

Independent Auditors' Report

To
The Members of Edelweiss Alternative Asset Advisors Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Edelweiss Alternative Asset Advisors 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 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 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 of 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 there under.

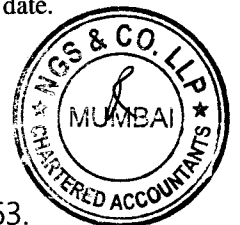
We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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. 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 loss and its cash flows for the year ended on that date.



B - 46, 3rd Floor, Pravasi Estate, V N Road, Goregaon (E), Mumbai - 400 063.

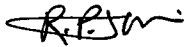
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Report on Other Legal and Regulatory Requirements

1. 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 Companies Act, 2013, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. 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 statement 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 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
 - 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 does not have any pending litigations which would impact its financial position;
 - 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 which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - 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.

For NGS & Co. LLP
Chartered Accountants
Firm Registration No. 119850W


R. P. Soni
Partner
Membership No.:104796



Place: Mumbai
Date: 15 May 2017

Annexure A to the Auditors' Report

The Annexure referred to in our Independent Auditors' Report to the members of Edelweiss Alternative Asset Advisors 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) As explained to us, 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 nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the Company does not own immovable properties, accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) Based on our examination of documents and records, the Company does not own any inventory during the year. Therefore, the provisions of clause 3(ii) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.
- (iii) According to the information and explanations given to us, 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 Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans to directors including entities in which they are interested in respect of which the provisions of section 185 of the Companies Act, 2013 are applicable and hence not commented upon. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 186 of the Companies Act, 2013 in respect of loans and advances given and investments made.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148 (1) of the Companies Act, 2013 for any of the services rendered by 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, services tax, cess and other material statutory dues, applicable to it, have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, Company did not have any dues on account of employees' state insurance, sales tax, value added tax, duty of excise and duty of custom.



According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, services tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of income tax, service tax, and cess which have not been deposited on account of any dispute.
- (viii) The Company does not have any loans or borrowings from any financial institution, bank, government and debenture holders. Accordingly, paragraph 3(viii) of the Order is not applicable.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no 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 given to us and based on our examination of the records of the Company, during the year, 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 by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (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.
- (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 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 1934.

For NGS & Co. LLP
Chartered Accountants
Firm Registration No. 119850W


R. P. Soni
Partner
Membership No.:104796



Place: Mumbai
Date: 15 May 2017

Annexure B to the Auditors' Report

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 Alternative Asset Advisors Limited ("the Company")** as of 31 March 2017 in conjunction with our audit of 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 issued by the Institute of Chartered Accountants of India ('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 company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' 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 on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, 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 Institute of Chartered Accountants of India. 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.

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.



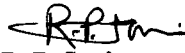
Inherent Limitations of Internal Financial Controls over Financial Reporting

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.

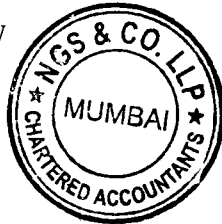
Opinion

In our opinion, to the best of our information and according to the explanations given to us, 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 on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For NGS & Co. LLP
Chartered Accountants
Firm Registration No.: 119850W



R. P. Soni
Partner
Membership No.: 104796



Place: Mumbai
Date: 15 May 2017

Edelweiss Alternative Asset Advisors Limited

Balance Sheet

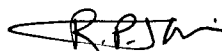
(Currency: Indian rupees)

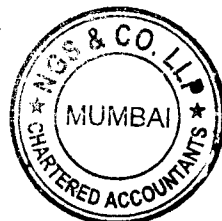
	Note	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,747,370	23,747,370
Reserves and surplus	2.2	<u>(374,817,697)</u>	<u>(126,999,814)</u>
		(351,070,327)	(103,252,444)
Non-current liabilities			
Long-term provisions	2.3	3,403,000	12,487,000
Current liabilities			
Short-term borrowings	2.4	362,896,813	83,440,532
Trade payables			
Total outstanding due of Micro enterprises and Small enterprises	2.25		
Total outstanding due of creditors other than Micro enterprises and Small enterprises	2.5	8,799,129	5,881,424
Other current liabilities	2.6	89,085,039	81,853,846
Short-term provisions	2.7	13,348,986	18,963,377
TOTAL		<u><u>126,462,640</u></u>	<u><u>99,373,735</u></u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	2.8	9,976,118	8,422,040
Intangible assets	2.8	1,496,916	1,700,368
Non-current investments	2.9	42,848,943	11,722,019
Deferred tax assets	2.10	6,198,380	10,818,083
Long-term loans and advances	2.11	<u>21,684,816</u>	<u>3,695,098</u>
		82,205,173	36,357,608
Current assets			
Trade receivables	2.12	13,327,811	10,540,491
Cash and cash equivalents	2.13	14,408	36,538,296
Short-term loans and advances	2.14	29,635,431	15,821,048
Other current assets	2.15	<u>1,279,817</u>	<u>116,292</u>
		44,257,467	63,016,127
TOTAL		<u><u>126,462,640</u></u>	<u><u>99,373,735</u></u>

Significant accounting policies and notes to the financial statements 1 & 2

As per our report of even date attached.

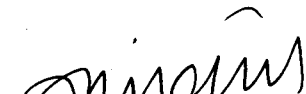
For NGS & Co. LLP
Chartered Accountants
Firm Registration No.: 119850W


R. P. Soni
Partner
Membership No.: 104796



For and on behalf of the Board of Directors


Gaurang Tailor
Director
DIN.: 00010292


Nikhil Jenari
Director
DIN.: 01960539

Mumbai
15 May 2017

15 May 2017

Edelweiss Alternative Asset Advisors Limited

Statement of Profit and Loss

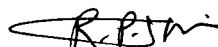
(Currency: Indian rupees)

Particulars	Note	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenue from operations			
Fee income	2.16	89,836,561	70,541,647
Other income	2.17	5,422,005	4,999,380
Total revenue		<u>95,258,566</u>	<u>75,541,027</u>
Expenses			
Employee benefit expenses	2.18	248,822,730	222,206,609
Finance costs	2.19	24,444,407	4,287,231
Depreciation and amortisation expenses	2.8	5,568,227	5,364,127
Other expenses	2.20	68,371,843	50,318,379
Total expenses		<u>347,207,207</u>	<u>282,176,346</u>
Loss before tax		(251,948,641)	(206,635,319)
Tax expense:			
Current tax (excess provision of earlier years written back Rs 8,750,461; previous year Nil)		(8,750,461)	-
Minimum alternative tax credit entitlement		-	(867,013)
Deferred tax charge/(benefit)		4,619,703	(1,800,227)
Loss for the year		<u>(247,817,883)</u>	<u>(203,968,079)</u>
Earnings per equity share (face value Rs.10 each):	2.23		
Basic and diluted		(104.36)	(87.07)

Significant accounting policies and notes to the financial statements 1 & 2

As per our report of even date attached.

For NGS & Co. LLP
Chartered Accountants
Firm Registration No.: 119850W



R. P. Soni
Partner
Membership No.: 104796



For and on behalf of the Board of Directors



Gaurang Tailor
Director
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Mumbai
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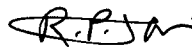
Edelweiss Alternative Asset Advisors Limited

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 taxation	(251,948,641)	(206,635,319)
<i>Adjustments for</i>		
Depreciation and ammortisation expenses	5,568,227	5,364,127
Provision for compensated absences	1,557,000	718,000
Profit on sale of fixed assets	(21,583)	-
Interest income	(3,700,990)	(3,747,429)
Interest expense	24,427,369	4,256,941
Operating cash flow before working capital changes	(224,118,618)	(200,043,680)
Add / (less): Adjustments for working capital changes		
(Increase)/decrease in trade receivables	(2,787,320)	48,427,579
(Increase)/decrease in loans and advances	(24,116,567)	46,656,028
Decrease in other assets	-	2,819
Decrease in current liabilities and provisions	(8,445,556)	(17,803,333)
Cash used in operations	(259,468,061)	(122,760,587)
Income taxes paid	684,845	(1,675,337)
Net cash used in operating activity - A	(258,783,216)	(124,435,924)
B Cash flow from investing activities		
Purchase of investments	(33,750,000)	(2,500,000)
Amount received on capital redemption of investments	2,623,076	3,835,744
Purchase of fixed assets	(7,029,704)	(6,826,509)
Sale of fixed assets	132,434	-
Interest received	2,537,465	4,336,907
Proceeds from repayment of loan given (refer note 2)	-	44,000,000
Net cash (used in)/generated from investing activities - B	(35,486,729)	42,846,142
C Cash flow from financing activities		
Proceeds from short term borrowings (net) (refer note 2)	279,456,281	83,440,532
Interest paid	(21,710,224)	(3,827,677)
Proceeds from issue of ordinary shares including security premium	-	32,058,990
Net cash generated from financing activities - C	257,746,057	111,671,845
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(36,523,888)	30,082,063
Note :		
1 Cash and cash equivalents as at the beginning of the year	36,538,296	6,456,233
Cash and cash equivalents as at the end of the year (Refer note 2.13)	14,408	36,538,296
2 Net figures have been reported on account of volume of transactions.		


As per our report of even date attached.

For NGS & Co. LLP
Chartered Accountants
Firm Registration No.: 119850W

R. P. Soni
Partner
Membership No.: 104796



For and on behalf of the Board of Directors


Gaurang Tailor
Director
DIN.: 00010292


Nikhil Johari
Director
DIN.: 01960539

15 May 2017

15 May 2017

Edelweiss Alternative Asset Advisors Limited

Notes to the financial statements for the year ended 31 March 2017

(Currency: Indian rupees)

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, on the 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), (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 generally accepted accounting principles requires the management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent liabilities on date of the financial statements and reported amount of revenue and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as 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

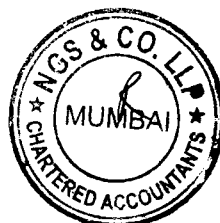
All assets and liabilities are classified into current and non-current.

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 12 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 12 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 12 months after the reporting date or the company does not have an unconditional right to defer settlement of the liability for at least 12 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.



Edelweiss Alternative Asset Advisors Limited

Notes to the financial statements (continued)

(Currency: Indian rupees)

1 Significant accounting policies (continued)

1.4 Revenue recognition

- a) Fee income is accounted for, on an accrual basis in accordance with the terms and conditions of contracts entered into between the Company and the counterparty.
- b) Interest income is recognised on accrual basis.
- c) Profit/loss earned 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 investments sold.

1.5 Investments

Investments are classified into non-current investments and current investments. Investments which are intended to be held for one year or more are classified as non-current investments and investments which are intended to be held for less than one year are classified as current investments.

Non-current investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

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

1.6 Fixed assets and depreciation

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

As per the requirement of Schedule II of the Companies Act, 2013, the Company has evaluated the useful lives of the respective fixed assets which are as per the provisions of Part C of the Schedule for calculating the depreciation. The useful lives of the fixed assets are as follows:

Nature of assets	Useful life
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

Intangible fixed assets

Intangibles such as software are amortised over a period of 3 years based on its estimated useful life.



Edelweiss Alternative Asset Advisors Limited

Notes to the financial statements (continued)

(Currency: Indian rupees)

1 Significant accounting policies (continued)

1.7 Impairment of assets

The Company assesses at each 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. If such recoverable amount of the asset 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.

1.8 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.

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit 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).



Edelweiss Alternative Asset Advisors Limited

Notes to the financial statements (continued)

(Currency: Indian rupees)

1 Significant accounting policies (continued)

1.9 Taxation

Tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961), 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.

Deferred tax

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised 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 only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Minimum Alternative tax (MAT) Credit

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

1.10 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 – “Earnings Per Share” as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. Basic 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 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 potential equity shares.



Edelweiss Alternative Asset Advisors Limited

Notes to the financial statements (continued)

(Currency: Indian rupees)

1 Significant accounting policies (continued)

1.11 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 at each 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.

1.12 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 of 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 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.



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

	As at 31 March 2017	As at 31 March 2016
2.1 Share capital		
a. Authorised : 3,000,000 (Previous year: 3,000,000) equity shares of Rs. 10/- each	<u>30,000,000</u>	<u>30,000,000</u>
b. Issued, subscribed and paid up: 2,374,737 (Previous year: 2,374,737) equity shares of Rs. 10/- each, fully paid-up	<u>23,747,370</u>	<u>23,747,370</u>
	<u>23,747,370</u>	<u>23,747,370</u>

c. **The movement in share capital during the year :**

	As at 31 March 2017		As at 31 March 2016	
	No of shares	Amount	No of shares	Amount
<i>Equity shares</i>				
Number of shares outstanding at the beginning of the year	2,374,737	23,747,370	2,256,000	22,560,000
Shares issued during the year	-	-	118,737	1,187,370
Number of shares at the end of the year	<u>2,374,737</u>	<u>23,747,370</u>	<u>2,374,737</u>	<u>23,747,370</u>

Details of shareholders holding more than 5% shares in the Company:

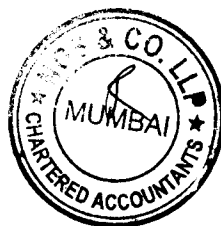
	As at 31 March 2017		As at 31 March 2016	
	No of shares	Percentage of share holding	No of shares	Percentage of share holding
Edelweiss Financial Services Limited and its nominees.	2,256,000	95%	2,256,000	95%
	<u>2,256,000</u>	<u>95%</u>	<u>2,256,000</u>	<u>95%</u>

d. **Terms/rights attached to equity shares**

The Company has only one class of shares, referred to as equity shares, having a par value of Rs 10. 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.

2.2 Reserves and surplus

Securities premium reserves		
Opening balance	119,111,620	88,240,000
Add: Additions during the year	-	30,871,620
Closing balance	<u>119,111,620</u>	<u>119,111,620</u>
Deficit in statement of profit and loss		
Opening balance	(246,111,434)	(42,143,355)
Add: Loss for the year	(247,817,883)	(203,968,079)
Closing balance	<u>(493,929,317)</u>	<u>(246,111,434)</u>
	<u>(374,817,697)</u>	<u>(126,999,814)</u>



Edelweiss Alternative Asset Advisors Limited

Notes to 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	80,000	-
Compensated absences	3,323,000	1,999,000
Deferred bonus	-	10,488,000
	<u>3,403,000</u>	<u>12,487,000</u>
2.4 Short-term borrowings		
<u>Unsecured</u>		
Loan from holding company (Variable interest rate loan at quarterly average borrowing rate ranging from 9.30% p.a 11.09% p.a (previous year 8.47% to 9.28% p.a), repayable on demand)	-	33,440,532
Loan from fellow subsidiary (Fixed rate loan at 10% p.a (previous year: 11.50% p.a) repayable on demand)	362,896,813	50,000,000
	<u>362,896,813</u>	<u>83,440,532</u>



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

2.5 Trade payables

Trade payables from non-related parties
Trade payables from related parties

	As at 31 March 2017	As at 31 March 2016
	8,536,265	4,863,104
	262,864	1,018,320
	<u>8,799,129</u>	<u>5,881,424</u>



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

	As at 31 March 2017	As at 31 March 2016
2.6 Other current liabilities		
Interest accrued and due on borrowings	3,146,682	429,537
Income received in advance	1,454,803	381,328
Other payables		
Accrued salaries and benefits	71,688,409	72,987,003
Withholding taxes, service tax and other statutory dues payable	9,529,803	5,896,871
Book overdraft	407,546	-
Others	2,857,796	2,159,107
	<u>89,085,039</u>	<u>81,853,846</u>
2.7 Short-term provisions		
Provision for employee benefits		
Gratuity	-	127,054
Compensated absences	637,000	404,000
Deferred bonus	11,970,657	18,000,000
Others		
Provision for taxation (net of advance tax and tax deducted at source)	-	378,082
Provision for capital expenditure	741,329	54,241
	<u>13,348,986</u>	<u>18,963,377</u>



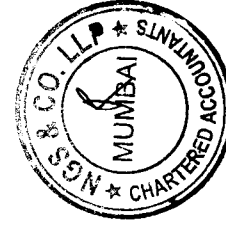
Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

2.8 Fixed assets

Description of assets	Gross block				Depreciation and amortization				Net block	
	As at 1 April 2016	Additions during the year	Deductions during the year	As at 31 March 2017	As at 1 April 2016	Additions during the year	Deductions during the year	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
(A) Tangible assets										
Office equipment	900,123	2,805,827	-	3,705,950	562,592	1,199,903	-	1,762,495	1,943,455	337,531
Motor vehicle	11,843,928	2,442,347	-	14,286,275	4,947,422	2,396,198	-	7,343,620	6,942,655	6,896,506
Computers	3,299,447	1,098,202	769,184	3,628,465	2,111,444	1,085,346	658,333	2,538,457	1,090,008	1,188,003
Total	16,043,498	6,346,376	769,184	21,620,690	7,621,458	4,681,447	658,333	11,644,572	9,976,118	8,422,040
(B) Intangible assets										
Computer software	2,639,827	683,328	-	3,323,155	939,459	886,780	-	1,826,239	1,496,916	1,700,368
Total : B	2,639,827	683,328	-	3,323,155	939,459	886,780	-	1,826,239	1,496,916	1,700,368
Grand Total (A+B)	18,683,325	7,029,704	769,184	24,943,845	8,560,917	5,568,227	658,333	13,470,811	11,473,034	10,122,408
Previous year	11,736,816	6,946,509	-	18,683,325	3,196,790	5,364,127	-	8,560,917	10,122,408	-



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

2.9 Non-current investments - at cost

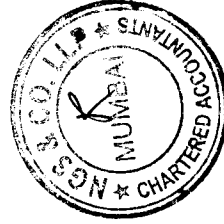
	As at 31 March 2017		As at 31 March 2016	
	Face Value	Quantity	Face Value	Quantity
Others (unquoted)				
Edelweiss Stressed and Troubled Assets Revival Fund	10,000	5,000	10,000	1,625
		<u>42,848,943</u>		<u>11,722,019</u>

Aggregate of unquoted investment

- At book value

42,848,943

11,722,019



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

	As at 31 March 2017	As at 31 March 2016
2.10 Deferred tax assets		
Deferred tax asset		
Disallowances under section 43B of the Income Tax Act, 1961	5,000,164	10,499,851
Difference between book and tax depreciation	1,198,216	318,232
	<u>6,198,380</u>	<u>10,818,083</u>
2.11 Long-term loans and advances		
Other advances		
Prepaid expenses	5,224,395	152,007
Advance income tax and tax deducted at source (net of provision for taxation)	16,460,421	3,543,091
	<u>21,684,816</u>	<u>3,695,098</u>



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

	As at 31 March 2017	As at 31 March 2016
2.12 Trade receivables		
Unsecured, considered good		
Other debts	13,327,811	10,540,491
	<u>13,327,811</u>	<u>10,540,491</u>
2.13 Cash and cash equivalents		
Cash in hand	14,408	24,216
Balances with banks		
- in current accounts	-	36,514,080
	<u>14,408</u>	<u>36,538,296</u>



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

	As at 31 March 2017	As at 31 March 2016
2.14 Short-term loans and advances		
<i>Unsecured, considered good</i>		
Other advances		
Deposits- others	400,000	400,000
Prepaid expenses	2,854,218	2,415,472
Loans and advances to employees	7,256,036	670,018
Vendor advances	234,581	264,241
Input tax credit	3,684,202	3,371,875
Advance income tax and tax deducted at source (net of provision for taxation)	2,340,293	7,570,089
MAT credit entitlement	867,013	867,013
Advances recoverable in cash or in kind or for value to be received	11,999,088	262,340
	<u>29,635,431</u>	<u>15,821,048</u>
2.15 Other current assets		
Accrued interest on investments	1,279,817	116,292
	<u>1,279,817</u>	<u>116,292</u>



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 Fee income		
Advisory and other fees	89,836,561	70,541,647
	<u>89,836,561</u>	<u>70,541,647</u>
2.17 Other income		
Miscellaneous income	816	-
Interest income - others	5,399,606	3,753,045
Foreign exchange gain (net)	-	1,246,335
Profit on sale of fixed assets (net)	21,583	-
	<u>5,422,005</u>	<u>4,999,380</u>



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian rupees)

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.18 Employee benefit expenses		
Salaries and wages	235,165,168	211,172,672
Contribution to provident and other funds	9,239,483	8,808,532
Staff welfare expenses	4,418,079	2,225,405
	<u>248,822,730</u>	<u>222,206,609</u>
2.19 Finance costs		
Interest on loan	24,427,369	4,256,941
Interest - others	955	68
Financial and bank charges	16,083	30,222
	<u>24,444,407</u>	<u>4,287,231</u>



Edelweiss Alternative Asset Advisors Limited

Notes to 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	3,784,499	1,577,006
Auditors' remuneration (refer note below)	214,000	126,000
Bad- debts and advances written off	-	-
Commission and brokerage	-	-
Communication expenses	2,540,374	2,387,947
Computer expenses	101,080	50,394
Computer software	39,164	33,704
Electricity charges (refer note 2.28)	1,747,126	1,204,924
Foreign exchange loss	514,160	-
Insurance expenses	7,193	8,187
Legal and professional fees	6,752,389	(3,527,150)
Membership and subscription	2,439,025	111,295
Office expenses	(3,977)	67,690
Postage and courier	-	157
Printing and stationery	2,469,319	2,542,208
Rates and taxes	524,077	25,180
Rent (refer note 2.28)	12,733,761	11,614,357
Repairs and maintenance - others	35,367	106,215
ROC expenses	2,800	2,534
Seminar and conference	687,386	212,083
Service tax expenses	277,737	142,028
Travelling and conveyance	32,964,157	33,627,252
Miscellaneous expenses	542,206	6,368
	<u>68,371,843</u>	<u>50,318,379</u>
Note:		
Auditors' remuneration:		
As auditor	214,000	126,000
For reimbursement of expenses	-	-
	<u>214,000</u>	<u>126,000</u>



Edelweiss Alternative Asset Advisors Limited

Notes to financial statements (continued)

(Currency: Indian Rupees)

2.21 Segment reporting

The Company's business is organised and management reviews the performance based on the business segments as mentioned below:

Segment	Activities covered
Capital based business	Income from treasury operations, income from investments and dividend income
Agency business	Fee income

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identified with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segment disclosures relating to revenue, results, assets and liabilities have been prepared.

Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment.

The following table gives information on segment assets and liabilities as at 31 March 2017 and the segment revenue, expenses and result for the year ended on that date:

	Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
I	Segment revenue		
	a) Capital based business	3,731,179	3,753,045
	b) Agency business	90,410,974	71,787,982
	c) Unallocated	1,116,413	-
	Total	95,258,566	75,541,027
	Less : Inter segment revenue	-	-
	Total Income	95,258,566	75,541,027
II	Segment results		
	a) Capital based business	(28,736,141)	(12,257,888)
	b) Agency business	(223,122,161)	(193,612,471)
	c) Unallocated	(90,339)	(764,960)
	Total	(251,948,641)	(206,635,319)
	Profit before taxation	(251,948,641)	(206,635,319)
	Less : Provision for taxation	(4,130,758)	(2,667,240)
	Profit after taxation	(247,817,883)	(203,968,079)
	Particulars	As at 31 March 2017	As at 31 March 2016
III	Segment assets		
	a) Capital based business	45,391,604	12,822,221
	b) Agency business	55,132,405	23,843,067
	c) Unallocated	25,938,631	62,708,447
	Total	126,462,640	99,373,735
IV	Segment liabilities		
	a) Capital based business	256,348,802	40,039,160
	b) Agency business	211,044,333	156,093,193
	c) Unallocated	10,139,832	6,493,826
	Total	477,532,967	202,626,179
V	Capital expenditure (Including capital work-in-progress)		
	a) Capital based business	351,485	347,325
	b) Agency business	6,678,219	6,599,184
	c) Unallocated	-	-
	Total	7,029,704	6,946,509
VI	Depreciation and amortisation		
	a) Capital based business	278,411	268,206
	b) Agency business	5,289,816	5,095,921
	c) Unallocated	-	-
	Total	5,568,227	5,364,127
VII	Significant non-cash expenses other than depreciation and amortisation		
	a) Capital based business	77,850	35,900
	b) Agency business	1,479,150	682,100
	c) Unallocated	-	-
	Total	1,557,000	718,000

