

Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 1: Share Capital

Particulars	As at 31st March 2014		As at 31st March 2013	
	Number of Shares	Amount	Number of Shares	Amount
(a) Authorised Equity shares of ₹ 10 each each with voting rights	5,500,000	55,000,000	4,500,000	45,000,000
(b) Issues, Subscribed and fully paid up Equity shares of ₹ 10 each each with voting rights	4,582,900	45,829,000	2,683,500	26,835,000
Total	4,582,900	45,829,000	2,683,500	26,835,000

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Fresh issue	Closing Balance
Equity shares with voting rights Year ended 31 March, 2014			
- Number of shares	2,683,500	1,899,400	4,582,900
- Amount (₹)	26,835,000	18,994,000	45,829,000
Year ended 31 March, 2013			
- Number of shares	2,205,000	478,500	2,683,500
- Amount (₹)	22,050,000	4,785,000	26,835,000

Navarathna Financial Services Ltd

Notes forming part of the Financial Statements for the year ended 31st March 2014

(ii) Details of shares held by each shareholder holding more than 5% shares:				
Class of shares / Name of shareholder	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights:				
Mr T Sockalingam	465,450	10.16%	220,000	8.20%
Mr TR Ramanathan	322,850	7.04%	322,850	12.03%
M/s Prakala Wealth Management Pvt Ltd	436,150	9.52%	436,150	16.25%
Ms Sockalingam Vallikannu	465,000	10.15%	220,000	8.20%
Ms Subramanian Vallikannu	330,000	7.20%	220,000	8.20%
Mr A Baskar	330,000	7.20%	220,000	8.20%
M/s Kuvera Real Assets and Consulting Pvt Ltd	653,500	14.26%	439,000	16.36%
Mr A.Chandresekhar	268,500	5.86%	105,000	3.91%
Ms V.Devikala	926,500	20.22%	1,000	0.04%

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Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 9: Fixed Assets

Particulars		Gross Block			Depreciation Block			Net Block	
Description	Dep. Rate	As on 01.04.2013	Additions	As on 31.03.2014	Upto 31.03.2013	For the Year	Upto 31.03.2014	As on 31.03.2014	As on 31.03.2013
Electrical & Fittings	13.91%	12,122	-	12,122	2,501	1,686	4,187	7,935	9,621
Computer	40%	48,550	63,500	112,050	17,502	28,547	46,049	66,001	31,048
Furniture & Fittings	18.10%	37,131	202,935	240,066	5,996	19,050	25,046	215,020	31,135
Iron Door	18.10%	162,832	125,000	287,832	20,756	31,395	52,151	235,681	142,076
Inverter	13.91%	16,500	32,000	48,500	2,300	3,697	5,997	42,503	14,200
Safe Vault	13.91%	142,300	-	142,300	28,384	19,794	48,178	94,122	113,916
Laser Printer	40%	10,050	10,800	20,850	661	5,002	5,663	15,187	9,389
Weighing Machine	13.91%	6,300	9,000	15,300	317	1,270	1,587	13,713	5,983
Total		435,785	443,235	879,020	78,417	110,441	188,858	690,162	357,368

Previous year's figures

233,461

202,324

435,785

19,103

59,314

78,417

357,368

Navarathna Financial Services Ltd

Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 2: Reserves & Surplus

Particulars	As at 31 March, 2014	As at 31 March, 2013
(a) Securities premium account		
Opening Balance	780,000	-
Additions during the year	3,749,600	780,000
Utilisation for the year	-	-
Closing Balance	4,529,600	780,000
(b) General Reserve		
Opening balance	1,450,181	619,900
Add : Net Profit Transferred from Statement of Profit & Loss	4,056,029	1,037,851
	5,506,210	1,657,751
Less: Transfer to Statutory Reserve	811,206	207,570
Closing Balance	4,695,004	1,450,181
(c) Statutory Reserve		
Opening balance	207,570	-
Add : Transfer from Surplus in Profit & Loss Statement for the year	811,206	207,570
Closing Balance	1,018,776	207,570
Total	10,243,380	2,437,751

Note 3: Share Application Money Pending Allotment

Particulars	As at 31 March, 2014	As at 31 March, 2013
Share Application Money Pending Allotment	192,500	5,955,000
Total	192,500	5,955,000

Note 4: Long Term Borrowings

Particulars	As at 31 March, 2014	As at 31 March, 2013
Unsecured, considered good Loans and advances from related parties	2,359,284	2,800,000
Total	2,359,284	2,800,000

Navarathna Financial Services Ltd

Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 5: Deferred Tax Liabilities

Particulars	As at 31 March, 2014	As at 31 March, 2013
Deferred Tax Asset	29,158	43,784
Deferred Tax Liability	161,240	9,347
Total	132,082	(34,437)

Note 6: Trade Payables

Particulars	As at 31 March, 2014	As at 31 March, 2013
Sundry Creditors	110,790	101,455
Outstanding Liabilities	60,000	155,650
Total	170,790	257,105

Note 7: Other current liabilities

Particulars	As at 31 March, 2014	As at 31 March, 2013
Interest Payable	-	147,752
Income received in advance	823,036	104,540
TDS Payable	23,112	18,276
Payables on purchase of fixed assets	30,000	-
Managerial Remuneration Payable	97,097	-
Total	973,245	270,568

Note 8: Short Term Provisions

Particulars	As at 31 March, 2014	As at 31 March, 2013
Provision for Taxation(Net of Taxes paid and TDS)	290,903	18,557
Contingent Provisions against Standard Assets	284,501	88,007
Total	575,404	106,564

Navarathna Financial Services Ltd

Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 10: Long Term Loans & Advances

Particulars	As at 31 March, 2014	As at 31 March, 2013
Secured, considered good:		
Loans against security of jewellery	748,300	1,698,500
Loans against other securities	792,880	-
	1,541,180	1,698,500
Unsecured, considered good:		
Rental Deposits	675,000	525,000
Other Deposits	820	820
	675,820	525,820
Total	2,217,000	2,224,320

Note 11: Current Investments

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	No of Units	Amount	No of Units	Amount
UNQUOTED				
HDFC Floating Rate Income Fund-STP (units acquired during the year is 230195.159)	230,195	5,000,000	-	-
HDFC Liquid Fund-Growth (units acquired during the year is 1008382.14 and units sold during the year is 753710.321)	254,672	6,326,409	-	-
Sundaram Flexi Fund STP Bonus Option (units acquired during the year is 101689.272 and units sold during the year is 51332.293)	50,357	495,204	-	-
Sundaram Money Fund Growth (units acquired during the year is 19279.095)	19,279	518,569	-	-
Total		12,340,182	-	-

Note 12: Cash & Bank Balances

Particulars	As at 31 March, 2014	As at 31 March, 2013
i) Cash and Cash Equivalents		
Cash in Hand	780,714	318,570
Balance in Banks -in current accounts	941,240	948,633
Total	1,721,954	1,267,203

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Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 13: Short Term Loans and Advances

Particulars	As at 31 March, 2014	As at 31 March, 2013
Secured, considered good:		
Loans against security of jewellery	36,272,402	33,054,524
Loans against other securities	4,176,979	449,860
Total	40,449,381	33,504,384

Note 14: Other current assets

Particulars	As at 31 March, 2014	As at 31 March, 2013
Unsecured considered good:		
Interest Accrued On Jewel Loans	3,040,561	1,274,218
Commission receivable	-	58
Others	16,445	-
Total	3,057,006	1,274,276

Navarathna Financial Services Ltd

Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 15: Revenue from operations

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
Interest Income	8,132,753	3,387,580
Commission Received	9,271	64
Total	8,142,024	3,387,644

Note 16: Other Income

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
Net Gain on sale of current investments	480,183	379,235
Other non-operating income	603,579	17,453
Total	1,083,762	396,688

Note 17: Employee benefit expense

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
Salaries and Wages	1,385,326	628,973
Staff Welfare Expenses	16,933	3,667
Total	1,402,259	632,640

Note 18: Finance Costs

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
Interest paid on :		
i) Borrowings	366,762	199,901
ii) Others	657	110,445
Total	367,419	310,346

Navarathna Financial Services Ltd

Notes forming part of the Financial Statements for the year ended 31st March 2014

Note 19: Other Expenses

Particulars	For the year ended 31st March 2014	For the period ended 31st March 2013
Power and Fuel	21,080	8,991
Legal and Professional	114,451	172,000
Rent	217,450	116,000
Audit Fees	101,124	84,270
Insurance	100,003	49,584
Repairs and maintenance - Buildings	121,095	457,928
Repairs and maintenance - Computers	40,380	5,400
Repairs and maintenance - Others	126,525	92,393
Miscellaneous Expenses	249,138	111,090
Total	1,091,246	1,097,656

NAVARATHNA FINANCIAL SERVICES LIMITED

Notes forming part of the financial statements

Note 20: Corporate Information

Navarathna Financial Services Limited (NFSL) is a public limited company incorporated under Indian Companies Act, 1956 with the primary object of carrying on money lending business. Accordingly the company had applied for registration with Reserve Bank of India (RBI) as Non-Banking Financial Institution during the financial year 2012-13 and has obtained the Certification of Registration on 15th May 2012.

Note 21: Significant Accounting Policies

a. Accounting Convention

The financial statements have been prepared on the historical cost convention and in accordance with the mandatory accounting standards. These financial statements have been prepared in accordance with Generally Accepted Accounting Principles and in accordance with the Accounting Standards as prescribed by the Institute of Chartered Accountants of India and referred to in section 211(3)(c) of the Companies Act 1956.

The company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India for Non-Deposit taking Non-Banking Financial Companies

b. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reporting year. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

c. **Revenue Recognition:**

Interest income including overdue interest is recognized on accrual basis. Expenditures are generally accounted on accrual as they are incurred.

d. **Fixed Assets and Depreciation:**

Fixed Assets are stated at Cost less depreciation. Depreciation is provided on Written Down Value Method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Assets costing less than Rs. 5,000 individually should be depreciated at 100%.

e. **Investments:**

Current Investments are stated at lower of cost or market value or net asset value. Profit / (Loss) on Sale of Investments is recognized based on average cost of investment.

f. **Related Party Disclosures:**

Information on transactions with related parties has been provided in the format specified by ASI-13. Disclosure is made party wise, in respect of material related party transactions as specified in ASI-13.

g. **Taxation:**

Income Tax:

The current charge for income taxes is calculated in accordance with the relevant tax regulations.

Deferred Tax:

Deferred tax resulting from timing differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or

substantively enacted as on the balance sheet date. The deferred tax asset is recognized when there is virtual certainty that the asset will be realized in future.

h. Earnings Per Share

- The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share. Basic earnings per share is computed by dividing the net profit/(loss) after tax by the weighted average number of equity shares outstanding during the year. The Company does not have any outstanding securities convertible into equity shares of the Company and hence there is no dilution in the Earnings per share

i. Provisions And Contingent Liabilities

- i. The Company creates a provision where there is a present obligation as a result of a past event, which could be reliably estimated, and it is probable that an outflow of resources embodying economic benefits will be required for its settlement.
- ii. Disclosures for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources.

Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 22: Earnings Per Share – Basic and Diluted

	2013-2014	2012-2013
(a) Profit/(Loss) for the year after taxation (in Rs.)	4056029	1037851
(b) Weighted Average No. of equity shares of face value of Rs. 10/- each (in numbers)	3611499	2230112
(c) Basic and diluted Earnings Per Share (in Rs.)	1.12	0.47

Note 23: Deferred Tax Liability comprises of the following

	(Amount in Rs.)	
	31.03.2014	31.03.2013
a) Deferred Tax Liability Relating to depreciation	7836	13335
Relating to Short Term Capital Loss	153404	-
b) Deferred Tax Asset Relating to Preliminary Expenses	(29158)	(43784)
Net Deferred Tax (Asset)/Liability	132082	(30512)

Note 24: Contingent Provisions against Standard Assets:

The company has made provisions against Standard Assets @ 0.50% on Gold Loans and 2.00% on Non Gold Loans as against the statutory requirement of 0.25% provision on all Loans.

Note 25: Related Party Disclosure:

The following are the list of related parties as envisaged in Accounting Standard 18 issued by Institute of Chartered Accountants of India (ICAI) pertaining to related party disclosures :

<u>Name of the Related Party</u>	<u>Nature of Relationship</u>
Chokkalingam Palaniappan	Key Management Personnel

(Amount in Rs.)		
Nature of Transactions	Transactions for the year	Year end balance
Directors' Remuneration	97,097	97,097

Note 26: Disclosure pursuant to Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007:

(Amount in Rs.)

Sl No.	Particulars		
	Liabilities Side:	Amount Outstanding	Amount Overdue
(1)	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	- (-)	- (-)
	- Unsecured (other than falling within the meaning of public deposits)	- (-)	- (-)
	(b) Deferred Credits	- (-)	- (-)
	(c) Term Loans	- (-)	- (-)
	(d) Inter Corporate loans and borrowing	- (-)	- (-)
	(e) Commercial Paper	- (-)	- (-)
	(f) Other Loans – representing unsecured loans from directors and their relatives	23,59,284 (28,00,000)	- (-)
	Assets Side:		
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
	(a) Secured	4,50,31,122 (3,64,77,102)	
	(b) Unsecured	- (-)	
(3)	Break up of Leased Assets and stock on hire and other assets counting towards AFC activities.		
	(i) Lease assets including rentals under sundry debtors:		
	(a) Financial Lease	- (-)	
	(b) Operating Lease	- (-)	

	(ii) Stock on hire including hire charges under sundry debtors:	
	(a) Assets on hire	-
		(-)
	(b) Repossessed Assets	-
		(-)
	(iii) Other loans counting towards AFC activities:	
	(a) Loans where assets have been repossessed	-
		(-)
	(b) Loans other than (a) above	-
		(-)
(4)	<u>Break-up of Investments:</u>	
	<u>Current Investments:</u>	
	1. <u>Quoted:</u>	
	(i) Shares:	
	(a) Equity	-
		(-)
	(b) Preference	-
		(-)
	(ii) Debentures and Bonds	-
		(-)
	(iii) Units of Mutual Funds	-
		(-)
	(iv) Government Securities (Net of amortization)	-
		(-)
	(v) Others	-
		(-)
	2. <u>Unquoted:</u>	
	(i) Shares:	
	(a) Equity	-
		(-)
	(b) Preference	-
		(-)
	(ii) Debentures and Bonds	-
		(-)
	(iii) Units of Mutual Funds	1,23,40,182
		(-)
	(iv) Government Securities (Net of amortization)	-
		(-)
	(v) Others	-
		(-)

(5)	Borrower group-wise classification of assets financed as in (2) and (3) above:			
	Category	Amount Net of Provisions		
		Secured	Unsecured	Total
	1. Related Parties	- (-)	- (-)	- (-)
	(a) Subsidiaries	- (-)	- (-)	- (-)
	(b) Companies in the same management	- (-)	- (-)	- (-)
	(c) Other related parties	- (-)	- (-)	- (-)
	2. Other than related parties	4,50,31,122 (3,64,77,102)	- (-)	4,50,31,122 (3,64,77,102)
	Total	4,50,31,122 (3,64,77,102)	- (-)	4,50,31,122 (3,64,77,102)
(6)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):			
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	
	1. Related Parties			
	(a) Subsidiaries	- (-)	- (-)	
	(b) Companies in the same management	- (-)	- (-)	
	(c) Other related parties	- (-)	- (-)	
	2. Other than related parties	1,23,40,182 (-)	1,23,40,182 (-)	
	Total	1,23,40,182 (-)	1,23,40,182 (-)	
(7)	Other Information			
	Particulars	Amount		
(i)	Gross Non-Performing Assets			
	(a) Related Parties	- (-)		
	(b) Other than related parties	- (-)		

(ii)	Net Non-Performing Assets	
	(a) Related Parties	- (-)
	(b) Other than related parties	- (-)
(iii)	Assets acquired in satisfaction of debt	- (-)

Figures in brackets represents figures as on 31.03.2013

Note 27: Loan against security of single product:

Loans against security of single product - Gold Jewellery constitutes 61.22% of total assets as on 31.03.2014.

Note 28: Capital to Risk Assets Ratio (CRAR):

Capital to Risk Assets Ratio as on 31.03.2014 is 95.44% (Tier-I Capital) as against the minimum requirement of 12% for NBFCs primarily engaged in lending against gold jewellery.

Note 29: Regrouping:

Previous year's figures have been regrouped to conform to current year's classification.

For Navarathna Financial Services Limited



Managing Director



Director

Place: Chennai

Date : 10.07.2014

**for T Selvaraj & Co.,
Firm Regn. No. 003703S
Chartered Accountants**



**RM Swaminathan
Partner
M. No. 203520**

