INDEPENDENT AUDITOR'S REPORT

To the Members of **Edelweiss Financial Services Inc.**

Report on the Audit of the Special Purpose Financial Statements

Opinion

We have audited the accompanying Special Purpose Financial Statements of **Edelweiss Financial Services Inc.** ("the Company"), which comprise the Balance sheet as at March 31, 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Financial Statements give the information required by the Companies Act, 2013, as amended ("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 March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Special Purpose Financial Statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Special Purpose Financial Statements.

Other Information

This being a foreign company, the requirement regarding reporting on Other Information clause is not applicable to the Company.

Responsibility of Management for the Special Purpose Financial Statements

The Company's Board of Directors is responsible the preparation of these Special Purpose Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the 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 Special Purpose Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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In preparing the Special Purpose Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Special Purpose Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to special purpose financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Special Purpose Financial Statements, including the disclosures, and whether the Special Purpose Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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MUMBAI
CHARTERED ACCOUNTANTS

This report is issued at the request of the Company and is intended solely for the information and use of the Edelweiss Financial Services Limited ('Ultimate Holding Company' or 'EFSL'), for the purpose of presentation of its consolidated audited financial statements for the year ended March 31, 2020 and for the use of S.R. Batliboi & Co. LLP (the current statutory auditor of EFSL) in conjunction with the audit of consolidated financial statements and is not intended to be and should not be used for any other purpose.

Report on Other Legal and Regulatory Requirements

1. As required for the purpose of special purpose financial statements, 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 including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid special purpose financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these special purpose financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

   (f) As informed to us, the Company being an foreign company, the requirements for provision of section 197(16) of the Companies Act, 2013 are not applicable.

   (g) With respect to the other matters to be included in the Auditor's Report 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; and

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

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

NGS & CO. LLP
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R.P. Soni
Partner
Membership No.: 104796

UDIN: 20104796AAAAZH9759

Place : Mumbai
Date : June 23, 2020

Annexure A
Report on the Internal Financial Controls

We have audited the internal financial controls over financial reporting of **Edelweiss Financial Services Inc.** ("the Company") as of March 31, 2020 in conjunction with our audit of the special purpose 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, 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,.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these special purpose financial statements 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, to the extent 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 with reference to these special purpose financial statements 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 over financial reporting with reference to these special purpose financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these special purpose financial statements, 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 judgement, 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 internal financial controls over financial reporting with reference to these special purpose financial statements.

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CHARTERED ACCOUNTANTS

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these special purpose financial statements 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 with reference to these special purpose financial statements 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 With Reference to these Special purpose Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these special purpose financial statements, 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 with reference to these special purpose financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these special purpose financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these special purpose financial statements and such internal financial controls over financial reporting with reference to these special purpose financial statements were operating effectively as at March 31, 2020, 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
ICAI Firm Registration No. 119850W

R.P.Soni

R.P. Soni
Partner
Membership No.: 104796

NGS & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

UDIN: 20104796AAAAZH9759

Place : Mumbai
Date : June 23, 2020

Edelweiss Financial Services Inc

Balance Sheet

(Currency : Indian rupees)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Financial assets			
Cash and cash equivalents	2.1	**81,010,992**	65,873,226
Trade receivables	2.2	**45,450,938**	37,260,908
Other financial assets	2.3	**983,786**	991,086
		127,445,716	104,125,220
Non-financial assets			
Current tax assets (net)	2.4	**6,954,802**	-
Property, plant and equipment	2.5	**28,713**	86,251
Other non- financial assets	2.6	**51,987**	-
		7,035,502	86,251
TOTAL ASSETS		**134,481,218**	104,211,471
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables	2.7	**668,980**	995,742
Other financial liabilities	2.8	**-**	17,016,140
		668,980	18,011,882
Non-financial liabilities			
Current tax liabilities (net)	2.9	**14,230,253**	2,053,350
Other non-financial liabilities	2.10	**186,655**	-
		14,416,908	2,053,350
EQUITY			
Equity share capital	2.11	**80,260,325**	80,260,325
Other equity	2.12	**39,135,005**	3,885,914
		119,395,330	84,146,239
TOTAL LIABILITIES AND EQUITY		**134,481,218**	104,211,471

Significant accounting policies and notes forming part of the financial statements. 1 & 2

This is the Balance Sheet referred to in our report of even date.

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

NGS & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

R. P. Soni
Partner
Membership No.: 104796
Mumbai
23 June 2020

For and on behalf of the Board of Directors

Ranganathan Purushothaman
Director

23 June 2020

Edelweiss Financial Services Inc.

Edelweiss Financial Services Inc

Statement of Profit and Loss

(Currency : Indian rupees)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenue from operations			
Fee and commission income	2.13	**209,778,327**	283,233,620
Other income	2.14	**3,556,429**	4,906,968
Total income		**213,334,756**	288,140,588
Expenses			
Finance costs	2.15	**351,064**	-
Employee benefits expense	2.16	**136,643,395**	249,970,696
Depreciation, amortisation and impairment	2.5	**61,384**	45,948
Other expenses	2.17	**37,520,590**	26,622,699
Total expenses		**174,576,433**	276,639,343
Profit before tax		**38,758,323**	11,501,245
Tax expenses:			
Current tax		**12,724,567**	2,070,877
(1) Current tax		**13,187,974**	2,070,877
(2) Short / (Excess) provision for earlier years		**(463,407)**	-
Deferred tax		**-**	-
Profit for the year		**26,033,756**	9,430,368
Other comprehensive income			
Items that will be reclassified to profit or loss			
Foreign Exchange Translation Reserve - OCI		**9,215,335**	4,319,516
Other comprehensive income		**9,215,335**	4,319,516
Total comprehensive income		**35,249,091**	13,749,884
Earnings per share :			
Basic and diluted (1 common stock with no par value)	2.18	**26,033,756**	9,430,368

Significant accounting policies and notes forming part of the financial statements. 1 & 2

This is the Statement of Profit and Loss referred to in our report of even date.

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

R. P. Soni
Partner
Membership No.: 104796
Mumbai
23 June 2020

For and on behalf of the Board of Directors

Ranganathan Purushothaman
Director

23 June 2020

Edelweiss Financial Services Inc.

Edelweiss Financial Services Inc

Cash Flow Statement

(Currency: Indian rupees)

		For the year ended 31 March 2020	For the year ended 31 March 2019
A	**Cash flow from operating activities**		
	Profit before tax	**38,758,323**	11,501,245
	Adjustments for:		
	Depreciation and amortisation expenses	**61,384**	45,948
	Expense on employee stock option plans	-	212,039
	Operating cash flow before working capital changes	**38,819,707**	11,759,232
	Adjustments for:		
	Increase in trade receivables	**(4,552,882)**	(8,719,316)
	Decrease in Other financial assets	**90,583**	-
	Increase in Other non-financial assets	**(48,879)**	-
	Decrease in trade payables	**(391,340)**	(365,111)
	Increase / (decrease) in other financial liabilities	**(17,436,254)**	7,590,656
	Increase in other non-financial liabilities	**175,497**	-
	Cash generated from operations	**16,656,432**	10,265,461
	Income taxes paid (net of refund)	**(7,988,113)**	(212,659)
	Net cash generated from operating activities - A	**8,668,319**	10,052,802
B	**Cash flow from investing activities**		
	Purchase of property, plant and equipment and intangible assets	-	(109,113)
	Net cash used in investing activities - B	-	(109,113)
C	**Cash flow from financing activities**		
	Net cash (used in)/generated from financing activities - C	-	-
D	**Change in foreign exchange translation reserve - D**	**6,469,447**	4,352,278
	Net increase in cash and cash equivalents (A+B+C+D)	**15,137,766**	14,295,967
	Cash and cash equivalents as at the beginning of the year	**65,873,226**	51,577,259
	Cash and cash equivalents as at the end of the year *(Refer note 2.1)*	**81,010,992**	65,873,226

This is the cash flow statement referred to in our report of even date.

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

NGS & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

R. P. Soni
Partner
Membership No.: 104796

Mumbai
23 June 2020

For and on behalf of the Board of Directors

Ranganathan Purushothaman
Director

23 June 2020

Edelweiss Financial Services Inc.

Edelweiss Financial Services Inc

Statement of changes in Equity

(Currency : Indian rupees)

A. Share capital

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	80,260,325	80,260,325
Changes in share capital *(refer note 2.11)*	-	-
Balance at the end of the year	80,260,325	80,260,325

B. Other Equity

	ESOP reserve	Reserve and surplus	Other comprehensive income	Total
		Retained earnings	Foreign Exchange Translation Reserve	
Balance at 31 March 2018 (Ind AS)	752,036	(11,194,586)	333,779	(10,108,771)
Ind AS adjustments	-	211,728	-	211,728
ESOP Charges	33,073	-	-	33,073
Profit for the year	-	9,430,368	-	9,430,368
Other comprehensive income	-	-	4,319,516	4,319,516
Total Comprehensive Income for the year	-	9,430,368	4,319,516	13,749,884
Balance at 31 March 2019 (Ind AS)	785,109	(1,552,490)	4,653,295	3,885,914
Profit for the year	-	26,033,756	-	26,033,756
Other comprehensive income	-	-	9,215,335	9,215,335
Total Comprehensive Income for the year	-	26,033,756	9,215,335	35,249,091
Balance at 31 March 2020 (Ind AS)	785,109	24,481,266	13,868,630	39,135,005

Retained earnings
Retained earnings comprises of the Company's undistributed earnings after taxes.

Foreign exchange translation reserve
The functional currency of the Company is United States Dollars. These financial statements are prepared and presented in INR which is the functional currency of the Ultimate Parent Entity, for the purpose of consolidation. Foreign Exchange Translation reserve represents the exchange difference arising on translation difference arising on conversion of financial statements from functional currency to the presentation currency.

This is the Statement of changes in equity referred to in our report of even date.

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

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R. P. Soni
Partner
Membership No.: 104796
Mumbai
23 June 2020

For and on behalf of the Board of Directors

Ranganathan Purushothaman
Director

23 June 2020

Edelweiss Financial Services Inc. ★

1. Significant accounting policies

1.1 Company background

Edelweiss Financial Services Inc ('the Company') was incorporated on May 29, 2013. The Company is a 100% subsidiary of Edelweiss Securities Limited which in turn is a 100% subsidiary of Edelweiss Financial Services Limited.

1.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The Company's financial statements have been prepared on a historical cost basis, except for certain financial instruments such as financial asset measured at fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, and other financial assets held for trading, which have been measured at fair value through profit or loss. The Company's financial statements are presented in Indian Rupees (INR).

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 "Statement of Changes in Equity". The same is in compliance with Indian Accounting Standard (Ind AS) 21 issued by the Institute of Chartered Accountants of India on "The Effects of Changes in Foreign Exchange Rates".

Estimation of uncertainties relating to the global health pandemic from COVID-19

The outbreak of COVID–19 virus continues to spread across the globe including India, resulting in significant volatility in financial markets and a significant decrease in global and India's economic activities. On March 11, 2020, this outbreak was declared a global pandemic by the World Health Organization. On March 24, 2020, the Indian Government announced a 21 – days lockdown which was further extended till 31st May 2020 across the nation to contain the spread of the virus and still continues to be across many parts of the country in India.

In preparing these financial statements, the Company's management has assessed the impact of the pandemic on its operations and trade receivables as at March 31, 2020 based on estimate of the future results and various internal and external information available up to the date of approval of these financial statements. Since the revenue of the Company is ultimately dependent on research reports and reimbursements from Indian group companies based on a mark-up over cost, changes in Indian market conditions may have an impact on the cash flows of the Company going forward. The estimates as at the date of approval of these financial results may differ based on the ongoing impact of the pandemic and the timing of the improvement in the economy.

1.3 Presentation of financial statements

These financial statements are Special Purpose Indian Accounting Standards (Ind-AS) Financial Statement prepared for the purpose of preparation of consolidated financial statements for the year ended 31 March 2020 for Edelweiss Financial Services Limited Reporting (Ultimate Holding Company) for its reporting of Consolidated audited financial results under Ind-AS Division III of Schedule III of the Companies Act, 2013 ("the Act").

The Company presents its balance sheet in order of liquidity in compliance with the Division III of the Schedule III to the Companies Act, 2013. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 2.22

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Edelweiss Financial Services Inc.

1.3 Presentation of financial statements *(Continued)*

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

1. The normal course of business
2. The event of default
3. The event of insolvency or bankruptcy of the Company and/or its counterparties

1.4 Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind ASs.

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when the Company satisfies a performance obligation.

- Research services fee income is accounted when there is reasonable certainty as to its receipts
- Fee income is accounted for, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- Interest income is recognised on accrual basis of accounting.

1.5 Financial Instruments

Date of recognition

Financial assets and financial liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades; purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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Edelweiss Financial Services Inc.

1.5 Financial Instruments *(Continued)*

Initial measurement of financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in Statement of profit and loss.

Classification of financial instruments

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income [FVOCI)
- Fair value through profit or loss [FVTPL]

The Company measures debt financial assets that meet the following conditions at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- the financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. By default, all other financial assets are subsequently measured at FVTPL.

Sale that occur for below reason are considered as consistent with business model whose objective is to hold financial assets in order to collect contractual cash flows

- if those sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).
- If such sales are made close to maturity of financial asset and proceeds for sale approximate *the collection of the remaining contractual cashflow*
- Selling a financial asset because of significant increase in credit risk.

Edelweiss Financial Services Inc.

NGS & CO. LLP MUMBAI

1.5 Financial Instruments *(Continued)*

Amortized cost and Effective interest rate (EIR)

The effective interest rate is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Amortized cost and Effective interest rate (EIR) *(Continued)*

For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets held for trading

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there evidence of a recent pattern of short-term profit is taking. Held-for-trading assets and liabilities are recorded and measured in the balance sheet at fair value.

Financial assets at fair value through profit or loss

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109.

Disclosure requirement of Ind AS 107-Financial Instruments: Disclosure

Investment in equity instruments

The Company subsequently measures all equity investments (other than subsidiaries) at fair value through profit or loss, unless the management has elected to classify irrevocably some of its strategic equity investments to be measured at FVOCI, when such instruments meet the definition of Equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Investments in subsidiaries are carried at cost, as permitted under Ind AS 27.

Financial liabilities

All financial liabilities are measured at amortised cost except loan commitments, financial guarantees, and derivative financial liabilities.

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1.5 Financial Instruments *(Continued)*

Debt securities and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

As per Ind AS 23, The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are to be applied for annual periods beginning on or after 1 April 2019.

Financial liabilities and equity instruments

Financial instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company entity are recognised at the proceeds received.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Derecognition of financial assets and financial liabilities

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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1.5 Financial Instruments *(Continued)*

Impairment of financial assets

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on portfolio of its receivables. The provision matrix is based on its historically observed default rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Determination of fair value

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1.5 Financial Instruments *(Continued)*

Determination of fair value *(Continued)*

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments –Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments–Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
- Level 3 financial instruments –Those that include one or more unobservable input that is significant to the measurement as whole. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company periodically reviews its valuation techniques including the adopted methodologies and model calibrations.

Therefore, the Company applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates for the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

1.6 Property, plant and equipment and capital work in progress

Property, plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or methodology, as appropriate, and treated as changes in accounting estimates.

Subsequent cost incurred on an item of property, plant and equipment is recognized in the carrying amount thereof when those cost meet the recognition criteria as mentioned above. Repairs and maintenance are recognized in statement of profit and loss as incurred.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives. 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.

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income / expense in the statement of profit and loss in the year the asset is derecognised.

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1.6 Property, Plant and Equipment and Capital work in progress *(Continued)*

The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

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

The estimated useful lives of the fixed assets are as follows:

Class of asset	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

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of 1 April 2017 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

1.7 Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible fixed assets are recorded at the consideration paid for the acquisition of such assets and are carried at cost less accumulated amortization and impairment, if any.

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

1.8 Impairment of non-financial 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 cash generating unit which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

1.9 Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at Banks, on hand and short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

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1.10 Foreign currency transactions

Transactions in foreign currencies other than functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

1.11 Income tax expenses

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets are also recognised with respect to carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

It is probable that taxable profit will be available against which a deductible temporary difference, unused tax loss or unused tax credit can be utilised when there are sufficient taxable temporary differences which are expected to reverse in the period of reversal of deductible temporary difference or in periods in which a tax loss can be carried forward or back. When this is not the case, deferred tax asset is recognised to the extent it is probable that:

- the entity will have sufficient taxable profit in the same period as reversal of deductible temporary difference or periods in which a tax loss can be carried forward or back; or
- tax planning opportunities are available that will create taxable profit in appropriate periods.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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1.11 Income tax expenses *(Continued)*

Deferred tax *(Continued)*

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

1.12 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Indian Accounting Standard 33 - *Earnings Per Share*. Basic earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

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

1.13 Provisions and other contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where

the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

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.

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1.14 Retirement and other employee benefit:

Provident fund and national pension scheme

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

1.15 Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services that are granted by the Ultimate Parent Company are measured by reference to the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the 'Share Option Reserve'. In cases where the share options granted vest in instalments over the vesting period, the Company treats each instalment as a separate grant, because each instalment has a different vesting period, and hence the fair value of each instalment differs.

1.16 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Actuarial assumptions used in calculation of defined benefit plans
(b) Assumptions used on discounted cash flows, growth rate and discount rate to justify the value of management rights reported under intangible assets.
(c) Assumptions used in estimating the useful lives of tangible assets reported under property, plant and equipment.

1.17 Operating Leases:

Accounting policy applicable from 1 April 2019

The Company has applied Ind AS 116 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under Ind AS 17.

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1.17 Operating Leases *(Continued)*

Company as a lessee:

For any new contracts entered into on or after 1 April 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract is or contains lease

Measurement and recognition

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or at the incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short term lease

The Company has elected not to recognise right of use asset and lease liabilities for short term leases of property that has lease term of 12 months or less. The Company recognises lease payment associated with these leases as an expense on a straight line basis over lease term.

In the comparative period, as a lessee the Company classified leases that transfer substantially all the risk and reward of ownership as finance leases. Assets held under other leases are classified as operating lease and were not recognised in Company Balance sheet. Payments made under operating lease are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, in which case lease payments are recognised based on contractual terms. Contingent rental payable is recognised as an expense in the period in which it is incurred

Company as lessor:

The Company's accounting policy under Ind AS 116 has not changed from the comparative period. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

1.18 Standards issued but not yet effective

There are no new standard or amendment issued but not effective.

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Edelweiss Financial Services Inc.

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Notes to the financial statements *(Continued)*

(Currency : Indian rupees)	As at 31 March 2020	As at 31 March 2019
2.1 Cash and cash equivalents		
Balances with banks - in current accounts	**81,010,992**	65,873,226
	81,010,992	65,873,226
2.2 Trade receivables		
Receivables - Unsecured and considered good	**45,450,938**	37,260,908
	45,450,938	37,260,908

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Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

2.2 Trade receivable *(Continued)*

Particulars	31 March 2020	31 March 2019
Receivables considered good - Unsecured	45,450,938	37,260,908
	45,450,938	**37,260,908**
Less : Allowance for expected credit losses	-	-
	45,450,938	**37,260,908**

Provision matrix for trade receivables

Trade receivables days past due	Current	1-90days	91-180 days	181-360 days	more than 360 days	Total
31 March 2020						
Estimated total gross carrying amount at default	-	16,341,876	5,661,948	19,452,533	3,994,580	45,450,938
ECL - Simplified approach		-	-	-	-	-
Net carrying amount	-	**16,341,876**	**5,661,948.48**	**19,452,533.38**	**3,994,579.98**	**45,450,938**
31 March 2019						
Estimated total gross carrying amount at default	-	37,260,908	-	-	-	37,260,908
Net carrying amount	-	**37,260,908**	-	-	-	**37,260,908**

Edelweiss Financial Services Inc. ★

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Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

		As at 31 March 2020	As at 31 March 2019
2.3	**Other financial assets**		
	Security deposits	**983,786**	991,086
		983,786	991,086
2.4	**Current tax assets (net)**		
	Advance income taxes	**6,954,802**	-
		6,954,802	-

Edelweiss Financial Services Inc.

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Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

2.5 Property, plant and equipment

	Gross block					Accumulated depreciation and impairment				Net block	
Description of Assets	**As at 01 April 2019**	**Additions during the year**	**Deductions / Adjustments**	**Other adjustments (as applicable)**	**As at 31 March 2020**	**As at 01 April 2019**	**Charge for the year**	**Deductions / Adjustments**	**As at 31 March 2020**	**As at 31 March 2020**	**As at 31 March 2019**
Computers	507,524	-	-	45,597	553,121	421,273	61,384	41,751	524,408	28,713	86,251
Total	**507,524**	-	-	**45,597**	**553,121**	**421,273**	**61,384**	**41,751**	**524,408**	**28,713**	**86,251**

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Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

(Currency : Indian rupees)	**As at 31 March 2020**	As at March 31, 2019
2.6 Other non-financial assets		
Prepaid expenses	**51,987**	-
	51,987	-

Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

	As at 31 March 2020	As at 31 March 2019
2.7 Trade payables		
Trade payables to non-related parties	**668,980**	995,742
	668,980	995,742
2.8 Other financial liabilities		
Accrued salaries and benefits	-	17,016,140
	-	17,016,140
2.9 Current tax liabilities (net)		
Provision for taxation	**14,230,253**	2,053,350
	14,230,253	2,053,350
2.10 Other non-financial liabilities		
Withholding taxes, Goods & service tax and other taxes payable	**186,655**	-
	186,655	-

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Edelweiss Financial Services Inc.

Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

	As at 31 March 2020	As at 31 March 2019
2.11 Share capital		
***a.* Issued, Subscribed and Paid up:** 1 Common Stock of USD 1,250,000 (previous year :USD 1,250,000), with no par value	**80,260,325**	80,260,325
	80,260,325	80,260,325

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

b. Movement in share capital :

	31 March 2020		31 March 2019	
	No of shares	**Amount**	No of shares	Amount
Outstanding at the beginning of the year	**1**	**80,260,325**	1	80,260,325
Shares issued during the year	-	-	-	-
Outstanding at the end of the year	**1**	**80,260,325**	1	80,260,325

c. Terms/rights attached to equity 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.

2.12 Other equity

	As at 31 March 2020	As at 31 March 2019
Stock options outstanding	**785,109**	752,036
Add : Additions during the year	**-**	33,073
	785,109	785,109
Foreign Exchange Translation Reserves	**4,653,295**	333,779
Add : Additions during the year	**9,215,335**	4,319,516
	13,868,630	4,653,295
Opening Balance	**(1,552,490)**	(11,194,586)
IND AS Adjustment	**-**	211,728
Add: Profit for the year	**26,033,756**	9,430,368
Amount available for appropriation	**24,481,266**	(1,552,490)
	39,135,005	3,885,914

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Edelweiss Financial Services Inc.

(Currency : Indian rupees)

	For the year ended 31 March 2020	For the year ended 31 March 2019
2.13 Fee income		
Advisory and other fees	**209,778,327**	283,233,620
	209,778,327	283,233,620

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Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

2.14 Other Income	For the year ended 31 March 2020		For the year ended 31 March 2019	
	On financial assets measured at amortised cost	Total	On financial assets measured at amortised cost	Total
Other income	3,556,429	3,556,429	4,906,968	4,906,968
Total	3,556,429	3,556,429	4,906,968	4,906,968

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Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

(Currency : Indian rupees)

		For the year ended 31 March 2020		For the year ended 31 March 2019	
2.15	**Finance costs**	**On financial liabilities measured at amortised cost**	**Total**	On financial liabilities measured at amortised cost	Total
	Interest - others	351,064	351,064	-	-
	Total	**351,064**	**351,064**	-	-

Edelweiss Financial Services Inc.

NGS & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

(Currency : Indian rupees)	For the year ended 31 March 2020	For the year ended 31 March 2019

2.16 Employee benefit expenses

Salaries and wages	**125,595,674**	234,560,307
Contribution to provident and other funds *(refer note 2.33)*	**6,298,847**	9,769,513
Employee Stock Purchase Plan (ESPP) *(refer note below)*	**-**	212,039
Staff welfare expenses	**4,748,874**	5,428,837
	136,643,395	249,970,696

The Ultimate Holding Company (Edelweiss Financial Services Limited ("EFSL")) has Employee Stock Option Plans in force. Based on such ESOP schemes, parent entity has granted an ESOP option to acquire equity shares of EFSL that would vest in a graded manner to company's employees. Based on group policy / arrangement, EFSL has charged the fair value of such stock options, Company has accepted such cross charge and recognised the same under the employee cost.

2.17 Other expenses

Advertisement and business promotion	**44,168**	2,722,712
Auditors' remuneration *(refer note below)*	**579,295**	564,213
Communication	**575,460**	468,457
Legal and professional fees	**2,489,415**	850,799
Printing and stationery	**7,946**	1,064
Rates and taxes	**4,037,374**	295,023
Rent *(refer note 2.31a)*	**7,351,846**	8,309,071
Computer expenses	**9,260**	-
Membership and subscription	**230,995**	635,852
Office expenses	**74,150**	113,522
Postage and courier	**96,603**	52,148
ROC expenses	**617,684**	328,642
Seminar and conference	**2,375,859**	81,605
Travelling and conveyance	**19,030,535**	12,199,595
Miscellaneous expenses	**-**	(4)
	37,520,590	26,622,699

Auditors' remuneration:		
As Auditors	**579,295**	564,213
	579,295	564,213

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Notes to the financial statements *(Continued)*

For the year ended 31 March 2020

(Currency : Indian rupees)

2.18 Earnings per share

The following table shows the income and share data used in the basic and diluted EPS calculations:

Sr No	Particulars	31 March 2020	31 March 2019
a)	Net profit attributable to Shareholders (as per statement of profit and loss)	26,033,756	9,430,368
b)	Calculation of weighted average number of common stock, with no par value:		
	- Number of common stock at the beginning of the year	1	1
	- Number of common stock issued during the year	-	-
	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)**	**26,033,756**	**9,430,368**

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

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Notes to the financial statements *(Continued)*

For the year ended 31 March 2020

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2.19a Income Tax

The components of income tax expense for the year are:

Particulars	**31 March 2020**	**31 March 2019**
Current tax	13,187,974	**2,070,877**
Adjustment in respect of current income tax of prior years	(463,407)	-
Total tax charge	**12,724,567**	**2,070,877**
Current tax	12,724,567	2,070,877

2.19b Reconciliation of total tax charge

Particulars	**31 March 2020**	**31 March 2019**
Accounting profit before tax as per financial statements	38,758,323	11,501,245
Tax rate (in percentage)	34.00%	34.00%
Income tax expense calculated based on this tax rate	13,177,830	3,910,423
Adjustment in respect of current income tax of prior years	(463,407)	-
Effect of income not subject to tax:	-	-
Effect of non recognition of deferred tax asset on timing differences	-	(2,214,713)
Others* (Adjustment of previous year tax)	10,144	375,167
Tax charge for the year recorded in statement of profit and loss	**12,724,567**	**2,070,877**

Break-up of recognition of current tax	**31 March 2020**	**31 March 2019**
In statement of profit and loss	12,724,567	2,070,877

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Edelweiss Financial Services Inc.

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Notes to the financial statements *(Continued)*

For the year ended 31 March 2020

(Currency : Indian rupees)

2.20 Segment reporting

The Company has operated in only one business segment during the year. Therefore, the Company has only one reportable business segment, the results of which are disclosed in the financial statements. Further, there are no geographical segments. Hence, no disclosures are required under Indian Accounting Standard (Ind AS) 108 on Segment Reporting.

2.21 Disclosure as required by Indian Accounting Standard (Ind AS) 24 – "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) Names of fellow subsidiaries with whome transactions have taken place during the year

Edelweiss Alternative Asset Advisors Pte. Limited
Edelweiss International (Singapore) Pte Limited

(C) Names of key managerial personnel

Ranganathan Purushothaman

(D) Transactions and balances with related parties:

Nature of Transaction	Related Party Name	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019
Current account transactions during the year			
Fee income received from	Edelweiss Alternative Asset Advisors Pte. Limited	**126,814,055**	176,011,803
	Edelweiss Securities Limited	**23,216,470**	20,723,604
	Edelweiss Financial Services Limited	***5,015,185***	24,684,999
Other income	Edelweiss International (Singapore) Pte Limited	**3,556,429**	4,906,968
Remuneration paid to (refer note below)	Ranganathan Purushothaman	**31,811,369**	30,751,109
Balances with related parties			
Trade receivable from	Edelweiss Securities Limited	**30,067,398**	19,334,913
	Edelweiss Financial Services Limited	**9,328,660**	10,400,148
	Edelweiss Alternative Asset Advisors Pte. Limited	**5,710,216**	2,669,261
	Edelweiss International (Singapore) Pte Limited	**344,664**	4,856,586

Note:-
Information relating to remuneration paid to key managerial person mentioned above excludes provision made for gratuity and leave encashment which are provided for group of employees on an overall basis. These are included on cash basis. The variable compensation included herein is on cash basis.

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(Currency : Indian rupees)

2.22 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settle:

	31 March 2020			31 March 2019		
Particulars	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Financial assets						
Cash and cash equivalents	81,010,992	-	81,010,992	65,873,226	-	65,873,226
Trade receivables	45,450,938	-	45,450,938	37,260,908	-	37,260,908
Other financial assets	983,786	-	983,786	-	991,086	991,086
	127,445,716	**-**	**127,445,716**	**103,134,134**	**991,086**	**104,125,220**
Non-financial assets						
Current tax assets (net)	6,954,802	-	6,954,802		-	-
Property, plant and equipment	-	28,713	28,713	-	86,251	86,251
Other non-financial assets	51,987	-	51,987		-	-
	7,006,789	**28,713**	**7,035,502**	**-**	**86,251**	**86,251**
Total assets (A)	**134,452,505**	**28,713**	**134,481,218**	**103,134,134**	**1,077,337**	**104,211,471**

	31 March 2020			31 March 2019		
Particulars	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Financial liabilities						
Trade payables	668,980	-	668,980	995,742	-	995,742
Other financial liabilities	-	-	-	17,016,140	-	17,016,140
	668,980	**-**	**668,980**	**18,011,882**	**-**	**18,011,882**
Non-financial liabilities						
Current tax liabilities (net)	14,230,253	-	14,230,253	2,053,350	-	2,053,350
Other non-financial liabilities	186,655		186,655	-	-	-
	14,416,908	**-**	**14,416,908**	**2,053,350**	**-**	**2,053,350**
Total liabilities (B)	**15,085,888**	**-**	**15,085,888**	**20,065,232**	**-**	**20,065,232**
Net assets (A-B)	**119,366,617**	**28,713**	**119,395,330**	**83,068,902**	**1,077,337**	**84,146,239**

2.23 Capital commitments and contingent liabilities

The Company has Rs. Nil (previous year: Nil) capital commitments and contingent liabilities as at the balance sheet date.

2.24 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

At the reporting date, there was no significant concentration of credit risk. The maximum credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Cash at bank are held with reputable financial institutions.

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Market risk

Price risk is the risk that the value of a financial instrument will fluctuate due to change in market prices whether those changes are caused by factors specific to the individual security on its issuer or factors affecting all securities traded in the market.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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Notes to the financial statements *(Continued)*

For the year ended 31 March 2020

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2.24 Financial risk management *(Continued)*

Foreign currency risk (Continued)

The company invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in USD. Consequently, the investments are exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of future cash flows of that portion of the financial assets or liabilities denominated in currencies other than the United States dollars.

The currency risk is managed on a daily basis by the business and risk team in accordance with policies and procedures in place. and some investment transactions have been hedged by a forward currency exchange contract. The risk monitors the movement and highlights the same to the business. The measurement of the forward currency exchange contract would be calculated by broker based on actively quoted forward exchange rates. Further, the middle office sends a report on a daily basis to business and risk teams which contains currency position and exposure. Based on these reports, the business monitors risk and takes necessary action.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

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Notes to the financial statements (*Continued*)

For the year ended 31 March 2020

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2.25 **A. Analysis of non-derivative financial liabilities by remaining contractual maturities**

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that the counterparties will not request repayment on the earliest date it could be required to pay.
The table below summarises the maturity profile of the undiscounted cash flows of the non-derivative financial Liabilities.

As at 31 March 2020	On demand	1 to 14 days	15 days to 1 month	1 month to 2 months	2 months to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Trade payables	-	-	-	-	668,980	-	-	-	-	-	668,980
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Total undiscounted non-derivative financial liabilities	-	-	-	-	**668,980**	-	-	-	-	-	**668,980**

As at 31 March 2019	On demand	1 to 14 days	15 days to 1 month	1 month to 2 months	2 months to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Trade payables	-	-	-	-	995,742	-	-	-	-	-	995,742
Other financial liabilities	-	-	-	-	17,016,140	-	-	-	-	-	17,016,140
Total undiscounted non-derivative financial liabilities	-	-	-	-	**18,011,882**	-	-	-	-	-	**18,011,882**

B. Analysis of non-derivative financial assets by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the non-derivative financial assets as at 31 March

As at 31 March 2020	On demand	1 to 14 days	15 days to 1 month	1 month to 2 months	2 months to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Cash and cash equivalent and other bank balances	81,010,992	-	-	-	-	-	-	-	-	-	81,010,992
Trade receivables	-	-	-	-	-	45,450,938	-	-	-	-	45,450,938
Other financial assets	-	-	-	-	-	-	983,786	-	-	-	983,786
Total	**81,010,992**	-	-	-	-	**45,450,938**	**983,786**	-	-	-	**127,445,716**

As at 31 March 2019	On demand	1 to 14 days	15 days to 1 month	1 month to 2 months	2 months to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Cash and cash equivalent and other bank balances	65,873,226	-	-	-	-	-	-	-	-	-	65,873,226
Trade receivables	-	-	-	-	37,260,906	-	-	-	-	-	37,260,906
Other financial assets	-	-	-	-	-	-	-	991,086	-	-	991,086
Total	**65,873,226**	-	-	-	**37,260,906**	-	-	**991,086**	-	-	**104,125,220**

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Edelweiss Financial Services Inc.

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Notes to the financial statements *(Continued)*

For the year ended 31 March 2020

(Currency : Indian rupees)

2.26 Analysis of financial assets and liabilities by industry risk concentration

Industry analysis - Risk concentration for 31 March 2020

Particulars	**Financial services**	**Others**	**Total**
Financial assets			
Cash and cash equivalent and other bank balances	81,010,992	-	81,010,992
Trade and other receivables	45,450,938	-	45,450,938
Other financial assets	-	983,786	983,786
	126,461,930	**983,786**	**127,445,716**
Other Commitments	-		-
Total	**126,461,930**	**983,786**	**127,445,716**

Industry analysis - Risk concentration for 31 March 2019

Particulars	**Financial services**	**Others**	**Total**
Financial assets			
Cash and cash equivalent and other bank balances	65,873,226	-	65,873,226
Trade and other receivables	37,260,908	-	37,260,908
Other financial assets	991,086	-	991,086
	104,125,220	-	**104,125,220**
Other Commitments	-	-	-
Total	**104,125,220**	-	**104,125,220**

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Edelweiss Financial Services Inc

Notes to the financial statements *(Continued)*

For the year ended 31 March 2020

(Currency : Indian rupees)

2.27 Total market risk exposure

Fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately. Such risks the market risk for the trading portfolio is managed and monitored based on a VaR methodology that reflects the interdependency between risk variables. Non–trading positions are managed and monitored using other sensitivity analyses.

	31 March 2020			31 March 2019		
Particulars	**Carrying amount**	**Traded risk**	**Non-traded risk**	**Carrying amount**	**Traded risk**	**Non-traded risk**
Assets						
Cash and cash equivalent and other bank balances	81,010,992	-	81,010,992	65,873,226	-	65,873,226
Trade receivables	45,450,938	-	45,450,938	37,260,908	-	37,260,908
Other financial assets	983,786	-	983,786	991,086	-	991,086
Total	**127,445,716**	**-**	**127,445,716**	**104,125,220**	**-**	**104,125,220**
Liability						
Trade payables	668,980	-	668,980	995,742	-	995,742
Other financial liabilities	-	-	-	17,016,140	-	17,016,140
Total	**668,980**	**-**	**668,980**	**18,011,882**	**-**	**18,011,882**

Edelweiss Financial Services Inc.

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(Currency : Indian rupees)

2.28 Financial assets available to support future funding

Following table sets out availability of financial assets to support funding:

31 March 2020	Pledge as collateral	others 1	Available as collateral	others 2	Total carrying amount
Cash and cash equivalent including bank balance	-	-	-	81,010,992	81,010,992
Trade receivables	-	-	45,450,938	-	45,450,938
Other financial assets	-	983,786	-	-	983,786
Property, plant and equipment	-	-	-	28,713	28,713
Total assets	**-**	**983,786.00**	**45,450,938**	**81,039,705**	**127,474,429**

31 March 2019	Pledge as collateral	others 1	Available as collateral	others 2	Total carrying amount
Cash and cash equivalent including bank balance	-	-	-	65,873,226	65,873,226
Trade receivables	-	-	37,260,908	-	37,260,908
Other financial assets	-	-	-	991,086	991,086
Property, plant and equipment	-	-	86,251	-	86,251
Total assets	**-**	**-**	**37,347,159**	**66,864,312**	**104,211,471**

1 Represents assets which are not pledged and Company believes it is restricted from using to secure funding for legal or contractual or other reason

2 Represents assets which are not restricted for use as collateral, but that the Company would not consider readily available to secure funding in the normal course of business

Edelweiss Financial Services Inc.

Notes to the financial statements *(Continued)*

For the year ended 31 March 2020

(Currency : Indian rupees)

2.29 Revenue from contract with customers

Below is the disaggregation of the revenue from contracts with customers and its reconciliation to amounts reported in statement of profit and loss:

For the year ended 31 March 2020

Particulars	Fees and commission income
Service transferred at a point in time	209,778,327
Service transferred over time	-
Total revenue from contract with customers	**209,778,327**

For the year ended 31 March 2019

Particulars	Fees and commission income
Service transferred at a point in time	283,233,620
Service transferred over time	-
Total revenue from contract with customers	**283,233,620**

Edelweiss Financial Services Inc. ★

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(Currency : Indian rupees)

2.30 Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

In addition to above, the Company is required to maintain minimum networth as prescribed by various regulatory authorities. The management ensures that this is complied.

2.31 Operating lease commitments

Pariculars	**Amount in Rs**
Within one year	7,740,075
Total	7,740,075

2.31a Other disclosures

Particulars	**% / Years / Amount**
Incremental borrowing rate of company **(in %)**	%
The leases have an average life of between **(in years)**	-
The total lease payament for the year **(in amt)**	-
Lease rent expenses recognised in P&L for short term leases **(in amt)**	-
The total lease payament for the year **(in amt)**	7,351,846
Lease rent expenses recognised in P&L for short term lease **(in amt)**	7,351,846

2.32 Financial instruments not measured at fair value

Fair value information of financial assets and financial liabilities not measured at fair value has not been presented as the carrying amount is a reasonable approximation of the fair value due to their short term nature.

2.33 Retirement benefit plan

A) Defined contribution plan (Provident fund and National Pension Scheme):

Amount of INR 6,298,847 (Previous year: INR 9,769,513) is recognised as expenses and included in "Employee benefit expense" in the statement of profit and loss.

The Supreme Court has recently, delivered its ruling on the composition of basic wages for the purposes of deduction and contribution to the Employees Provident and Pension funds. The Group, in the interest of its employees, awaits clarity on the complexities revolving around the application of the said order, the ambiguity reflected by the divergent views of legal experts and the response/direction from the authorities, including on representations made by an industry association in this regard.

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Edelweiss Financial Services Inc.

Notes to the financial statements *(Continued)*

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(Currency : Indian rupees)

2.34 Previous period comparatives

Previous year figures have been regrouped and rearranged whenever necessary.

As per our report of even date attached.

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

NGS & CO. LLP MUMBAI

R. P. Soni
Partner
Membership No.: 104796

Mumbai
23 June 2020

For and on behalf of the Board of Directors

Ranganathan Purushothaman
Director

23 June 2020

Edelweiss Financial Services Inc.