(206,633)
Increase/(Decrease) in Current Liabilities	79,619	396,538
CASH: (Used in) from Operation		
Less: Direct Taxes Paid	(273,286)	(265,154)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES A	10,060,278	(5,139,098)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-	-
Preliminary Expenses	-	-
NET CASH (USED IN) /FROM INVESTING ACTIVITIES B	-	-
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Share Capital	8,705,000	8,095,000
NET CASH (USED IN) /FROM FINANCING ACTIVITIES C	8,705,000	8,095,000
Net Increase/(Decrease) in Cash and Cash Equivalents=A+B+C	18,765,278	2,955,902
Cash and Cash Equivalents at the beginning of the Year	8,930,198	5,974,296
Cash and Cash Equivalents at the end of the Year	27,695,476	8,930,198

Madurai 18 July 2013	For and on behalf of the Board		As per our report of even date attached For M/s AROCKIASAMY & RAJ Chartered Accountants Firm Regn. No.006850-S (P. AROCKIASAMY) Partner Memb. No. 018348
	Bro. I. Sebastian Managing Director	S. Olaganathan Director	

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2013

12. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

The Financial Statements are prepared under historical cost convention, on accrual basis of accounting and in consonance with the provisions of Companies Act, 1956 and in compliance to the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) except otherwise stated and to the extent applicable according to the directions stipulated from time to time, by the Reserve Bank of India vide Non-Deposit Accepting or Holding Companies' Prudential Norms (Reserve Bank) Directions, 2007, as amended to date.

During the year the company had withdrawn the service charges payable to the service provider for facilitating livelihood opportunities among the SHG's. As a result of the policy change, only two months service charges have been considered in the accounts resulting in a sizable reduction in the expenditure consequently increasing profits on this account.

B. Use of estimates

The preparation of the financial statements is in conformity with Indian GAAP which requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known/materialize.

C. Revenue Recognition

Interest on loan is recognized on accrual basis of accounting on principal amount of loan outstanding based on the reducing balance on daily products method and the interest will be applied on monthly basis.

Income on non-performing assets is recognized only when realized and no interest, which has remained overdue for more than six months at the end of the accounting period, is treated as income

13. NOTES ON ACCOUNTS

1. BUSINESS OPERATIONS

Valar Aditi Social Finance Private Limited is a non deposit accepting Non-banking Financial Company registered with the Reserve Bank of India vide Certificate No.B-13.01582 dated March 22, 2002. The Company is engaged in micro financing activities directed to the ultimate benefit of poor women groups/individuals for enhancement of their livelihoods in a financially viable manner. Its primary focus is micro lending to these groups through community based mutual benefit trust organizations (private livelihood mutual benefit trusts known as LASSALIAN-MBT-Avudaiyarkovil, LASSALIAN-MBT- Genguvarpatti, VALAR 2010 MBT-Tharangampadi, VALAR 2010 MBT-Kanniyakumari, constituted by such groups). These community based organizations hold the entire capital of the company.

Lending Model

The company's operations is currently confined to the State of Tamil Nadu distributing micro loans based on the SHG model to the needy poor members in the Self-Help Groups who utilize the loan either to start a new enterprise or expand the existing one. The company has recently introduced the multipurpose credit to SHG's affiliated to the MBT's which cover loans for micro -enterprise development, dairy promotion and low housing etc. The MBTs are responsible for prompt collection of loans and to also form new groups and provide training to empower them enhance their skills and capacities to maintain a sustained livelihood.

2. FIXED ASSETS Nil
 3. INVESTMENTS Nil
 4. EARNINGS PER SHARE

Earnings per share is calculated in accordance with the Accounting Standard 20, issued by ICAI

Particulars	For the year ended	
	31.03.2013	31.03.2012
Profit/Loss after Tax (Rs. in Lakhs)	26.87	5.93
Weighted Average Number of Equity shares		
Basic (Nos.)	3,68,000	2,80,950
Earnings per Share (EPS)		
Basic (Rs.)	7.30	2.11
Face Value of Share (Rs.)	100	100

5. TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are recognized for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realizability.

6. PROVISION FOR LOAN LOSSES

Provision for Non Performing Assets is considered as per the norms stated in the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.

Write off policy

Loans are written off as and when the management has exhausted all options for the recovery of principal and interest.

The company has started issuing loans in the current year. The loan instalments are being paid on the due date. Hence no loans have been written off this year.

7. LOANS AND ADVANCES

The Loans and advances are classified as standard assets, sub-standard assets, doubtful assets and loss assets in terms of the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007, as amended to date.

Quality of Portfolio

(Rs in Lakhs)

Quality Classification	Loan Outstanding as on 31.03.2013 (Gross)	Provision for Assets (Net) as at 31.03.2012	Loan Outstanding as on 31.03.2012 (Gross)
Standard assets	145.21	0.92	214.59
Sub-standard assets	-	-	-
Doubtful assets	-	-	-
Loss assets	-	-	-
Total	145.21	0.92	214.59

Other Notes on Loan Portfolio

- i) All loans are collateral free and provided to women self help groups.
- ii) In the opinion of the Board of Directors, all the other loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the accounts.
- iii) No lending has been made to any sensitive sectors like Capital market, Investment in shares & Real Estate.

OPERATING ACTIVITY DETAILS

Particulars	2012-13	2011-12
Loan disbursements (In Rs.)	4,81,19,000	51,611,000
Number of SHGs' given Loans – New	60	367
Number of SHGs' given Loans - Re-loaned	509	152
Number of SHGs' given Loans –Total	569	519
Number of Client borrowers –New	356	2,476
Number of Client borrowers –Re-loaned	3,120	1,268
Number of Client borrowers –Total	3,476	3,744
Average per capita loan size (In Rs.)	13,843	13,785
Average loan size per SHG (In Rs.)	84,567	99,443
Active borrowers at end of the year	3,476	3,744
Number of SHG's formed	350	214
Number of SHGs' enrolled	1,396	1,046
Number of members enrolled	16,752	13,633
On Time Repayment Rate (%)	97.64%	99.56%

Loan Disbursement –Product-Wise				
TYPE OF PRODUCT	2012-13		2011-12	
GROUP LOAN	No. of Loans	Amount Funded (Rs)	No. of Loans	Amount Funded (Rs)
AGRICULTURE	1,646	2,27,83,800	1004	15,772,000
MILCH ANIMAL	1.012	1,40,12,000	1015	14,302,000
SELF EMPLOYMENT	318	43,96,000	1639	20,784,000
HOUSING	6	83,400	57	410,000
EDUCATION	-	-	29	343,000
SMALL BUSINESS	286	39,58,400	-	-
FISHING AND ALLIED ACTIVITIES	208	28,85,400	-	-
TOTAL	3,476	4,81,19,000	3744	5,16,11,000

Loan Disbursement – District-wise (in Rs)		
DISTRICT	2012-13	2011-12
CUDDALORE	75,12,000	61,13,000
NAGAPATTINAM	3,13,39,000	3,62,88,000
PUDUKOTTAI	74,83,000	-
TIRUNELVELLI	17,85,000	-
KANNIYAKUMARI	-	92,10,000
TOTAL	4,81,19,000	5,16,11,000

14. NOTES FORMING PART OF THE BALANCE SHEET

1.1- Disclosure pursuant to Note no. 6(A)(a, b & c) of Part I of Schedule VI to the Companies Act, 1956

1. SHARE CAPITAL		As at 31 March 2013		As at 31 March 2012	
1.	Authorized	Nos.	Rs.	Nos.	Rs.
	Equity Shares of Rs.100/- each	6,00,000	6,00,00,000	6,00,000	6,00,00,000
2.	Issued				
	Equity Shares of Rs.100/- each	3,68,000	3,68,00,000	2,80,950	2,80,95,000
3.	Subscribed & Paid up				
	Equity Shares of Rs.100/- each fully paid	3,68,000	3,68,00,000	2,80,950	2,80,95,000
	TOTAL	3,68,000	3,68,00,000	2,80,950	2,80,95,000

1.2 - Disclosure pursuant to Note no. 6(A)(d) of Part I of Schedule VI to the Companies Act, 1956

Particulars	Equity Shares	
	Nos.	Rs.
Shares outstanding at the beginning of the year	2,80,950	2,80,95,000
Shares Issued during the year	87,050	87,05,000
Shares bought back during the year	-	-
Shares outstanding at the end of the year	3,68,000	3,68,00,000

1.2 - Disclosure pursuant to Note no. 6(A)(g) of Part I of Schedule VI to the Companies Act, 1956

NAME OF SHAREHOLDER (more than 5% holding)	As at 31 March 2013		As at 31 March 2012	
	No of Equity Shares held	% age Holding	No of Equity Shares held	% age Holding
Lasallian Mutual Benefit Trust - Genguvarpatti	143,915	39.11	56,865	20.24
Lasallian Mutual Benefit Trust - Avudaiyarkovil	97,405	26.47	97,405	34.67
Valar 2010 Mutual Benefit Trust - Tharangampadi	76,545	20.80	76,545	27.25
Valar 2010 Mutual Benefit Trust - Kanniayakumari	50,000	13.59	50,000	17.80

2. RESERVES AND SURPLUS		Amount in Rupees	
A. Statutory Reserve		2012-13	2011-12
Opening Balance		137,703	19,113
Add: 20% Transfer from Current Year Surplus		537,320	118,590
	Total (A)	675,023	137,703
B. Surplus			
Opening Balance		2,274,052	1,807,824
Add: Current Year Surplus		2,686,602	584,818
Less: 20% Transfer to Statutory Reserve		(537,320)	(118,590)
	Total (B)	4,423,334	2,274,052
	Total (A+B)	5,098,357	2,411,755

By virtue of the statutory provisions of Chapter III B of RBI Act, 1934 as applicable to NBFC's, the company has appropriated 20 percent of the current year profits after tax equalling Rs.5,37,320/- to the Statutory Reserve (Previous Year – Rs.1,18,590/-) to comply with the regulatory direction of RBI.

3. CURRENT LIABILITIES & PROVISIONS		Amount in Rupees	
1. Other Current Liabilities		2012-13	2011-12
Advance from Self Help Groups		3,30,738	3,96,478
Salary & Allowances		62,237	-
Staff Welfare		49,600	-
Rent, Telephone & Professional Charges		15,296	-
Audit Fees payable		67,416	67,416
Tax Deducted at Source		22,426	4,200
	Total (1)	5,47,713	4,68,094
2. Short Term Provisions			
Contingent Provisions against Standard Assets		1,28,494	92,193
Provision for Income Tax		12,01,388	2,73,286
	Total (2)	13,29,882	365,479

4. CURRENT ASSETS		Amount in Rupees	
1. Cash and Cash Equivalents		2012-13	2011-12
Balances with banks		2,76,77,017	88,96,136
Cash on hand		18,459	34,062
	Total (2)	2,76,95,476	89,30,198
2. Receivables under Financing Activity			
Avudaiyarkovil		24,93,786	-
Thirumalaivasal		24,49,362	76,37,847
Tranquebar		41,04,537	70,74,505
Chidambaram		26,75,460	19,21,197
Mayiladuthurai		25,69,018	-
Nagercoil		2,28,510	48,25,500
	Total (1)	1,45,20,673	2,14,59,049

2.2.1 Portfolio Outstanding –Product-Wise

NAME OF THE PRODUCT	31-Mar-13		31-Mar-12	
	No. of Loans	Loan Outstanding	No. of Loans	Loan Outstanding
AGRICULTURE	1,737	72,54,426	1,033	59,24,347
MILCH COWS	898	37,48,725	1,037	59,41,649
SMALL BUSINESS	260	10,87,393	541	31,02,023
SELF EMPLOYMENT	340	14,20,594	488	27,98,569
HOUSING	8	35,000	9	48,000
FISHING AND ALLIED ACTIVITIES	233	9,74,535	636	36,44,461
TOTAL	3,476	1,45,20,673	3744	2,14,59,049

4.2.2. Analysis of Portfolio at Risk –Total Outstanding

PARTICULARS	31st March 13		31st March 12	
	Amount	%	Amount	%
Current	1,42,88,950	98.40	2,14,59,049	99.76
1 - 30 days late	-	-	-	-
31 -60 days late	-	-	-	-
61 - 90 days late	-	-	-	-
More than 90 days late	2,31,723	1.60	-	0.24
TOTAL	1,45,20,673	100	2,14,59,049	100

4.2.3 On-time Repayment Rate (% age)

PARTICULARS	31st March 13	31st March 12
1st Quarter	92.52%	99.52%
2nd Quarter	97.20%	99.60%
3rd Quarter	100.35%	99.73%
4th Quarter	100.48%	100.20%
Yearly Average	97.64%	99.76%

Disclosure pursuant to Note I (i), (ii), (iii); Note J (i), (ii); Note J & Note L of Part I of Schedule VI to the Companies Act, 1956

5. FIXED ASSETS	Gross Block			Accumulated Depreciation			Net Block	
	Balance as at 1st April 2012	Additions/ Disposals	Balance as at 31st March 2013	Balance as at 31st March 2012	Depreciation for the year	Balance as at 31st March 2013	Balance as at 31 March 2013	Balance as at 31 March 2012
	'	'	'	'	'	'	'	
a Tangible Assets Furniture & Fixtures Inverter & Battery Computer Hardware & Accessories								
	Total							
b Intangible Assets				NIL				
Total								
c Capital Work In Progress								
Total								
d Intangible Assets under Development Computer Software Development								
Total								

6. SHORT TERM LOANS & ADVANCES	Amount in Rupees	
1. Other Current Assets	2012-13	2011-12
Advance – Valar 2010 Cuddalore	-	41,000
Staff Advance	(10,560)	19,440
Interest Accrued	1,85,548	2,93,970
Rental Advance	25,000	25,000
Advance Tax	10,98,160	-
Income Tax	64,855	3,09,271
Total (1)	13,63,003	6,88,681

7. RELATED PARTY TRANSACTIONS (AS-18)

Name of Related Parties and Nature of Relationship (with respect to parties with whom the company had transactions during the year/period)

Nature of Relationship	Name of the Party	
	31st March 2013	31st March 2012
Key Management Personnel Interested	Rev. Dr. I. Sebastian	Rev. Dr. I. Sebastian
	Mr. S. Olaganathan	Mr. S. Olaganathan
Entities wherein Key Management Personnel are Interested	LMBT, Genguvarpatti	LMBT, Genguvarpatti
	LMBT, Avudaiyarkovil	LMBT, Avudaiyarkovil
	Valar 2010 MBT - Tharangampadi	Valar 2010 MBT- Tharangampadi
	Valar 2010 MBT - Kanniyakumari	Valar 2010 MBT - Kanniyakumari

TRANSACTIONS WITH RELATED PARTIES

(Rs. in Lakhs)

Nature of Transactions	Related Party	For the year ended	
		31.03.2013	31.03.2012
Issues of Equity Shares	Mr. S. Olaganathan	0.05	0.05
	Rev. Dr. I. Sebastian	0.09	0.09
	Sub-Total	0.14	0.14
	LMBT, Genguvarpatti	143.91	56.86
	LMBT, Avudaiyarkovil	97.41	97.41
	Valar 2010 MBT - Tharangampadi	76.54	76.54
	Valar 2010 MBT - Kanniyakumari	50.00	50.00
	TOTAL	368.00	280.95

TRANSACTIONS WITH RELATED PARTIES

(Rs. in Lakhs)

Nature of Transactions	Related Party	For the year ended	
		31.03.2013	31.03.2012
Lending activity	Avudaiyarkovil	24.94	-
	Thirumalaivasal	24.49	76.38
	Tranquebar	41.05	70.74
	Chidambaram	26.75	19.21
	Mayiladuthurai	25.69	-
	Nagercoil	2.29	48.26
	Total	145.21	214.59
	TOTAL	368.00	280.95

15. NOTES TO INCOME & EXPENDITURE ACCOUNT

1.1 REVENUE FROM OPERATIONS			
Interest from Lending to SHGs		63,07,724	51,30,658
TOTAL		63,07,724	51,30,658
1.2 EMPLOYEE SALARIES & BENEFITS			
Salaries & Benefits		794,139	841,232
TOTAL		794,139	841,232
1.3 OTHER EXPENSES			
Service charges		476,600	2,326,957
Professional charges		113,616	34,074
Conveyance & travelling		206,712	270,805
Bank charges		4,541	12,614
Filing fees		5,000	62,056
Printing & Stationery		44,698	43,274
Audit fees		67,416	67,416
Honorarium		240,000	240,000
Office Rent		120,000	101,500
Advertisement		-	8,000
Directors Sitting Fees		17,000	35,000
Miscellaneous expenses		62,064	16,929
Office Maintenance		122,597	-
Postal & Telephone charges		43,618	93,449
TOTAL		1,523,862	3,312,074

8. MISCELLANEOUS INFORMATION

a) Other Income

Interest on term deposit has been accounted on time proportion basis using underlying Interest Rate.

b) Sale of Investments during the year

No investments has been sold during the year (Previous year Nil).

c) Remuneration to Auditors

Particulars	For the year ended	
	31.03.2013	31.03.2012
a. as Auditor	67,416	67,416
b. for Other Services	-	-
Total	67,416	67,416

d) Previous year's figures

The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Madurai 18 July 2013	For and on behalf of the Board		As per our report of even date attached For M/s AROCKIASAMY & RAJ Chartered Accountants Firm Regn. No.006850-S
	Bro. I. Sebastian Managing Director	S. Olaganathan Director	
			(P. AROCKIASAMY) Partner Memb. No. 018348

16. ENCLOSURE TO NOTES FORMING PART OF ACCOUNTS

For the year ended 31.03.2013

The information relating to the balance sheet abstract and the company's general business profile as per Part IV of Schedule VI to the Act, 1956 is as under

1. Registration Details

Certification of Incorporation	U	6	5	9	1	0	-	M	H	-	1	9	8	5	-	P	T	C	0	3	7	7	2	0	
Registration No. (RBI -C.O.R.)	B	-	1	3	-	0	1	5	8	2	d	a	t	e	d	-	2	2	0	3	2	0	0	2	
Balance Sheet Date	3	1	0	3	2	0	1	3																	

2. Capital raised during the year (Amount in Rs. Thousand)

Public Issue

			N	I	L
--	--	--	---	---	---

Right Issue

				N	I	L
--	--	--	--	---	---	---

Bonus Issue

			N	I	L
--	--	--	---	---	---

Private Placement

	8	7	0	5	0	0	0
--	---	---	---	---	---	---	---

3. Position of Mobilization and deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

4	1	8	9	8	3	5	7
---	---	---	---	---	---	---	---

Total Assets

4	1	8	9	8	3	5	7
---	---	---	---	---	---	---	---

Source of Funds Paid up Capital

3	6	8	0	0	0	0	0
---	---	---	---	---	---	---	---

Reserves and Surplus

3	5	0	9	8	3	5	7
---	---	---	---	---	---	---	---

Secured Loans

			N	I	L
--	--	--	---	---	---

Unsecured Loans

			N	I	L
--	--	--	---	---	---

Deferred Tax Liability

			N	I	L
--	--	--	---	---	---

Investments

			N	I	L
--	--	--	---	---	---

Application of Funds Net Fixed Assets

			N	I	L
--	--	--	---	---	---

Miscellaneous Expenditure

	1	9	6	8	0	0
--	---	---	---	---	---	---

Net Current Assets

4	1	7	0	1	5	5	7
---	---	---	---	---	---	---	---

Total Expenditure

2	4	1	9	9	0	2
---	---	---	---	---	---	---

Profit / (Loss) before tax

3	8	8	7	9	9	0
---	---	---	---	---	---	---

Profit / (Loss) after tax

2	6	8	6	6	0	2
---	---	---	---	---	---	---

Earnings per share Rs.

		7	-	3	0
--	--	---	---	---	---

Dividend

			N	I	L
--	--	--	---	---	---

5. Generic Name of Principal Product/Services

Item Code No. (ITC Code)

	0	6	5	9	9
--	---	---	---	---	---

Product Description:

M	I	C	R	O	-	F	I	N	A	N	C	I	A	L	S	E	R	V	I	C	E	S
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Madurai 18 July 2013	For and on behalf of the Board										As per our report of even date attached For M/s AROCKIASAMY & RAJ Chartered Accountants Firm Regn. No.006850-S									
	Bro. I. Sebastian Managing Director										S. Olaganathan Director (P. AROCKIASAMY) Partner Memb. No. 018348									



VALAR ADITI SOCIAL FINANCE PRIVATE LIMITED

CORPORATE OFFICE
8-4-54-A, George Puram,
Batlagundu Main Road, Nilakottai
PO – 624208, Dindigul District, Tamil Nadu