

Independent Auditors' Report

To the Directors of
Edelweiss Financial Services Inc

Report on the Financial Statements

We have audited the accompanying financial statements of **Edelweiss Financial Services Inc** ('the Company'), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss and 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 preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company. This responsibility also includes maintenance of adequate accounting records 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 conducted our audit in accordance with the Standards on Auditing, requires 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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.



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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 Companies Act, 2013 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 2015, and its loss and its cash flows for the year ended on that date.

For NGS & Co. LLP

Chartered Accountants

Firm Registration No.: 119850W



R.P. Soni

Partner

Membership No.: 104796

Place: Mumbai

Date: 4 May 2015



Edelweiss Financial Services Inc

Financial Statements
together with Auditors' Report
for the year ended 31 March 2015

Edelweiss Financial Services Inc

Notes to the financial statements

for the year ended 31 March 2015

(Currency: Indian Rupees)

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Auditors' Report

Balance sheet

Statement of Profit and loss

Cash flow statement

Notes to financial statements

Edelweiss Financial Services Inc.

Balance Sheet

(Currency: Indian Rupees)

| | Note | As at 31 March 2015 | As at 31 March 2014 |
|------------------------------------|------|--------------------------|--------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 2.1 | 63,331,000 | 63,331,000 |
| Reserves and surplus | 2.2 | (16,092,059) | (9,256,617) |
| | | <u>47,238,941</u> | <u>54,074,383</u> |
| Current liabilities | | | |
| Trade / customer accounts payables | | 571,574 | - |
| | | <u>571,574</u> | <u>-</u> |
| TOTAL | | <u><u>47,810,515</u></u> | <u><u>54,074,383</u></u> |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 2.3 | 44,231 | 70,380 |
| Long-term loans and advances | 2.4 | 100,145 | 95,613 |
| | | <u>144,376</u> | <u>165,993</u> |
| Current assets | | | |
| Cash and cash equivalents | 2.5 | 47,666,139 | 53,908,390 |
| | | <u>47,666,139</u> | <u>53,908,390</u> |
| TOTAL | | <u><u>47,810,515</u></u> | <u><u>54,074,383</u></u> |

Significant accounting policies and notes to the financial statements.

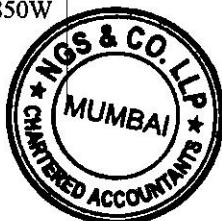
1 & 2

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



Mumbai
4 May 2015

For and on behalf of the Board of Directors



Ranganathan Purushothaman
Director

New York, USA
4 May 2015

Edelweiss Financial Services Inc.

Statement of Profit and Loss

(Currency: Indian Rupees)

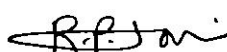
| | Note | For the year ended 31 March 2015 | 11 June 2013 to 31 March 2014 |
|---|------|-------------------------------------|----------------------------------|
| Revenue from operations | | - | - |
| Total revenue | | <u>-</u> | <u>-</u> |
| Expenses: | | | |
| Employee benefit expenses | 2.6 | 104,425 | - |
| Finance costs | 2.7 | 9,108 | 7,234 |
| Depreciation and amortization expenses | 2.3 | 28,604 | 30,427 |
| Other expenses | 2.8 | 8,975,423 | 5,695,536 |
| Total expenses | | <u>9,117,560</u> | <u>5,733,197</u> |
| Loss before tax | | (9,117,560) | (5,733,197) |
| Tax expense | | | |
| Current tax | | - | - |
| Loss for the year / period | | <u>(9,117,560)</u> | <u>(5,733,197)</u> |
| Earnings per equity share: | 2.11 | | |
| Basic and diluted (of face value of USD 1 million each) | | (9,117,560) | (5,733,197) |

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



Mumbai
4 May 2015

For and on behalf of the Board of Directors


Ranganathan Purushothaman
Director

New York, USA
4 May 2015

Edelweiss Financial Services Inc.

Cash Flow Statement

(Currency: Indian Rupees)

| | For the year ended 31 March 2015 | 11 June 2013 to 28 February 2015 |
|---|-------------------------------------|-------------------------------------|
| A Cash flow from operating activities | | |
| Loss before taxation | (9,117,560) | (5,733,197) |
| <i>Adjustments for:</i> | | |
| Depreciation and amortization expenses | 28,604 | 30,427 |
| Operating cash flow before working capital changes | (9,088,956) | (5,702,770) |
| <i>Add / (Less): Adjustments for working capital changes</i> | | |
| Increase in loans and advances | (4,532) | (95,613) |
| Increase in trade payables | 571,574 | - |
| Cash used in operations | (8,521,914) | (5,798,383) |
| Income taxes paid | - | - |
| Net cash used in operating activities - A | (8,521,914) | (5,798,383) |
| B Cash flow from investing activities | | |
| Purchase of fixed assets | - | (100,543) |
| Net cash used in investing activities - B | - | (100,543) |
| C Cash flow from financing activities | | |
| Proceeds from issue of share capital | - | 63,331,000 |
| Net cash generated from financing activities - C | - | 63,331,000 |
| D Change in foreign exchange translation reserve - D | 2,279,663 | (3,523,684) |
| Net (decrease) / increase in cash and cash equivalents (A+B+C+D) | (6,242,251) | 53,908,390 |
| Cash and cash equivalents as at the beginning of the year / period | 53,908,390 | - |
| Cash and cash equivalents as at the end of the year / period | 47,666,139 | 53,908,390 |

Notes:

1 Cash and cash equivalents includes the following

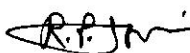
Balances with banks

- in current accounts

47,666,139 53,908,390

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



Mumbai
4 May 2014

For and on behalf of the Board of Directors



Ranganathan Purushothaman
Director

New York, USA
4 May 2014

Edelweiss Financial Services Inc

Notes to the financial statements

for the year ended 31 March 2015

(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 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), provisions of the Companies Act, 1956 (to the extent applicable) (hereinafter together referred to as "the Act") and the Schedule III to the Act. The financial statements are presented in Indian rupees.

The entity being a foreign company, the assets and liabilities for the purpose of preparation of these financial statements, are translated into Indian Rupees at the rate of exchange prevailing as at the Balance Sheet date. Further, revenue and expense are translated into Indian Rupees at the average exchange rate prevailing during the year and the resulting net translation adjustment has been disclosed as Foreign Exchange Translation Reserve in Reserves and Surplus. The same is in compliance with Accounting Standard 11 issued by the Institute of Chartered Accountants of India on "The Effects of Changes in Foreign Exchange Rates".

1.2 Use of estimates

The preparation of the financial statements in conformity with the GAAP requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities 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 and Non-current classification

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

Assets

An asset is classified as current when it satisfies any of the following criteria:

- It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- 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 used to settle a liability for at least 12 months after the reporting date.
- Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- It is expected to be settled in the company's normal operating cycle.



Edelweiss Financial Services Inc

Notes to the financial statements (Continued)

for the year ended 31 March 2015

(Currency: Indian Rupees)

1. Significant accounting policies (Continued)

1.3 Current and Non-current classification (Continued)

- It is held primarily for the purpose of being traded;
- 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, results in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current

1.4 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.

Depreciation is charged at the rates prescribed in the Schedule III to the Act as given below:

| Class of asset | Rate of depreciation |
|----------------|----------------------|
| Computers | 40.00% |

1.4 Impairment of assets

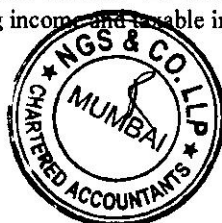
The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the 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 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.

1.5 Revenue recognition

Revenue is recognised on accrual basis of accounting.

1.6 Taxation

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



Edelweiss Financial Services Inc

Notes to the financial statements (Continued)

for the year ended 31 March 2015

(Currency: Indian Rupees)

1. Significant accounting policies (Continued)

1.6 Taxation (Continued)

Income tax

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

Deferred taxation

The deferred tax charge or credit 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 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.

1.7 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 common stockholders by the weighted average number of common stock outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of common stock and dilutive potential common stock outstanding at year end.

1.8 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 Financial Services Inc.

Notes to the financial statements (Continued)

(Currency: Indian Rupees)

| | As at 31 March 2015 | As at 31 March 2014 |
|--|------------------------|------------------------|
| 2.1 Share capital | | |
| (a) Authorised: 100 shares of Common Stock without par value | - | - |
| (b) Issued, subscribed and paid up: 1 share of the Common Stock, with no par value, purchased at \$ 1,000,000 (USD 1 million only) | 63,331,000 | 63,331,000 |
| | <u>63,331,000</u> | <u>63,331,000</u> |

(The entire capital is held by Edelweiss Securities Limited, the holding company, which is in turn a wholly owned subsidiary of Edelweiss Financial Services Limited).

(c) Movement in share capital

| | As at 31 March 2015 | | As at 31 March 2014 | |
|---|---------------------|-------------------|---------------------|-------------------|
| | No of shares | Amount | No of shares | Amount |
| Outstanding at the beginning of the year / period | 1 | 63,331,000 | - | - |
| shares issued during the year / period | - | - | 1 | 63,331,000 |
| As at the end of the year / period | <u>1</u> | <u>63,331,000</u> | <u>1</u> | <u>63,331,000</u> |

(d) Terms/rights attached to ordinary shares:

The Company has only one class of Common Stock. Each holder of Common Stock is entitled to one vote per share held.

In the event of liquidation of the Company, the holders of Common Stock will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

2.2 Reserves and surplus

| | | |
|---|---------------------|--------------------|
| Foreign exchange translation reserve | (1,241,302) | (3,523,420) |
| Deficit in the Statement of Profit and Loss | (5,733,197) | - |
| Opening balance in Statement of profit and loss | <u>(9,117,560)</u> | <u>(5,733,197)</u> |
| Add/Less: Loss for the year / period | <u>(14,850,757)</u> | <u>(5,733,197)</u> |
| | <u>(16,092,059)</u> | <u>(9,256,617)</u> |



Edelweiss Financial Services Inc.

Notes to the financial statements (Continued)

(Currency: Indian Rupees)

2.3 Fixed assets

| Description of assets | Gross block | | | Depreciation | | | Net block | |
|-----------------------|-----------------------|-----------|----------------------------|------------------------|-----------------------|--------------|----------------------------|------------------------|
| | As at 1 April 2014 | Additions | Deductions/ Adjustments | As at 31 March 2015 | As at 1 April 2014 | For the year | Deductions/ Adjustments | As at 31 March 2015 |
| Tangible assets | | | | | | | | |
| Computers | 100,543 | - | - | 100,543 | 30,163 | 28,604 | 2,455 | 44,231 |
| Total : | 100,543 | - | - | 100,543 | 30,163 | 28,604 | 2,455 | 44,231 |
| Previous Year | - | 100,543 | - | 100,543 | - | 30,427 | 264 | 70,380 |



Edelweiss Financial Services Inc.

Notes to the financial statements (Continued)

(Currency: Indian Rupees)

| | As at 31 March 2015 | As at 31 March 2014 |
|---|------------------------|------------------------|
| 2.4 Long-term loans and advances | | |
| Unsecured, considered good | | |
| Security deposits | | |
| Rental deposits | 100,145 | 95,613 |
| | <u>100,145</u> | <u>95,613</u> |
| 2.5 Cash and cash equivalents | | |
| Balances with other banks | | |
| - in current accounts | 47,666,139 | 53,908,390 |
| | <u>47,666,139</u> | <u>53,908,390</u> |



Edelweiss Financial Services Inc.

Notes to the financial statements (Continued)

(Currency: Indian Rupees)

| | For the year ended 31 March 2015 | 11 June 2013 to 31 March 2014 |
|---|-------------------------------------|----------------------------------|
| 2.6 Employee benefit expenses | | |
| Staff welfare expenses | 104,425 | - |
| | <u>104,425</u> | <u>-</u> |
| 2.7 Finance costs | | |
| Bank charges | 9,108 | 7,234 |
| | <u>9,108</u> | <u>7,234</u> |
| 2.8 Other expenses | | |
| Advertisement and business promotion expenses | 933,848 | - |
| Communication expenses | 130,611 | 1,002,795 |
| Computer expenses | 14,976 | - |
| Computer software | - | 9,582 |
| Insurance | 1,484,872 | 1,024,586 |
| Legal and professional fees | 1,764,870 | 1,507,003 |
| License fees | 571,871 | 512,381 |
| Membership and subscription | 118,400 | - |
| Postage and courier | 5,353 | 25,763 |
| Printing and stationery | 42,096 | - |
| Rates and taxes | 1,986,509 | 1,054,858 |
| Rent | 1,208,186 | 531,056 |
| Travelling and conveyance | 709,873 | 27,512 |
| Miscellaneous expenses | 3,958 | - |
| | <u>8,975,423</u> | <u>5,695,536</u> |



Edelweiss Financial Services Inc
Notes to the financial statements (Continued)
for the year ended 31 March 2015

(Currency: Indian Rupees)

2.9 Segment reporting

Since the Company has not commenced business, there is no reportable business segment within the meaning of Accounting Standard 17 – Segment Reporting.

2.10 Disclosure as required by Accounting Standard 18 – “Related Party Disclosure”, as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 :

(A) Names of related parties by whom control is exercised

| | |
|--------------------------------------|--------------------------|
| Edelweiss Securities Limited | Holding company |
| Edelweiss Financial Services Limited | Ultimate holding company |

(B) Transactions with related party

| Particulars | 2015 | 2014 |
|-------------------------------------|------|------------|
| Capital account transactions | | |
| Shares allotted | | |
| Edelweiss Securities Limited | - | 63,331,000 |

2.11 Earning Per Share

In accordance with Accounting Standard 20 on “Earnings Per Share” as prescribed under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, the computation of earnings per share is set out below :

| Particulars | 2015 | 2014 |
|--|-------------|-------------|
| a) Shareholders earnings (as per statement of profit and loss) | (9,117,560) | (5,733,197) |
| Net profit available to common stock for the purpose of calculating basic and diluted earnings per share | (9,117,560) | (5,733,197) |
| b) <i>Calculation of weighted average number of common stock of USD 1,000,000 each:</i> | | |
| – Number of common stock at the beginning of the year | 1 | - |
| – Number of common stock issued during the year | - | 1 |
| Total number of common stock outstanding at the end of the year | 1 | 1 |
| Weighted average number of common stock outstanding during the year (based on the date of issue of common stock) | 1 | 1 |
| c) Basic and diluted earnings per share (in Rupees) (a/b) | (9,117,560) | (5,733,197) |

The basic and diluted earnings per share are the same as there are no dilutive potential common stocks.



Edelweiss Financial Services Inc
Notes to the financial statements (*Continued*)
for the year ended 31 March 2015

(Currency: Indian Rupees)

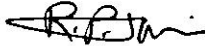
2.12 Capital commitments and contingent liabilities

The Company has Rs. Nil capital commitments and contingent liabilities as at the balance sheet date.

- 2.13** Company had applied to Financial Industry Regulatory Authority (FINRA) for approval to commence its business operation and has been granted the approval on 23 February 2015.

As per our report of even date attached.

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



R. P. Soni

Partner

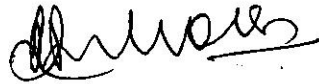
Membership No: 104796



Mumbai

4 May 2015

For and on behalf of the Board of Directors



Ranganathan Purushothaman

Director

New York, USA

4 May 2015