

Edelweiss Investment Adviser Limited

Financial Statements
together with Auditor's Report
for the year ended 31 March 2016

Edelweiss Investment Adviser Limited

Financial statements together with Independent Auditors' Report for the year ended 31 March 2016

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KHANDELWAL PRAKASH MURARI BHANDARI & CO.
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO
THE MEMBERS OF
EDELWEISS INVESTMENT ADVISER LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **Edelweiss Investment Adviser Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, Statement of Profit and Loss and 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

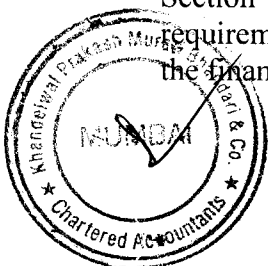
The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in 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 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 31st March, 2016, its Profit and its cash flows for the year ended on that date.

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 matter specified in the paragraph 3 and 4 of the order .
- 2) As required by Section 143 (3) of the Act, we report, to the extent applicable, 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, 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, as applicable.

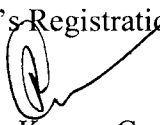


- e) On the basis of the written representations received from the Directors of the company as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With 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 Report in “**Annexure B**”.
- 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 disclosed the impact of pending litigation on its financial position in its financial statements - Refer note 2.28 to the financial statements
 - ii. The company did not have any long term contracts including derivative contracts for which any provision required for material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Khandelwal Prakash Murari Bhandari & Co.

Chartered Accountants

(Firm’s Registration No. 102454W)


Pawan Kumar Gupta

Partner

Membership No. 051713



Place: Mumbai

Date: 10th May 2016

M/S EDELWEISS INVESTMENT ADVISER LIMITED

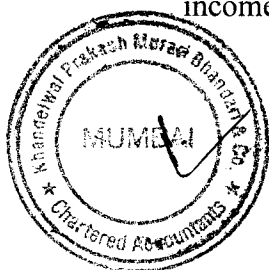
Annexure "A" to Independent Auditor's Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, 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 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;
- c) According to the information and explanations given to us and records examined by us, the Company does not own any immovable property as at balance sheet date;
- (ii) Based on our examination of documents and records, the Company did not own any physical inventory at any time during the year. Accordingly, paragraph 3(ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us, during the year the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. 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, where applicable with respect to the loans made.
- (v) The Company has not accepted any deposits from public.
- (vi) The Central Government has not prescribed the maintenance of Cost records under section 148 (1) of Act, for the Company.
- (vii) (a) According to the information and explanation given to us and records examined by us, the Company is generally regular in deposit of undisputed statutory dues including income tax, Provident fund, service tax and any other material statutory dues applicable to the company. As explained to us the Company does not have any dues on account of Employees' State Insurance, Sales Tax, Value Added Tax, Wealth Tax, Duty of Custom and Duty of Excise.

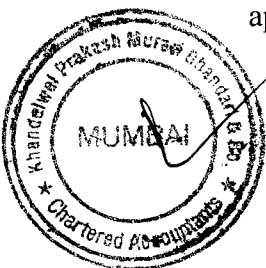
According to the information and explanations given to us, there are no undisputed statutory dues payable in respect of income tax, service tax and any other material statutory dues applicable to the company which are outstanding as on 31st March, 2016 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of service tax, provident fund other material statutory dues applicable to the company which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of income tax have not been deposited by the Company on account of disputes:



Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	MTM Loss	18,470,419	Assessment Year 2012-13	CIT(Appeals)
Income Tax Act, 1961	Disallowance u/s 14A, provision for expenses, loss on forward contract and 26AS Reconciliation	18,564,520	Assessment Year 2013-14	CIT(Appeals)

- (viii) Based on the information available and explanations given by the management, the company has not taken any loan from financial institutions, banks, government or 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 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) 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 records examined by us, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations give to us and records examined by us, 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 records examined by us, 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 Khandelwal Prakash Murari Bhandari & Co.

Chartered Accountants

(Firm's Registration No. 102454W)



Pawan Kumar Gupta

Partner

Membership No. 051713

Place: Mumbai

Date: 10th May 2016



Annexure-B to the Independent Auditors' Report

Report on the Internal Financial Controls over financial reporting 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 Investment Adviser Limited ("the Company")** as at 31st March 2016 in conjunction with our audit of the financial statements of the Company for the year ended and as 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 ('the Guidance Note'). 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 Act.

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 Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013 and the Guidance Note, to the extent applicable to an audit of internal financial controls. 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 31st March 2016, 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 Khandelwal Prakash Murari Bhandari & Co.

Chartered Accountants

(Firm's Registration No. 102454W)

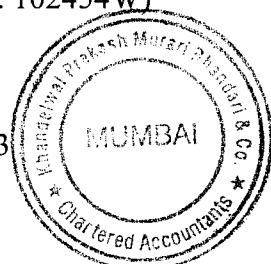
Pawan Kumar Gupta

Partner

Membership No. 051713

Place: Mumbai

Date: 10th May 2016



Edelweiss Investment Adviser Limited

Balance Sheet

(Currency : Indian rupees)

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	4,750,000	4,750,000
Reserves and surplus	2.2	299,158,359	190,465,752
		<u>303,908,359</u>	<u>195,215,752</u>
Non-current liabilities			
Long-term provisions	2.3	937,000	944,000
Current liabilities			
Short-term borrowings	2.4	5,703,697,395	1,953,204,795
Trade payables			
Total outstanding dues of Micro, Small and Medium enterprises	2.26	-	-
Total outstanding dues of creditors other than Micro, Small and Medium enterprises	2.5	2,054,284	8,030,429
Other current liabilities	2.6	59,765,227	38,802,242
Short-term provisions	2.7	11,634,752	166,000
TOTAL		<u>6,081,997,017</u>	<u>2,196,363,218</u>
ASSETS			
Non-current assets			
Fixed assets	2.8		
Tangible assets		533,462	1,223,586
Intangible assets		11,133,736	546,931
Intangible assets under development		88,900	15,855,156
Deferred tax assets (net)	2.9	65,717,797	69,121,363
Long-term loans and advances	2.10	30,239,505	36,561,862
		<u>107,713,400</u>	<u>123,308,898</u>
Current assets			
Trade receivables	2.11	2,985,861	5,136,356
Cash and bank balances	2.12	18,498,649	29,311,792
Short-term loans and advances	2.13	5,952,745,992	2,038,544,034
Other current assets	2.14	53,115	62,138
		<u>5,974,283,617</u>	<u>2,073,054,320</u>
TOTAL		<u>6,081,997,017</u>	<u>2,196,363,218</u>

Significant accounting policies and notes to financial statements

1 & 2

As per our report of even date attached.

For Khandelwal Prakash Murari Bhandari & Co.

Chartered Accountants

Firm's Registration No.: 102454W

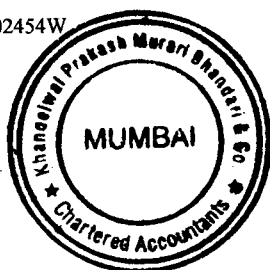
Pawan Kumar Gupta

Partner

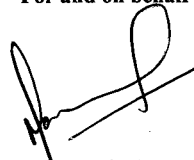
Membership No.: 051713

Mumbai

10 May 2016



For and on behalf of the Board of Directors



Mayank Soti

Director

DIN No.: 03283886

Mumbai

10 May 2016



Sanjeev Rastogi

Director

DIN No.: 00254303

Edelweiss Investment Adviser Limited

Statement of Profit and Loss

(Currency : Indian rupees)

		For the year ended 31 March 2016	For the year ended 31 March 2015
Revenue from operations			
Fee and commission income	2.15	35,210,709	42,426,257
Income from treasury operations and investments	2.16	422,589,027	231,653,383
Other operating revenue	2.17	1,199,999	3,969,023
		<u>458,999,735</u>	<u>278,048,663</u>
Other income	2.18	24,650	9,792
Total Revenue		<u>459,024,385</u>	<u>278,058,455</u>
Expenses			
Employee benefit expenses	2.19	45,057,607	48,013,100
Finance costs	2.20	278,146,713	181,329,811
Depreciation and amortization expenses	2.8	6,396,987	1,265,574
Other expenses	2.21	21,687,905	45,844,471
Total expenses		<u>351,289,212</u>	<u>276,452,956</u>
Profit before tax		107,735,173	1,605,499
Tax expense:			
(1) Income tax (Includes adjustment of short / (excess) provisions for earlier years Rs. (362) (Previous year: Rs. 785))		23,226,638	4,361,785
(2) MAT credit entitlement (includes for earlier years of Rs. 4,360,638 (Previous year: Rs. Nil))		(27,587,638)	-
(3) Deferred tax charge/(benefit)		3,403,566	(405,966)
Profit/ (loss) for the year		<u>108,692,607</u>	<u>(2,350,320)</u>
Earning per equity share:			
Basic and diluted earnings per share (Face value of Rs. 10 each)	2.26	2,173.85	(47.01)
Significant accounting policies and notes to financial statements	1 & 2		

As per our report of even date attached.

For Khandelwal Prakash Murari Bhandari & Co.

Chartered Accountants

Firm's Registration No.: 102454W

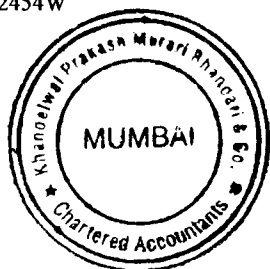
Pawan Kumar Gupta

Partner

Membership No.: 051713

Mumbai

10 May 2016



For and on behalf of the Board of Directors

Mayank Soti

Director

DIN No.: 03283886

Mumbai

10 May 2016

Sanjeev Rastogi

Director

DIN No.: 00254303

Edelweiss Investment Adviser Limited

Cash Flow Statement

(Currency : Indian rupees)

	For the year ended 31 March 2016	For the year ended 31 March 2015
A Cash flow from operating activities		
Profit / (Loss) before taxation	107,735,173	1,605,499
<i>Adjustments for</i>		
Depreciation and amortization expenses	6,396,987	1,265,574
Provision for doubtful debts	249,341	20,864,502
Provision for gratuity	-	(38,000)
Provision for compensated absences	-	40,000
(Profit)/Loss on sale of fixed assets	(2,524)	1,441
Interest expense	278,023,259	181,173,229
Operating cash flow before working capital changes	392,402,236	204,912,245
<i>Adjustments for</i>		
Decrease/(Increase) in trade receivables	1,901,154	(4,558,813)
Increase in loans and advances	(3,879,863,485)	(364,482,444)
Decrease in other current assets	9,023	520,625
Increase/(Decrease) in liabilities and provisions	15,040,587	(18,910,143)
Cash used in operating activities	(3,470,510,485)	(182,518,530)
Income taxes paid	13,563,765	12,132,533
Net cash used in operating activities - A	(3,484,074,250)	(194,651,063)
B Cash flow from investing activities		
Purchase of fixed assets	(567,376)	(7,155,734)
Proceeds on sale of fixed assets	8,000	5,818
Proceeds from repayment of long term loan given	-	80,000,000
Net cash (used in) / generated from investing activities - B	(559,376)	72,850,084
C Cash flow from financing activities		
Proceeds from unsecured loan (refer note 1)	3,750,492,600	310,590,964
Interest paid	(276,672,117)	(165,127,243)
Net cash generated from financing activities - C	3,473,820,483	145,463,721
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(10,813,143)	23,662,742
Cash and cash equivalent as at the beginning of the year	29,311,792	5,649,050
Cash and cash equivalent as at the end of the year (refer note 2.12)	18,498,649	29,311,792

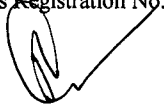
Notes:

- 1 Net figures have been reported on account of volume of transactions.
As per our report of even date attached.

For Khandelwal Prakash Murari Bhandari & Co.

Chartered Accountants

Firm's Registration No.: 102454W



Pawan Kumar Gupta

Partner

Membership No.: 051713



Mumbai

10 May 2016

For and on behalf of the Board of Directors



Mayank Soti

Director

DIN No.: 03283886



Sanjeev Rastogi

Director

DIN No.: 00254303

Mumbai

10 May 2016

Edelweiss Investment Adviser Limited

Notes to the financial statements

for the year ended 31 March 2016

(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 management to make certain estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities on the date of the financial statements and reported amount of revenue and expenses during the reported period. The estimate 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

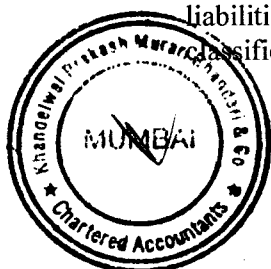
All assets and liabilities are classified into current and non-current

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 Investment Adviser Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2016

(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 contracts entered into between the Company and the counterparty.

b) Income from treasury operations comprises of profit/loss on sale of real estate properties and profit/loss on commodity and derivative instruments.

Realised profit/ loss on closed positions of derivative instruments is recognised on final settlement on squaring-up 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, (a valuation technique) are used to determine the fair value. In most cases a valuation technique use observable market data as input parameters in order to ensure reliability of the fair value measure.

c) Interest income is recognised on accrual basis

1.5 Fixed assets and depreciation

Tangible fixed assets and Capital work in Progress

Tangible fixed assets acquired by the Company are reported at acquisition cost, with deduction for accumulated depreciation and impairment losses, if any. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Capital work in progress comprises the cost of fixed assets that are not ready for its intended use at the reporting date.

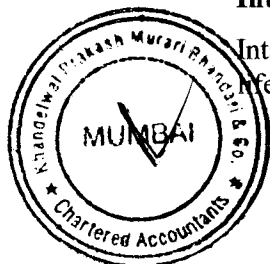
Depreciation is provided on a written down value basis from the date the asset is ready to use or put to use whichever is earlier. In respect of assets sold, depreciation is provided up to the date of disposal.

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
Office Equipment	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 is amortised over a period of 3 years or its estimated useful life whichever is shorter.



Edelweiss Investment Adviser Limited

Notes to the financial statements (*Continued*)

for the year ended 31 March 2016

(Currency : Indian rupees)

1. Significant accounting policies (*Continued*)

1.6 *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. The recoverable amount is the greater 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.

1.7 *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 recognized provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognized in the statement of profit and loss.

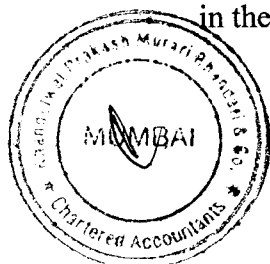
Gratuity

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

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



Edelweiss Investment Adviser Limited

Notes to the financial statements (*Continued*)

for the year ended 31 March 2016

(Currency : Indian rupees)

1. Significant accounting policies (*Continued*)

1.8 *Employee benefits (continued)*

Compensated leave 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.

1.9 *Tax*

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 credit (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 recognized using the tax rates that have been enacted or substantively enacted by 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 these assets. Deferred tax assets are reviewed as at each 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.

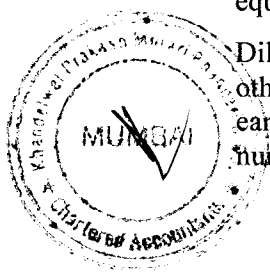
Minimum Alternative Tax (MAT) Credit

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

1.10 *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 by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.



Edelweiss Investment Adviser Limited

Notes to the financial statements (*Continued*)

for the year ended 31 March 2016

(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.



Edelweiss Investment Adviser Limited

Notes to the financial statements (Continued)

(Currency : Indian rupees)

2.1 Share capital

Authorised :

	As at 31 March 2016	As at 31 March 2015
250,000 (Previous year 250,000) Equity shares of Rs. 10 each	2,500,000	2,500,000
5,000,000 (Previous year 5,000,000) Preference shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>
	<u>52,500,000</u>	<u>52,500,000</u>

Issued, Subscribed and Paid up:

50,000 (Previous year 50,000) equity shares of Rs. 10 each, fully paid-up (All the above, 50,000 (Previous year: 50,000) equity shares of Rs. 10 each, fully paid-up shares are held by Edelweiss Financial Services Limited, the holding company and its nominees.)	500,000	500,000
160,000 (Previous year 160,000) 0.01% Non-Cumulative Redeemable Preference Shares of Rs. 10 each, fully paid up Of the above:- (i) 70,000 (Previous year: 70,000) - 0.01% Non-Cumulative Redeemable Preference Shares of Rs. 10 each, fully paid-up shares are held by Edelweiss Commodities Services Limited, a fellow subsidiary. (ii) 90,000 (Previous year: 90,000) - 0.01% Non Cumulative Redeemable Preference Shares of Rs.10 each, fully paid up shares are held by Edelweiss Commodities Services Limited, a fellow subsidiary.	1,600,000	1,600,000
220,000 (Previous year 220,000) 1% Non-Cumulative Redeemable Preference Shares of Rs. 10 each, fully paid up Of the above:- (i) 110,000 (Previous year: 110,000) - 1% Non-Cumulative Redeemable Preference Shares of Rs. 10 each, fully paid-up shares are held by Edelweiss Finance & Investments Limited, a fellow subsidiary. (ii) 110,000 (Previous year: 110,000) - 1% Non-Cumulative Redeemable Preference Shares of Rs. 10 each, fully paid-up shares are held by ECL Finance Limited, a fellow subsidiary.	2,200,000	2,200,000
45,000 (Previous year 45,000) 1% Non-Cumulative Redeemable Preference Shares of Rs 10 each, fully paid up (All the above, 45,000 (Previous year: 45,000) 1% Non Cumulative Redeemable Preference shares of Rs. 10 each, fully paid-up shares are held by Edelweiss Commodities Services Limited, a fellow subsidiary.)	450,000	450,000
	<u>4,750,000</u>	<u>4,750,000</u>

Reconciliation of number of shares outstanding :

Equity Shares

Number of shares outstanding at the beginning	50,000	50,000
Shares issued during the year	-	-
Number of shares at the end	<u>50,000</u>	<u>50,000</u>

Reconciliation of Share Capital:

Share Capital at the beginning of the year	500,000	500,000
Share Capital issued during the year	-	-
Share Capital at the end of the year	<u>500,000</u>	<u>500,000</u>

Reconciliation of number of shares outstanding :

Preference Shares

Number of shares outstanding at the beginning	425,000	425,000
Shares issued during the year	-	-
Number of shares at the end	<u>425,000</u>	<u>425,000</u>

Reconciliation of Share Capital:

Share Capital at the beginning of the year	4,250,000	4,250,000
Share Capital issued during the year	-	-
Number of shares at the end	<u>4,250,000</u>	<u>4,250,000</u>



Edelweiss Investment Adviser Limited

Notes to the financial statements (Continued)

(Currency : Indian rupees)

2.1 Share capital (Continued)

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.

Terms of conversion/repayment of Non-Cumulative Redeemable Preference Shares:

70,000 Preference Shares

The Preference Shares of the face value of Rs. 10 each were issued at the rate of Rs. 1,000 per share. The Preference Shares were allotted on November 5, 2009. The Preference Shares are Non-cumulative and Non-convertible. The Preference Shares carry a Non-cumulative dividend of 0.01%. The Preference Shares will be redeemed at Rs. 1,000 per share at the end of 3 years from the date of allotment but before 10 years from the date of allotment.

90,000 Preference Shares

The Preference Shares of the face value of Rs. 10 each were issued at the rate of Rs. 1,000 per share. The Preference Shares were allotted on December 23, 2009. The Preference Shares are Non-cumulative and Non-convertible. The Preference Shares carry a Non-cumulative dividend of 0.01%. The Preference Shares will be redeemed at Rs. 1,000 per share at the end of 3 years from the date of allotment but before 10 years from the date of allotment.

2,20,000 Preference Shares

The Preference Shares of the face value of Rs. 10 each were issued at the rate of Rs. 1,000 per share. The Preference Shares were allotted on February 12, 2010. The Preference Shares are Non-cumulative and Non-convertible. The Preference Shares carry a Non-cumulative dividend of 1%. The Preference Shares will be redeemed at Rs. 1,000 per share at the end of 3 years from the date of allotment but before 10 years from the date of allotment.

45,000 Preference Shares

The Preference Shares of the face value of Rs. 10 each were issued at the rate of Rs. 1,000 per share. The Preference Shares were allotted on July 16, 2010. The Preference Shares are Non-cumulative and Non-convertible. The Preference Shares carry a Non-cumulative dividend of 1%. The Preference Shares will be redeemed at Rs. 1,000 per share at the end of 20 years from the date of allotment.

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

	As at 31 March 2016 No. of shares	As at 31 March 2015 No. of shares
Equity share of Rs. 10 each fully paid-up:		
Edelweiss Financial Services Limited, the holding company	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Preference share of Rs. 10 each fully paid-up:		
Edelweiss Commodities Services Limited, a fellow subsidiary	205,000	205,000
Edelweiss Finance & Investments Limited, a fellow subsidiary	110,000	110,000
ECL Finance Limited, a fellow subsidiary	110,000	110,000
	<u>425,000</u>	<u>425,000</u>

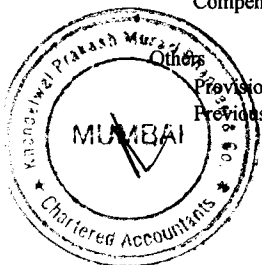


Edelweiss Investment Adviser Limited

Notes to the financial statements (Continued)

(Currency : Indian rupees)

	As at 31 March 2016	As at 31 March 2015
2.2 Reserves and surplus		
Securities premium account		
Opening balance	420,750,000	420,750,000
Add : Additions during the year	-	-
Closing balance	<u>420,750,000</u>	<u>420,750,000</u>
Statement of profit and loss		
Opening Balance	(230,284,248)	(227,933,928)
Add: Profit/(loss) for the year	<u>108,692,607</u>	<u>(2,350,320)</u>
Closing balance	<u>(121,591,641)</u>	<u>(230,284,248)</u>
	<u><u>299,158,359</u></u>	<u><u>190,465,752</u></u>
2.3 Long-term provisions		
Provision for employee benefits		
Gratuity	695,000	741,000
Compensated absences	242,000	203,000
	<u>937,000</u>	<u>944,000</u>
2.4 Short-term borrowings		
<u>Unsecured</u>		
Loans from related parties (repayable on demand, at variable rate of interest ranging from 8.47% p.a. To 11.50% p.a.)	4,625,397,395	1,953,204,795
Inter-corporate deposit	1,078,300,000	-
	<u>5,703,697,395</u>	<u>1,953,204,795</u>
2.5 Trade payables		
Trade payables (refer note 2.26) (includes sundry creditors, provision for expenses)	2,054,284	8,030,429
	<u>2,054,284</u>	<u>8,030,429</u>
2.6 Other current liabilities		
Interest accrued but not due on inter company deposit	691,294	-
Interest accrued and due on borrowings	20,593,871	20,782,424
Income received in advance	8,564	8,564
Other payables		
Accrued salaries and benefits	12,623,139	11,816,687
Withholding taxes, service tax and other taxes payable	21,683,859	6,194,567
Others	4,164,500	-
	<u>59,765,227</u>	<u>38,802,242</u>
2.7 Short-term provisions		
Provision for employee benefits		
Gratuity	630,000	103,000
Compensated absences	65,000	63,000
Provision for taxation (net of advance taxes and tax deducted at sources Rs.13,135,648; Provides year Rs.Nil)	10,939,752	-
	<u>11,634,752</u>	<u>166,000</u>



Edelweiss Investment Adviser Limited

Notes to the financial statements (Continued)

(Currency : Indian rupees)

2.8 Fixed assets

Description of Assets	Gross block				Depreciation				Net block	
	As at 1 April 2015	Additions during the year	Deductions during the year	As at 31 March 2016	As at 1 April 2015	Additions during the year	Deductions during the year	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015
Tangible assets										
Office equipment	345,914	18,300	9,100	385,114	163,963	92,859	3,624	253,198	101,916	181,951
Computers	2,483,911	76,203	-	2,560,114	1,442,276	686,292	-	2,128,568	431,546	1,041,635
Total : A	2,829,825	94,503	9,100	2,915,228	1,606,239	779,151	3,624	2,381,766	533,462	1,223,586
Intangible assets										
Computer software	975,081	16,204,641	-	17,179,722	428,150	5,617,836	-	6,045,986	11,133,736	546,931
Total : B	975,081	16,204,641	-	17,179,722	428,150	5,617,836	-	6,045,986	11,133,736	546,931
Grand Total [A+B]	3,804,906	16,299,144	9,100	20,094,950	2,034,389	6,396,987	3,624	8,427,752	11,667,198	1,770,517
Previous Year	2,271,966	1,542,940	10,000	3,804,906	771,558	1,265,574	2,743	2,034,389	1,770,517	

Note

As per the requirement of the Companies Act, 2013, the Company had evaluated the useful life of its fixed assets and has computed depreciation according to the provisions of Schedule II of the Act. Consequently, in the Statement of profit and loss of the Company, the depreciation charge for the year ended 31 March 2015 was higher by Rs.463,874/-

