

B S R & Associates LLP

Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

Telephone +91 (22) 4345 5300
Fax +91 (22) 4345 5399

Independent Auditor's Report

To the Members of Edelweiss Asset Management Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Edelweiss Asset Management Limited (the "Company"), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

Independent Auditor's Report (Continued)

Edelweiss Asset Management Limited

Auditor's responsibility (Continued)

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2017, and its losses and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

As required by the Companies (Auditor's Report) Order, 2016 (the "Order") issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and



Independent Auditor's Report (Continued)

Edelweiss Asset Management Limited

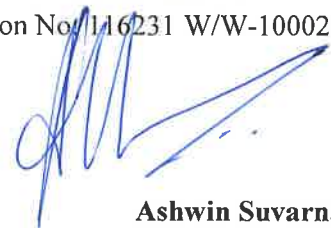
Report on other legal and regulatory requirements (Continued)

- g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Company did not have any pending litigations;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there were no amounts required to be transferred to the Investor Education and Protection Fund by the Company; and
 - iv. the Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the management – Refer note 2.29 to financial statements.

For B S R & Associates LLP

Chartered Accountants

Firm's Registration No. 116231 W/W-100024



Ashwin Suvarna

Partner

Membership No: 109503

Mumbai
15 May 2017

Edelweiss Asset Management Limited

Annexure A to the Independent Auditors' Report of even date on the financial statements of Edelweiss Asset Management Limited

The Annexure referred to in Independent Auditors' Report to the members of Edelweiss Asset Management Limited ("the Company") on the financial statements for the year ended 31 March 2017, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties.
- ii. The Company is a service company primarily engaged in the business of rendering asset management services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.
- v. According to the information and explanation given to us, the Company has not accepted any deposits from the public to which directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed thereunder apply.
- vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, service tax, and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance, sales tax, customs duty, excise duty and cess. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, service tax, value added tax, and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.

Edelweiss Asset Management Limited

Annexure A to the Independent Auditors' Report of even date on the financial statements of Edelweiss Asset Management Limited (Continued)

- (b) According to the information and explanations given to us, there are no dues of provident fund, income tax, service tax, and other material statutory dues which have not been deposited by the Company with appropriate authorities on account of any disputes.
- viii. The Company did not have any outstanding dues to any financial institutions, banks, Government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.
- ix. The Company has not raised any money by way of initial public offer or further public offer and term loans during the year.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration. Accordingly, paragraph 3(xi) of the Order is not applicable.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act .

For B S R & Associates LLP

Chartered Accountants

Firm's Registration No: 116231W/W-100024



Ashwin Suvarna
Partner

Mumbai
15 May 2017

Membership No: 109503

Edelweiss Asset Management Limited

Annexure - B to the Independent Auditor's Report of even date on the financial statements of Edelweiss Asset Management Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

We have audited the internal financial controls over financial reporting of Edelweiss Asset Management Limited (the "Company") as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Edelweiss Asset Management Limited

Annexure - B to the Independent Auditor's Report of even date on the financial statements of Edelweiss Asset Management Limited (*Continued*)

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

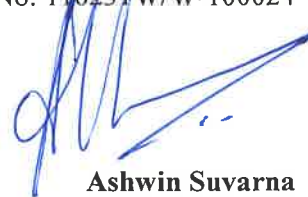
Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **B S R & Associates LLP**

Chartered Accountants

Firm's Registration No: 116231W/W-100024



Ashwin Suvarna

Partner

Membership No: 109503

Mumbai
15 May 2017

Edelweiss Asset Management Limited

**Financial Statements
together with Auditors' Report
for the year ended 31 March 2017**

Edelweiss Asset Management Limited

Financial Statements together with Auditors' Report

Contents

Auditors' Report

Balance Sheet

Statement of Profit and Loss

Cash Flow Statement

Notes to the Financial Statements

Edelweiss Asset Management Limited

Balance Sheet

(Currency : Indian Rupees)

	Note	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	2.1	678,750,000	600,000,000
(b) Reserves and surplus	2.2	459,922,902	(25,507,249)
		<u>1,138,672,902</u>	<u>574,492,751</u>
Non-current liabilities			
Long-term provisions	2.3	8,643,890	4,888,000
Current liabilities			
(a) Short-term borrowings	2.4	112,871,625	8,561,767
(b) Trade payables	2.5	72,613,156	20,257,469
(c) Other current liabilities	2.6	43,947,981	32,709,428
(d) Short-term provisions	2.7	5,082,000	7,383,000
TOTAL		<u><u>1,381,831,554</u></u>	<u><u>648,292,415</u></u>
ASSETS			
Non-current assets			
(a) Fixed assets	2.8		
(i) Tangible assets		8,249,487	7,220,746
(ii) Intangible assets		559,719,273	643,891
(b) Non-current investments	2.9	121,300,000	54,400,000
(c) Long-term loans and advances	2.10	39,639,943	14,961,812
		<u>728,908,703</u>	<u>77,226,449</u>
Current assets			
(a) Current investments	2.11	418,805,302	468,079,362
(b) Trade receivables	2.12	67,567,377	22,449,173
(c) Cash and cash equivalents	2.13	5,904,162	11,080,721
(d) Short-term loans and advances	2.14	160,646,010	69,456,710
		<u>652,922,851</u>	<u>571,065,966</u>
TOTAL		<u><u>1,381,831,554</u></u>	<u><u>648,292,415</u></u>

Significant accounting policies and notes to the financial statements
The notes referred to above form an integral part of the financial statements

1 & 2

As per our report of even date attached

For **B S R & Associates LLP**

Chartered Accountants

Firm Registration No. 116231W/AW-100024

Ashwin Suvarna

Partner

Membership No: 109503

For and on behalf of the Board of Directors

Anurag Madan

Director

DIN - 00010324

Kanu Doshi

Director

DIN - 00577409

Jitendra Shah

Chief Financial Officer

Nirav Sanghavi

Company Secretary

Mumbai

15 May 2017

Mumbai

15 May 2017

Edelweiss Asset Management Limited

Statement of Profit and Loss

(Currency : Indian Rupees)

	Note	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenues			
Revenue from operations	2.15	290,733,808	141,679,637
Income from treasury operations	2.16	-	(745,170)
Other income	2.17	37,593,488	62,090,705
Total Revenue		328,327,296	203,025,172
Expenses			
Employee benefit expense	2.18	138,703,175	109,467,606
Finance costs	2.19	2,963,480	2,380,341
Depreciation and amortization expenses	2.8	46,283,808	2,501,846
Other expenses	2.20	206,196,682	127,669,865
Total expenses		394,147,145	242,019,658
Loss before tax		(65,819,849)	(38,994,486)
Tax expense:			
Income tax		-	559,447
Loss for the year		(65,819,849)	(39,553,933)
Earnings per equity share (face value of Rs. 10 each)	2.23		
Basic and diluted		(1.05)	(0.66)

Significant accounting policies and notes to the financial statements
The notes referred to above form an integral part of the financial statements

1 & 2

As per our report of even date attached

For B S R & Associates LLP
Chartered Accountants
Firm Registration No. 116231 W / W-100024

Ashwin Suvarna
Partner
Membership No: 109503

For and on behalf of the Board of Directors

Anurag Madan
Director
DIN - 00010324

Kanu Doshi
Director
DIN - 00577409

Jitendra Shah
Chief Financial Officer

Nirav Sanghavi
Company Secretary

Mumbai
15 May 2017

Mumbai
15 May 2017

Edelweiss Asset Management Limited

Cash Flow Statement

(Currency : Indian Rupees)

	For the year ended 31 March 2017	For the year ended 31 March 2016
A Cash flow from operating activities		
Loss before tax	(65,819,849)	(38,994,486)
Adjustments for		
Depreciation	46,283,808	2,501,846
Profit on sale of current investments	(34,982,616)	(1,445,821)
Loss / (Profit) on sale of fixed assets	27,046	(124,143)
Provision for gratuity and compensated leave absences	1,454,890	205,000
Diminution in value of current investments	5,196	52,363
Interest income	(2,576,659)	(52,366,386)
Interest expense	2,917,566	2,374,214
Operating cash flow before working capital changes	(52,690,618)	(93,797,419)
Add / (Less): Adjustments for working capital changes		
Increase in trade receivables	(45,118,204)	(3,433,613)
Increase in loans and advances	(134,964,676)	(6,933,483)
Increase in liabilities and provisions	63,236,461	16,308,392
Cash used in operations	(169,537,037)	(87,856,123)
Income tax refund received / (paid)	(22,902,757)	4,866,615
Net cash used in operating activities - A	(192,439,794)	(82,989,508)
B Cash flow from investing activities		
Inter corporate deposits placed	-	(455,000,000)
Inter corporate deposits redeemed	42,000,000	450,000,000
Purchase of fixed assets and intangibles	(606,414,978)	(7,482,064)
Sale of fixed assets	-	313,357
Purchase of current and non-current investments	(1,708,046,878)	(698,134,012)
Sale/redemption of current and non-current investments	1,725,398,362	301,422,067
Interest received	2,576,659	52,520,952
Net cash (used in) / generated from investing activities - B	(544,486,835)	(356,359,700)
C Cash flow from financing activities		
Proceeds from issue of share capital including securities premium account	630,000,000	-
Proceeds from unsecured loan (net) (refer note 1)	104,309,858	2,019,767
Interest paid	(2,559,788)	(2,225,760)
Net cash (used in) / generated from financing activities - C	731,750,070	(205,993)
Net decrease in cash and cash equivalents (A+B+C)	(5,176,559)	(439,555,201)
Cash and cash equivalents as at the beginning of the year	11,080,721	450,635,922
Cash and cash equivalents as at the end of the year (Refer note 2.13)	5,904,162	11,080,721

Notes:

1 Net figures have been reported on account of volume of transactions.

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

Firm Registration No. 116231W / W-100024

Ashwin Suvarna
Partner

Membership No: 109503

For and on behalf of the Board of Directors

Anurag Madan

Anurag Madan
Director
DIN - 00010324

Jitendra Shah
Chief Financial Officer

Mumbai
15 May 2017

Kanu Doshi

Kanu Doshi
Director
DIN - 00577409

Nirav Sanghavi
Company Secretary

Mumbai
15 May 2017

Edelweiss Asset Management Limited

Notes to the financial statements

1. *Significant accounting policies*

1.1 *Basis of preparation of financial statements*

The accompanying financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention except for certain financial instrument which are measured at fair value, on accrual basis of accounting, unless otherwise stated, and comply with the Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Companies Act, 2013 (to the extent notified) and Companies Act, 1956 (to the extent applicable), (hereinafter referred to as 'the Act') and the Schedule III to the Act. The financial statements are presented in Indian Rupees.

1.2 *Use of estimates*

The preparation of the financial statements in conformity with the GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses, disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.3 *Current – non-current classification*

All assets and liabilities are classified into current and non-current as follows.

Assets

An asset is classified as current when it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle or it is held primarily for the purpose of being traded or it is expected to be realized within twelve months after the reporting date or it is cash or cash equivalent unless it is restricted from being exchanged or expected to be used to settle a liability for at least twelve months after the reporting date. Current assets include the current portion of non-current assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it is expected to be settled in the Company's normal operating cycle or it is held primarily for the purpose of being traded or it is due to be settled within twelve months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. Current liabilities include current portion of non-current liabilities. All other liabilities are classified as non-current.

1.4 *Revenue recognition*

- Management fees is recognised, net of service tax on an accrual basis in accordance with the Investment Management Agreement with Edelweiss Mutual Fund ('the Fund') based on average assets under management (AUM) and complies with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

Edelweiss Asset Management Limited

Notes to the financial statements (*continued*)

1.4 Revenue recognition (*continued*)

- Realised profit/loss on closed positions of derivative instruments is recognised on final settlement on settlement/termination of the contracts. Outstanding derivative contracts in the nature of forwards/futures/options are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, market intermediary quotes, valuation techniques are used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.
- Interest income is recognised on accrual basis.
- Dividend income is recognised when the right to receive dividend is established.
- Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investment sold.

1.5 Fixed assets and depreciation/amortisation

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on written down value basis from the date the asset is put to use or ready for its intended use, whichever is earlier. In respect of asset sold, depreciation is provided upto the date of disposal.

As per the requirement of Schedule II of the Act, the Company has evaluated the estimated useful lives of the respective fixed assets which is as per the provisions of Part C of the Schedule for calculating the depreciation. The useful life of the fixed assets is as follows:

Nature of assets	Estimated Useful Life
Furniture and fittings	10 years
Motor vehicles	8 years
Office equipments	5 years
Computers and data processing units - servers and networks	6 years
Computers and data processing units - end user devices, such as desktops, laptops, etc.	3 years

Leasehold improvements are amortised on a straight-line basis over the estimated useful lives of the assets or the period of lease whichever is earlier.

Intangible fixed assets

Intangibles such as software is amortised over a period of 3 years or its estimated useful life, whichever is shorter.

The amortisation of intangible asset representing consideration paid towards acquisition of rights to operate, administer and manage the schemes of mutual fund is done equally over a period of 5 years.

Edelweiss Asset Management Limited

Notes to the financial statements (*continued*)

1.6 *Investments*

Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investment in schemes of mutual funds, the net asset value of units declared by the mutual fund is considered as the fair value.

1.7 *Foreign currency transactions*

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the statement of profit and loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

1.8 *Impairment of assets*

The Company assesses at the balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is higher of the net selling price and the value in use of those assets. Value in use is arrived at by discounting the estimated future cash flows to their present value based on an appropriate discount factor. If such recoverable amount of the asset or the recoverable amount of cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

1.9 *Employee benefits*

The accounting policy followed by the Company in respect of its employee benefit schemes in accordance with Accounting Standard 15 (revised 2005), is set out below:

Provident fund

The Company contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

Edelweiss Asset Management Limited

Notes to the financial statements (*continued*)

1.9 *Employee benefits (continued)*

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Benefits in respect of gratuity are funded with an Insurance Company approved by Insurance Regulatory and Development Authority (IRDA).

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

Compensated absences

The eligible employees of the Company are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Company recognises the charge to the statement of profit and loss and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

Deferred bonus

The Company has adopted a Deferred Bonus Plan under its Deferred Variable Compensation Plan. A pool of identified senior employees of the Company is entitled for benefits under this plan. Such deferred compensation will be paid in a phased manner over a future period of time. The measurement for the same has been based on actuarial assumptions and principles. These assumptions and principles are consistent with the requirements of Accounting Standard 15 (Revised 2005).

1.10 *Tax*

Income tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the Income-Tax Act, 1961) and deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

Current tax

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

Edelweiss Asset Management Limited

Notes to the financial statements (*continued*)

1.10 *Tax (continued)*

Deferred tax

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised to the extent there is a virtual certainty of realisation of these assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Minimum Alternative Tax (MAT) credit

MAT credit asset is recognized where there is convincing evidence that the asset can be realized in future. MAT credit assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.

1.11 *Mutual fund expenses*

Expenses incurred on behalf of schemes of Edelweiss Mutual Fund ('the Fund') are recognised in the statement of profit and loss unless considered recoverable from schemes of the Fund in accordance with provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

1.12 *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 after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders for the year by the weighted average number of equity shares considered for deriving basic earnings per share and weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

1.13 *Provisions and contingencies*

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When 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.

Provisions are reviewed as at the balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2017	As at 31 March 2016
2.1 Share capital		
Authorised :		
70,000,000 (Previous year: 70,000,000) equity shares of Rs. 10 each	700,000,000	700,000,000
Issued, subscribed and paid up:		
67,875,000 (Previous year: 60,000,000) equity shares of Rs. 10 each, fully paid-up	678,750,000	600,000,000
	678,750,000	600,000,000

a) Terms/rights attached to equity shares:

The Company has only one class of equity shares having a par value of Rs. 10 each. Each holder of equity shares is entitled to one vote per share held. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b) Reconciliation of the shares outstanding at the beginning and at the end of the year:

	31 March 2017		31 March 2016	
	No. of Shares	Amount	No. of Shares	Amount
<i>Equity shares:</i>				
Outstanding as at the beginning of the year*	60,000,000	600,000,000	60,000,000	600,000,000
Shares issued during the year	7,875,000	78,750,000	-	-
Outstanding as at the end of the year	67,875,000	678,750,000	60,000,000	600,000,000

* - During FY 2014-2015 the Company has issued 15,000,000 equity shares as bonus in the ratio 1:3 by utilising capital redemption reserve.

	31 March 2017		31 March 2016	
	No. of Shares	%	No. of Shares	%
c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates:				
Edelweiss Financial Services Limited, the holding company and its nominees	63,937,500	94.20%	60,000,000	100%
Ecap Equities Limited	3,937,500	5.80%	-	-
	67,875,000	100%	60,000,000	100%

	31 March 2017		31 March 2016	
	No. of Shares	%	No. of Shares	%
d) Details of shares held by shareholders holding more than 5% of the aggregate shares of the Company:				
Edelweiss Financial Services Limited, the holding company and its nominees	63,937,500	94.20%	60,000,000	100%
Ecap Equities Limited	3,937,500	5.80%	-	-
	67,875,000	100%	60,000,000	100%

e) The Company bought back 15,000,000 equity shares of Rs. 10 each at a price of Rs. 15.29 per share in financial year 2012-2013.

2.2 Reserves and surplus

Securities premium account	170,650,000	170,650,000
Add : Additions during the year	551,250,000	-
	721,900,000	170,650,000
Deficit in the statement of profit and loss		
Opening balance	(196,157,249)	(156,603,316)
Add: Loss for the year	(65,819,849)	(39,553,933)
	(261,977,098)	(196,157,249)
	459,922,902	(25,507,249)

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2017	As at 31 March 2016
2.3 Long-term provisions		
Provision for employee benefits		
Gratuity	7,612,890	167,000
Compensated leave absences	1,031,000	519,000
Deferred bonus	-	4,202,000
	8,643,890	4,888,000
2.4 Short-term borrowings		
<u>Unsecured</u>		
(Due within one year, unless otherwise stated)		
Loans and advances from related parties (repayable at variable rates of interest)	112,871,625	8,561,767
	112,871,625	8,561,767
2.5 Trade payables		
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises (includes sundry creditors, provision for expenses and customer payables)	72,613,156	20,257,469
	72,613,156	20,257,469
2.6 Other current liabilities		
Interest accrued and due on borrowings	522,655	164,877
Other payables		
Accrued salaries and benefits	32,917,061	24,681,865
Withholding tax, service tax and other taxes payable	8,715,017	6,428,670
Retention money payable	33,629	-
Others	1,759,619	1,434,016
	43,947,981	32,709,428
2.7 Short-term provisions		
Provision for employee benefits		
Compensated absences	255,000	158,000
Deferred bonus	4,827,000	7,225,000
	5,082,000	7,383,000

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

2.8 Fixed assets

	Gross Block				Depreciation			Net Block	
Description of Assets	As at 1 April 2016	Additions during the year	Deductions during the year	As at 31 March 2017	As at 1 April 2016	Charge for the year	Deductions during the year	As at 31 March 2017	As at 31 March 2016
Tangible assets									
Leasehold improvements	-	601,965	-	601,965	-	89,760	-	89,760	512,205
Furniture and Fittings	72,856	317,573	12,939	377,490	21,481	63,491	936	84,036	293,454
Motor vehicles	5,981,112	-	-	5,981,112	2,914,531	974,435	-	3,888,966	2,092,146
Office equipments	1,135,018	451,403	22,320	1,564,101	824,071	288,550	19,145	1,093,476	310,947
Computers	6,706,304	3,586,689	430,531	9,862,462	2,914,461	2,485,606	418,662	4,981,405	3,791,843
Total : A	13,895,290	4,957,630	465,790	18,387,130	6,674,544	3,901,842	438,743	10,137,643	7,220,746
Intangible assets									
Computer software	4,984,679	1,457,348	-	6,442,027	4,340,788	628,541	-	4,969,329	643,891
Rights acquired for management of MF schemes	-	600,000,000	-	600,000,000	-	41,753,425	-	41,753,425	558,246,575
Total : B	4,984,679	601,457,348	-	606,442,027	4,340,788	42,381,966	-	46,722,754	643,891
Grand Total [A+B]	18,879,969	606,414,978	465,790	624,829,157	11,015,332	46,283,808	438,743	56,860,397	7,864,637

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

2.8A Fixed assets

	Gross Block			Depreciation			Net Block		
Description of Assets	As at 1 April 2015	Additions during the year	Deductions during the year	As at 31 March 2016	As at 1 April 2015	Charge for the year	Deductions during the year	As at 31 March 2016	As at 31 March 2015
Tangible assets									
Furniture and Fittings	34,456	38,400	-	72,856	12,271	9,210	-	21,481	51,375
Motor vehicles	4,281,220	2,583,884	883,992	5,981,112	2,961,787	647,522	694,778	2,914,531	3,066,581
Office equipments	918,455	220,269	3,706	1,135,018	596,762	231,015	3,706	824,071	310,947
Computers	2,461,707	4,244,597	-	6,706,304	1,713,824	1,200,637	-	2,914,461	3,791,843
Total : A	7,695,838	7,087,150	887,698	13,895,290	5,284,644	2,088,384	698,484	6,674,544	7,220,746
Intangible assets									
Computer software	4,589,765	394,914	-	4,984,679	3,927,326	413,462	-	4,340,788	643,891
Total : B	4,589,765	394,914	-	4,984,679	3,927,326	413,462	-	4,340,788	662,439
Grand Total [A+B]	12,285,603	7,482,064	887,698	18,879,969	9,211,970	2,501,846	698,484	11,015,332	7,864,637
									3,073,633

Edelweiss Asset Management Limited

Notes to the financial statements (Continued)

(Currency : Indian rupees)

	As at 31 March 2017			As at 31 March 2016		
2.9 Non-current investments (Valued at cost unless stated otherwise)						
Other investments (unquoted)	Face Value	Quantity	Amount	Face Value	Quantity	Amount
Investments in equity instruments of other companies (fully paid up)						
MF Utilities India Private Limited	1	500,000	500,000	1	500,000	500,000
			<u>500,000</u>			<u>500,000</u>
Investments in mutual funds						
Edelweiss Bond Fund - Direct - Growth Plan	-	-	-	1,000	3,271	5,000,000
Edelweiss Bond Fund - Direct - Growth Plan	10	275,200	5,000,000	-	-	-
Edelweiss Short Term Income Fund - Direct - Growth Plan	-	-	-	10	314,301	5,000,000
Edelweiss Liquid Fund - Direct - Growth Plan	-	-	-	1,000	3,663	5,000,000
Edelweiss Liquid Fund - Direct - Growth Plan	10	244,512	5,000,000	-	-	-
Edelweiss Arbitrage Fund - Direct Plan - Growth Plan	10	500,000	5,000,000	10	500,000	5,000,000
Edelweiss Absolute Return Fund - Direct Plan - Growth Plan	10	283,621	5,000,000	10	283,621	5,000,000
Edelweiss Top 100 Fund - Direct Plan - Growth Plan	10	206,991	5,000,000	10	206,991	5,000,000
Edelweiss ELSS Fund - Direct Plan - Growth Plan	10	150,643	5,000,000	10	150,643	5,000,000
Edelweiss Mid and Small Cap Fund - Direct Plan - Growth	10	238,857	5,000,000	10	267,256	5,000,000
Edelweiss Prudent Advantage Fund - Direct Plan - Growth Plan	10	103,782	2,000,000	10	51,725	1,000,000
Edelweiss Equity Savings Advantage Fund - Direct Plan - Growth Plan	10	438,425	5,000,000	10	182,459	2,900,000
Edelweiss Exchange Traded Fund - Nifty 50 - Growth Plan	10	610	5,000,000	10	610	5,000,000
Edelweiss Exchange Traded Fund - Nifty Bank - Growth Plan	10	3,049	5,000,000	10	3,049	5,000,000
Edelweiss Exchange Traded Fund - Nifty Quality 30 - Growth Plan	10	24,167	5,000,000	-	-	-
Edelweiss ASEAN Equity Off-shore Fund - Direct Plan - Growth	10	297,424	5,000,000	-	-	-
Edelweiss Balanced Advantage Fund - Direct Plan - Growth	10	483,573	5,000,000	-	-	-
Edelweiss Corporate Debt Opportunities Fund - Direct Plan - Growth	10	402,606	5,000,000	-	-	-
Edelweiss Europe Dynamic Equity Off-shore Fund - Direct Plan - Growth	10	510,459	5,000,000	-	-	-
Edelweiss Equity Opportunities Fund - Direct Plan - Growth	10	213,821	5,000,000	-	-	-
Edelweiss Emerging Markets Opportunities Equity Off-shore Fund - Direct Plan - Growth	10	260,631	2,500,000	-	-	-
Edelweiss Economic Resurgence Fund - Direct Plan - Growth	10	492,029	5,000,000	-	-	-
Edelweiss Greater China Equity Off-Shore Fund - Direct Plan - Growth	10	238,050	5,000,000	-	-	-
Edelweiss Government Securities Fund - Direct Plan - Growth	10	361,928	5,000,000	-	-	-
Edelweiss Banking and PSU Debt Fund - Direct Plan - Growth	10	372,334	5,000,000	-	-	-
Edelweiss Short Term Income Fund - Direct Plan - Growth	10	340,732	5,000,000	-	-	-
Edelweiss Tax Advantage Fund - Direct Plan - Growth	10	40,650	1,300,000	-	-	-
Edelweiss Treasury Fund - Direct Plan - Growth	10	262,760	5,000,000	-	-	-
Edelweiss US Value Equity Offshore Fund - Direct Plan - Growth	10	353,935	5,000,000	-	-	-
			<u>120,800,000</u>			<u>53,900,000</u>
			<u>121,300,000</u>			<u>54,400,000</u>
Aggregate value of investments in equity shares (unquoted)						
At carrying value			500,000			500,000
Aggregate value of investments in mutual funds (unquoted)						
At carrying value			120,800,000			53,900,000
At net asset value			131,906,800			56,803,243

Edelweiss Asset Management Limited

Notes to the financial statements *(continued)*

(Currency : Indian Rupees)

	As at 31 March 2017	As at 31 March 2016
2.10 Long-term loans and advances (Unsecured, considered good)		
Security Deposits		
Rental deposits	527,750	47,750
Other loans and advances		
Advance income tax	39,112,193	14,914,062
	<u>39,639,943</u>	<u>14,961,812</u>

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2017			As at 31 March 2016		
2.11 Current investments						
Other investments (unquoted)	Face Value	Quantity	Amount	Face Value	Quantity	Amount
Edelweiss Bond Fund - Direct - Growth Plan	-	-	-	1,000	5,627	8,601,776
Edelweiss Bond Fund - Direct - Growth Plan	10	73,906	1,337,570	-	-	-
Edelweiss Short Term Income Fund - Direct - Growth Plan	10	-	-	10	373,613	6,209,737
Edelweiss Liquid Fund - Direct - Growth Plan	-	-	-	1,000	1,452	2,045,523
Edelweiss Liquid Fund - Direct - Growth Plan	10	138,140	2,824,818	-	-	-
LIC MF Savings Plus Fund - Direct Plan - Growth Plan	10	16,628,111	411,893,286	10	19,254,302	450,000,000
Edelweiss Exchange Traded Fund - Nifty 50 (NIFTY EES) - Growth Plan	10	156	1,222,326	10	156	1,222,326
Edelweiss Equity Savings Advantage Fund - Direct Plan - Growth	10	19,296	220,056	-	-	-
Edelweiss Mid and Small Cap Fund - Direct Plan - Growth	10	62,449	1,307,246	-	-	-
			<u>418,805,302</u>			<u>468,079,362</u>
Aggregate value of investments in mutual funds (unquoted)						
At carrying value			418,805,302			468,079,362
At net asset value			435,568,611			475,406,413

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2017	As at 31 March 2016
2.12 Trade receivables		
Other debts		
Unsecured, considered good	67,567,377	22,449,173
	<u>67,567,377</u>	<u>22,449,173</u>
2.13 Cash and cash equivalents		
Cash in hand	88	7,654
Balances with banks		
- in current accounts	5,904,074	11,073,067
	<u>5,904,162</u>	<u>11,080,721</u>
2.14 Short-term loans and advances		
(Unsecured, considered good)		
Other loans and advances		
Intercompany deposits placed with related parties	-	42,000,000
Prepaid expenses	1,454,792	834,321
Loans and advances to employees	271,929	450,747
Advance income tax	5,768	1,301,142
Advances recoverable in cash or in kind or for value to be received	158,913,521	24,870,500
	<u>160,646,010</u>	<u>69,456,710</u>

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 Revenue from operations		
Management fees	290,733,808	141,679,637
	<u>290,733,808</u>	<u>141,679,637</u>
2.16 Income from treasury operations		
Loss on trading in equity derivative instruments (net)	-	(745,170)
	<u>-</u>	<u>(745,170)</u>
2.17 Other income		
Profit on sale of current investment (net)	34,982,616	7,445,827
Interest income on intercorporate deposits	2,402,630	51,426,885
Interest income on fixed deposits	-	939,501
Profit on sale of fixed assets (net)	-	124,143
Interest Income - Others	174,029	1,702,692
Miscellaneous income	34,213	451,657
	<u>37,593,488</u>	<u>62,090,705</u>
2.18 Employee benefit expense		
Salaries and wages	129,197,770	102,985,370
Contribution to provident and other funds (refer note 2.24)	4,752,858	3,374,121
Staff welfare expenses	4,752,547	3,108,115
	<u>138,703,175</u>	<u>109,467,606</u>
2.19 Finance costs		
Interest on loan from holding company	82,172	2,374,214
Interest on loan from fellow subsidiaries	2,835,394	-
Financial and bank charges	45,914	6,127
	<u>2,963,480</u>	<u>2,380,341</u>

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.20 Other expenses		
Advertisement and business promotion	11,066,455	16,630,376
Auditors' remuneration (refer note below)	1,187,150	485,500
Commission and brokerage	-	123,000
Communication	2,108,009	3,544,529
Computer expenses	741,942	137,444
Clearing and custodian charges	29,000	9,000
Dematerialisation charges	85,999	1,065,711
Diminution in value of current investments	5,196	52,363
Directors' sitting fees	440,000	360,000
Electricity charges (refer note 2.27)	2,003,918	905,728
Mutual fund - NFO expenses	1,009,243	-
Insurance	856,363	601,171
Legal and professional fees	43,636,723	10,853,889
Loss on sale/ write-off of fixed assets	27,046	-
Membership and subscription	6,423,037	2,884,476
Mutual fund expenses	109,041,940	67,076,717
Office expenses	512,525	1,645,771
Printing and stationery	1,847,632	1,343,496
Rates and taxes	83,374	43,987
Rent (refer note 2.27)	16,213,807	11,085,594
Repairs and maintenance	2,665,899	1,851,037
Seminar and conference	301,554	347,714
Service tax expenses	(758,077)	1,654,905
Stamp duty	670,200	-
Travelling and conveyance	5,930,945	4,920,072
Miscellaneous expenses	66,802	47,386
	206,196,682	127,669,865
Note:		
Auditors' remuneration:		
For statutory audit and limited review	1,099,000	475,000
Reimbursement of expenses	88,150	10,500
	1,187,150	485,500

Edelweiss Asset Management Limited

Notes to the financial statements (*continued*)

(Currency: Indian Rupees)

2.21 *Segment reporting*

The primary business of the Company is to act as an investment manager to Edelweiss Mutual Fund. Accordingly, there is no separate reportable segment and hence, no disclosure is made under Accounting Standard 17 – Segment Reporting. Further, segmentation based on geography has not been presented as the Company operates only in India.

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

2.22 Disclosure as required by Accounting Standard 18 - Related Party Disclosure

i. List of related parties and relationship:

Name of related parties by whom control is exercised	
Holding Company	Edelweiss Financial Services Limited
Fellow Subsidiaries	Edelweiss Commodities Services Limited
(with whom transactions have taken place)	Edelweiss Trusteeship Company Limited
	ECap Equities Limited
	Edelweiss Broking Limited
	Edelweiss Business Services Limited
	(formerly known as Edelweiss Web Services Limited)
	Auris Corporate Centre Limited
	Eternity Business Centre Limited
	Edelweiss Alternative Asset Advisors Limited
	Edelweiss Multi Strategy Funds Management Private Limited
	Edelweiss Finance and Investments Limited
	Edelweiss Investment Adviser Limited

ii. Transactions with related parties :

Sr. No.	Nature of Transaction	Related Party Name	2016-17	2015-16
Capital account transactions				
1	Equity share capital issued	Edelweiss Financial Services Limited	315,000,000	-
		ECap Equities Limited	315,000,000	-
Current account transactions				
2	Short term loans taken from (Refer Note below)	Edelweiss Financial Services Limited	13,657,117	52,019,767
		Edelweiss Commodities Services Limited	516,804,323	-
3	Short term loans repaid to (Refer Note below)	Edelweiss Financial Services Limited	22,218,884	50,000,000
		Edelweiss Commodities Services Limited	403,932,698	-
4	Inter-corporate deposits placed with	Edelweiss Commodities Services Limited	-	455,000,000
5	Inter-corporate deposits repaid by	Edelweiss Commodities Services Limited	42,000,000	450,000,000
6	Reimbursements paid to	Edelweiss Financial Services Limited	10,541,907	36,849,845
		Edelweiss Commodities Services Limited	7,843,709	-
		Edelweiss Business Services Limited	60,473,595	-
7	Interest expenses on loan from	Edelweiss Financial Services Limited	82,172	2,374,214
		Edelweiss Commodities Services Limited	2,835,394	-
8	Interest income on inter-corporate deposit from	Edelweiss Commodities Services Limited	2,402,630	51,426,885
9	Margins placed with broker (Refer Note below)	Edelweiss Broking Limited	-	2,613,516
10	Margins withdrawn from broker (Refer Note below)	Edelweiss Broking Limited	-	2,613,516
11	Cost reimbursements paid to	Edelweiss Financial Services Limited	1,000,353	502,493
		Edelweiss Commodities Services Limited	5,503,485	8,317,008
		Edelweiss Business Services Limited	150,314	66,330
		Edelweiss Broking Limited	317,887	-
		Eternity Business Centre Limited	11,473,889	-
		Auris Corporate Centre Limited	-	3,432,960
12	Cost reimbursements received from	ECap Equities Limited	-	2,326,343
13	Expenses on behalf of Mutual Fund paid to	Edelweiss Trusteeship Company Limited	1,000,000	1,000,000

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency : Indian Rupees)

2.22 Disclosure as required by Accounting Standard 18 - Related Party Disclosure

Balances with related parties			
14	Short term loans taken from (Refer Note below)	Edelweiss Financial Services Limited	- 8,561,767
		Edelweiss Commodities Services Limited	112,871,625 -
15	Trade payables to	Edelweiss Financial Services Limited	11,390 -
		Edelweiss Business Services Limited	170,605 69,315
		Edelweiss Trusteeship Company Limited	87,504 87,087
		Auris Corporate Centre Limited	- 3,587,443
		Edelweiss Investment Adviser Limited	452,000 452,000
16	Accrued interest on short term loans received from	Edelweiss Financial Services Limited	- 164,877
		Edelweiss Commodities Services Limited	522,654 -
17	Trade receivables from	ECap Equities Limited	- 2,431,029
		Edelweiss Broking Limited	- 13,666
		Edelweiss Financial Services Limited	270,949 24,340
		Edelweiss Business Services Limited	- 15,625
		Edelweiss Alternative Asset Advisors Limited	21,850 -
		Edelweiss Multi Strategy Funds Management Private Limited	755,000 -
		Edelweiss Finance and Investments Limited	- 45,000
18	Intercompany deposits placed with	Edelweiss Commodities Services Limited	- 42,000,000

Note: The Intra group company loans are generally in the nature of revolving demand loans. Loan given/taken to/from parties and margin money placed/refund received with/from related parties are disclosed based on the maximum incremental amount given/taken and placed/refund received during the reporting period

Edelweiss Asset Management Limited

Notes to the financial statements (*continued*)

(Currency: Indian Rupees)

2.23 Earnings per share

The computation of earnings per share is set out below.

	2017	2016
A Net loss attributable to the equity shareholders (as per the statement of profit and loss)	(65,819,849)	(39,553,933)
B Calculation of weighted average number of Equity Shares of Rs. 10 each		
- Number of shares at the beginning of the year	60,000,000	60,000,000
- Number of shares issued during the year	7,875,000	-
Total number of equity shares outstanding at the end of the year	67,875,000	60,000,000
Weighted average number of equity shares outstanding during the year	62,783,219	60,000,000
C Basic and diluted earnings per share (in Rupees) (A/B)	(1.05)	(0.66)

The basic and diluted earnings per share are the same as there are no dilutive potential equity shares issued by the Company.

2.24 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits

A) Defined contribution plan (provident fund):

Amount of Rs. 4,752,858 (Previous year: Rs. 3,374,121) is recognised as expense and included in "Employee benefit expense" – note 2.18 in the statement of profit and loss.

B) Defined benefit plan (gratuity):

The following tables summarize the components of the net benefit expenses recognized in the statement of profit and loss, the funded status and amounts recognized in the balance sheet for the gratuity benefit plan.

Statement of profit and loss

Expenses recognized in the statement of profit and loss account:

	2017	2016
Current service cost	1,494,000	775,000
Interest cost	376,000	200,000
Expected return on plan asset	(249,000)	(210,000)
Actuarial (gain) or loss recognized in the year	(1,530,000)	1,248,000
Employer expense	91,000	2,013,000

Balance sheet

Reconciliation of Defined Benefit Obligation (DBO):

	2017	2016
Present value of DBO at the beginning of the year	4,322,000	2,971,000
Acquisition/ (Divesture)	7,600,000	-
Transfer in / (out)	755,000	(406,000)
Interest cost	376,000	200,000
Current service cost	1,494,000	775,000
Benefits paid	(1,635,000)	(400,000)
Actuarial (gain)/loss on obligation	(1,253,000)	1,182,000
Present value of DBO at the end of the year	11,659,000	4,322,000

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency: Indian Rupees)

2.24 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits (continued)

Reconciliation of fair value of plan assets:

	2017	2016
Fair value of plan assets at the beginning of the year	4,155,000	2,911,000
Expected return on plan asset	249,000	210,000
Contributions	1,000,000	1,500,000
Benefits paid	(1,635,000)	(400,000)
Actuarial gain/(loss) on plan assets	277,000	(66,000)
Fair value of plan assets at the end of the year	4,046,000	4,155,000

Net (liability) / asset recognised in the balance sheet:

Particulars	2017	2016	2015	2014	2013
Present value of defined benefit obligation	11,659,000	4,322,000	2,971,000	1,916,000	1,606,903
Fair value of plan assets at the end of the year	4,046,000	4,155,000	2,911,000	1,362,000	1,230,782
Amount recognized in balance sheet - asset/(liability)	7,613,000	(167,000)	(60,000)	(554,000)	(376,121)

Experience adjustments:

Particulars	2017	2016	2015	2014	2013
On plan liabilities: (gain)/ loss	(1,666,000)	1,121,000	118,000	210,000	249,263
On plan assets: gain/ (loss)	264,000	(71,000)	272,000	63,000	40,000
Estimated contribution for next year	1,000,000	500,000	Nil	500,000	500,000

Principal actuarial assumptions at the balance sheet date:

	2017	2016
Discount rate	6.60%	7.40%
Salary escalation	7%	7%
Employee attrition rate	13% - 60%	13% - 60%
Expected return on plan assets	7.40%	7.80%
Mortality rate	IALM 2006-08 (Ult.)	IALM 2006-08 (Ult.)

Percentage Break-down of Total Plan Assets:

	2017	2016
Insurer Managed Funds (Unit-linked)	99.80%	100%
Cash and Bank	0.20%	0%

2.25 Foreign currency transactions

The Company has undertaken the following transactions in foreign currency:

	2017	2016
Expenditure incurred in foreign currency (on accrual basis)		
Market data services	-	49,579
Total	-	49,579

2.26 Contingent liabilities and commitments

i. Contingent liabilities

The Company has received demand notice(s) from tax authorities on account of disallowance of expenditure for earning exempt income under Section 14A of Income Tax Act, 1961, read with Rule 8D of Income Tax Rules, 1962, the Company has filed appeal(s) and is defending its position. Due to lack of clarity on the legal position relating to application of Rule 8D, the outcome and quantification of the eventual tax liability on the Company, if any, at this stage cannot be estimated. The Company believes that it has a good chance in sustaining its position.

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency: Indian Rupees)

2.26 Contingent liabilities and commitments (continued)

ii. Commitments

The Company has capital commitments of Rs. **894,000** (Previous year: Rs. 483,000) as at the balance sheet date.

2.27 Cost sharing

Edelweiss Financial Services Limited, being the holding company along with fellow subsidiaries incurs expenditure like Group mediclaim, insurance, rent, electricity charges etc. which is for the common benefit of itself and its certain subsidiaries, fellow subsidiaries including the Company. This cost so expended is reimbursed by the Company on the basis of number of employees, time spent by employees of other companies, actual identifications etc. Accordingly, and as identified by the management, the expenditure heads in note 2.18 and 2.20 include reimbursements paid and are net of reimbursements received based on the management's best estimate.

2.28 Details of dues to micro small and medium enterprises

There are Rs. Nil (Previous year: Rs. Nil) dues payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to "Suppliers" registered under this act. The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said act.

2.29 Disclosures relating to Specified Bank notes* (SBN's) held and transacted during the period from 8 November 2016 to 30 December 2016 pursuant to Notification No. G.S.R. 308(E) dated 30th March 2017:

	Specified Bank Notes	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	56,000	1,105	57,105
(+) Permitted receipts	-	53,299	53,299
(-) Permitted payments	-	10,000	10,000
(-) Amount deposited in Banks	56,000	-	56,000
Closing cash in hand as on 30.12.2016	-	44,404	44,404

*For the purpose of this clause, the term Specified Bank Notes (SBNs) means the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O. 3407(E), dated the 8th November, 2016.

Edelweiss Asset Management Limited

Notes to the financial statements (continued)

(Currency: Indian Rupees)

2.30 Significant event

The Company as the Asset Management Company of Edelweiss Mutual Fund ('the Fund') along with Edelweiss Financial Services Limited, the Sponsor of the Fund and Edelweiss Trusteeship Company Limited, the Trustee of the Fund had, on March 22, 2016, entered into a Scheme Transfer Agreement with JPMorgan Asset Management (Asia) Inc., the Sponsor of JPMorgan Mutual Fund (JPM MF), JPMorgan Mutual Fund India Private Limited, the Trustee of JPM MF and JPMorgan Asset Management India Private Limited, the Asset Management Company of JPM MF for acquiring control and management of the onshore fund schemes and international fund of funds of JPM MF and the corresponding change in the sponsorship, trusteeship and administration of schemes of JPM MF, upon completion of the transaction subject to receipt of regulatory approvals. All necessary steps, including a 'No Objection' from SEBI were duly received and thereafter, all the schemes of JPMorgan Mutual Fund were transferred to and now form part of Edelweiss Mutual Fund with effect from close of business day on November 25, 2016.

2.31 Prior period comparatives

Previous year figures have been regrouped and rearranged wherever necessary.

As per our report of even date attached

For **BSR & Associates LLP**

Chartered Accountants

Firm's Registration No: 116231W / W-100024



Ashwin Suvarna

Partner

Membership No: 109503

For and on behalf of the Board of Directors



Anurag Madan

Director

DIN - 00010324



Kanu Doshi

Director

DIN - 00577409



Jitendra Shah

Chief Financial Officer



Nirav Sanghavi

Company Secretary

Mumbai
15 May 2017

Mumbai
15 May 2017