

**Edelweiss Asset Management Limited**

Financial statements  
together with Auditors' Report  
for the year ended 31 March 2014

# Edelweiss Asset Management Limited

## **Financial statements together with Auditors' Report**

*For the year ended 31 March 2014*

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# B S R & Associates LLP

Chartered Accountants

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Apollo Mills Compound  
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## **Independent Auditors' Report**

### **To the Members of Edelweiss Asset Management Limited**

#### ***Report on the financial statements***

We have audited the accompanying financial statements of Edelweiss Asset Management Limited ('the Company') which comprise the balance sheet as at 31 March 2014, the statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto and a summary of significant accounting policies and other explanatory information.

#### ***Management's responsibility for the financial statements***

Management 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 in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control 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.

#### ***Auditors' 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 issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Edelweiss Asset Management Limited

## Independent Auditors' Report (*Continued*)

### *Opinion*

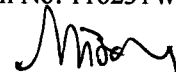
In our opinion, and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (ii) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

### *Report on other legal and regulatory requirements*

- 1 As required by the Companies (Auditor's Report) Order, 2003 ( 'the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - (e) On the basis of the written representations received from the directors of the Company as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as director in terms of clause (g) of sub section (1) of section 274 to the Act.

For **B S R & Associates LLP**  
*Chartered Accountants*  
Firm's Registration No: 116231W



**Farhad Bamji**  
*Partner*

Membership No: 105234

Mumbai  
12 May 2014

## Edelweiss Asset Management Limited

### Annexure to Independent Auditors' Report – 31 March 2014

(Referred to in our report of even date)


- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is a service company primarily rendering asset management services. Accordingly, paragraph 4(ii) of the Order is not applicable.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered in the register maintained under section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the activities conducted by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Service tax and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Sales-tax, Custom duty, Excise duty and Investor Education and Protection fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.

## Edelweiss Asset Management Limited

### Annexure to Independent Auditors' Report – 31 March 2014 (*Continued*)

- (c) According to the information and explanations given to us, there are no dues of Provident Fund, Income-tax, Service tax and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has accumulated losses at the end of the financial year, which are less than fifty percent per cent of its net worth. The Company has incurred cash loss of Rs.34,888,848 during the year and cash loss of Rs. 8,732,255 in immediately preceding financial year.
- (xi) The Company did not have any outstanding dues to any financial institution, bank or debenture holder during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures, and other securities.
- (xiii) In our opinion and according to information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) In our opinion and according to information and explanations given to us, the Company has maintained proper records of the transactions and contracts in respect of investments during the year and timely entries have been made therein. Further, such investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Act.
- (xix) The Company does not have any debentures outstanding during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Associates LLP**  
*Chartered Accountants*  
Firm's Registration No: 116231W



**Farhad Bamji**  
*Partner*

Membership No: 105234

Mumbai  
12 May 2014

# Edelweiss Asset Management Limited

## Balance Sheet

as at 31 March 2014

(Currency : Indian Rupees)

	Note	As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2.1	450,000,000	450,000,000
(b) Reserves and surplus	2.2	249,009,890	287,028,388
		<u>699,009,890</u>	<u>737,028,388</u>
<b>Non-current liabilities</b>			
(a) Deferred tax liability (net)	2.3	-	250,722
(b) Long-term provisions	2.4	787,000	422,121
<b>Current liabilities</b>			
(a) Trade payables	2.5	6,654,868	10,349,797
(b) Other current liabilities	2.6	33,739,419	12,226,270
(c) Short-term provisions	2.7	678,277	230,864
<b>TOTAL</b>		<u><u>740,869,454</u></u>	<u><u>760,508,162</u></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets	2.8		
(i) Tangible assets		3,407,293	4,489,228
(ii) Intangible assets		637,739	1,332,125
(iii) Intangibles under development		-	141,750
(b) Long-term loans and advances	2.9	21,832,645	17,291,275
		<u>25,877,677</u>	<u>23,254,378</u>
<b>Current assets</b>			
(a) Current investments	2.10	136,792,473	106,044,523
(b) Trade receivables	2.11	1,792,103	2,550,001
(c) Cash and bank balances	2.12	455,105,889	416,765,310
(d) Short-term loans and advances	2.13	120,682,901	190,383,672
(e) Other current assets	2.14	618,411	21,510,278
		<u>714,991,777</u>	<u>737,253,784</u>
<b>TOTAL</b>		<u><u>740,869,454</u></u>	<u><u>760,508,162</u></u>

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


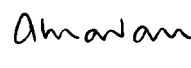

As per our report of even date attached.

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

  
**Farhad Bamji**  
Partner  
Membership No: 105234

Mumbai  
12 May 2014

For and on behalf of the Board of Directors

   
Director Director  
  
Company Secretary

Mumbai  
12 May 2014

# Edelweiss Asset Management Limited

## Statement of Profit and Loss

for the year ended 31 March 2014

(Currency : Indian Rupees)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenue from operations	2.15	19,301,200	16,917,067
Other income	2.16	69,379,788	92,631,785
<b>Total Revenue</b>		<b>88,680,988</b>	<b>109,548,852</b>
<b>Expenses</b>			
Employee benefit expense	2.17	67,862,081	58,391,167
Finance costs	2.18	48,726	22,729
Depreciation and amortization expenses	2.8	2,591,217	2,401,027
Other expenses	2.19	56,448,184	59,911,280
<b>Total expenses</b>		<b>126,950,208</b>	<b>120,726,203</b>
<b>Loss before tax</b>		<b>(38,269,220)</b>	<b>(11,177,351)</b>
<b>Tax expense:</b>			
Deferred tax		(250,722)	177,186
<b>Loss for the year</b>		<b>(38,018,498)</b>	<b>(11,354,537)</b>
<b>Earnings per equity share (face value of Rs. 10 each)</b>	2.22		
Basic and diluted		(0.84)	(0.20)

Significant accounting policies and notes to the financial statements

1 & 2

As per our report of even date attached.

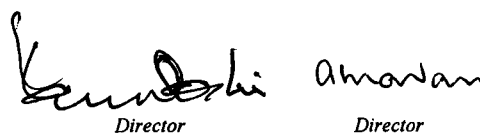
For B S R & Associates LLP  
Chartered Accountants  
Firm Registration No. 116231W



**Farhad Bamji**  
Partner  
Membership No: 105234

Mumbai  
12 May 2014

For and on behalf of the Board of Directors



Director

Director



Company Secretary

Mumbai  
12 May 2014



# Edelweiss Asset Management Limited

## Cash Flow Statement

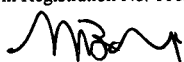
for the year ended 31 March 2014

(Currency : Indian Rupees)

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>A Cash flow from operating activities</b>		
Loss before tax	(38,269,220)	(11,177,351)
<i>Adjustments for</i>		
Depreciation	2,591,217	2,401,027
Profit on sale of current investments	(9,612,465)	(15,734,105)
Loss on sale of fixed assets	565,155	1,975
Compensated absences	224,000	(257,000)
Interest income	(59,438,274)	(76,823,973)
Interest expense	46,991	-
<b>Operating cash flow before working capital changes</b>	<b>(103,892,596)</b>	<b>(101,589,427)</b>
<i>Add / (Less): Adjustments for working capital changes</i>		
Decrease / (increase) in trade receivables	757,898	(1,312,252)
(Increase) / decrease in loans and advances	(2,853,235)	1,303,792
Increase / (decrease) in other assets	21,135,484	(20,923,675)
Decrease / (increase) in liabilities and provisions	17,996,099	(5,989,394)
<b>Cash used in operations</b>	<b>(66,856,350)</b>	<b>(128,510,956)</b>
Income tax refund	5,423,048	2,424,556
<b>Net cash used in operating activities - A</b>	<b>(61,433,302)</b>	<b>(126,086,400)</b>
<b>B Cash flow from investing activities</b>		
Inter corporate deposits placed	(400,000,000)	(500,000,000)
Inter corporate deposits redeemed	463,000,000	652,500,000
Purchase of fixed assets	(1,249,867)	(1,720,755)
Sale of fixed assets	11,566	6,196
Purchase of current investments	(567,503,172)	(153,000,000)
Sale/redemption of current investments	546,367,688	186,606,129
Interest received	59,194,657	78,273,838
<b>Net cash generated from investing activities - B</b>	<b>99,820,872</b>	<b>262,665,408</b>
<b>C Cash flow from financing activities</b>		
Buy-back of equity shares	-	(229,350,000)
Proceeds from unsecured loan	13,460,435	-
Repayment of unsecured loan	(13,460,435)	-
Interest paid	(46,991)	-
<b>Net cash used in financing activities - C</b>	<b>(46,991)</b>	<b>(229,350,000)</b>
<b>Net decrease in cash and bank balances (A+B+C)</b>	<b>38,340,579</b>	<b>(92,770,992)</b>
Cash and bank balances as at the beginning of the year	416,765,310	509,536,302
Cash and bank balances as at the end of the year (Refer note 2.12)	455,105,889	416,765,310

As per our report of even date attached.

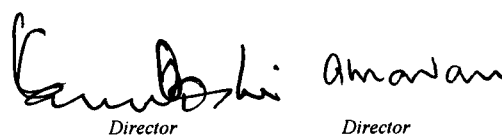
For B S R & Associates LLP  
Chartered Accountants  
Firm Registration No. 116231W



**Farhad Bamji**  
Partner  
Membership No: 105234

Mumbai  
12 May 2014

For and on behalf of the Board of Directors



Director

Director



Company Secretary

Mumbai  
12 May 2014

# Edelweiss Asset Management Limited

## Notes to the financial statements

### 1. Significant accounting policies

#### 1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements are presented in Indian Rupees.

#### 1.2 Use of estimates

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

#### 1.3 Current – non-current classification

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

##### Assets

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

- a) It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is expected to be realized within 12 months after the reporting date; or
- d) 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.

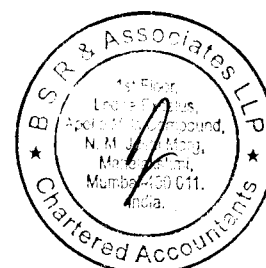
Current Assets include the current portion of non-current financial assets.  
All other assets are classified as non-current.

##### Liabilities

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

- a) It is expected to be settled in the company's normal operating cycle.
- b) It is held primarily for the purpose of being traded;
- c) It is due to be settled within 12 months after the reporting date; or
- d) The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.  
All other liabilities are classified as non-current



# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

### 1.4 Revenue recognition

- Investment management fees is recognised, net of service tax on an accrual basis in accordance with the Investment Management Agreement with the Edelweiss Mutual Fund ('the Fund') based on average assets under management (AUM) confirmed by the Fund and complies with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- Portfolio management fee is recognised on an accrual basis in accordance with portfolio management agreement entered with respective clients.
- Interest income is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investment sold.

### 1.5 Fixed assets and depreciation

#### Tangible fixed assets

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

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

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

Class of asset	Rate of depreciation
Computers	40.00%
Vehicles	25.89%
Office equipments	13.91%
Furniture and fixtures	18.10%

#### Intangible fixed assets

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

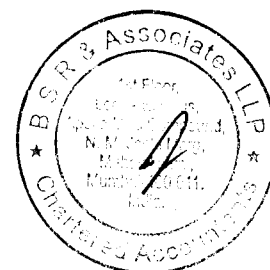
All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

### 1.6 Investments

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

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

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



# Edelweiss Asset Management Limited

## Notes to the financial statements (*continued*)

### 1.7 *Foreign currency transactions*

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

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

### 1.8 *Impairment of assets*

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

### 1.9 *Employee benefits*

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

#### *Provident fund*

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

#### *Gratuity*

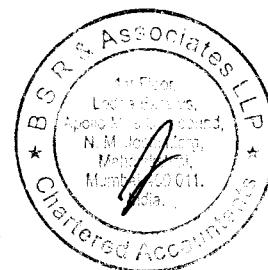
The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted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

The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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

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

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



# Edelweiss Asset Management Limited

## Notes to the financial statements (*continued*)

### 1.9 *Employee benefits (continued)*

#### *Compensated absences*

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

### 1.10 *Taxation*

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

#### *Current tax*

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the tax laws applicable.

#### *Deferred tax*

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

### 1.11 *Mutual fund expenses*

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

### 1.12 *Earnings per share*

The Company reports basic and diluted earning per share in accordance with Accounting Standard 20 – Earnings per share prescribed by Companies (Accounting Standards) Rules, 2006. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the reporting period.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.



# Edelweiss Asset Management Limited

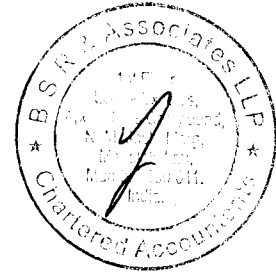
## Notes to the financial statements *(continued)*

### 1.13 *Provisions and contingencies*

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed 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 Asset Management Limited

## Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2014	As at 31 March 2013
<b>2.1 Share capital</b>		
<b>Authorised :</b>		
70,000,000 (Previous year: 70,000,000) equity shares of Rs. 10 each	<u>700,000,000</u>	<u>700,000,000</u>
<b>Issued, subscribed and paid up:</b>		
45,000,000 (Previous year: 45,000,000) equity shares of Rs. 10 each, fully paid-up	<u>450,000,000</u>	<u>450,000,000</u>
	<u>450,000,000</u>	<u>450,000,000</u>

The entire paid up capital is held by Edelweiss Financial Services Limited, the holding company and its nominees.

**a) Terms/rights attached to equity shares:**

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

	31 March 2014		31 March 2013	
	No. of Shares	Amount	No. of Shares	Amount
<b>b) Equity shares:</b>				
Outstanding at the beginning	45,000,000	450,000,000	60,000,000	600,000,000
Shares (buy-back) / issued during the year	-	-	(15,000,000)	(150,000,000)
As at the end	<u>45,000,000</u>	<u>450,000,000</u>	<u>45,000,000</u>	<u>450,000,000</u>

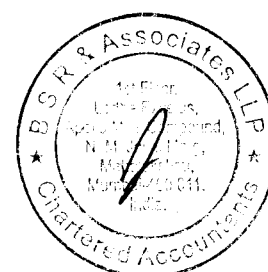
	31 March 2014		31 March 2013	
	No. of Shares	%	No. of Shares	%
<b>c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates:</b>				
Edelweiss Financial Services Limited, the holding company	45,000,000	100%	45,000,000	100%
	<u>45,000,000</u>	<u>100%</u>	<u>45,000,000</u>	<u>100%</u>

	31 March 2014		31 March 2013	
	No. of Shares	%	No. of Shares	%
<b>d) Details of shares held by shareholders holding more than 5% of the aggregate shares of the Company:</b>				
Edelweiss Financial Services Limited, the holding company	45,000,000	100%	45,000,000	100%
	<u>45,000,000</u>	<u>100%</u>	<u>45,000,000</u>	<u>100%</u>

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

## 2.2 Reserves and surplus

Capital redemption reserve - opening balance	150,000,000	-
Add : Additions during the year	-	150,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
Securities premium account	170,650,000	400,000,000
Less: Transfer to capital redemption reserve on buy-back	-	150,000,000
Less: Premium on buy-back	-	79,350,000
	<u>170,650,000</u>	<u>170,650,000</u>
Deficit in statement of profit and loss		
Opening balance	(33,621,612)	(22,267,075)
Add: Loss for the year	(38,018,498)	(11,354,537)
	<u>(71,640,110)</u>	<u>(33,621,612)</u>
	<u>249,009,890</u>	<u>287,028,388</u>

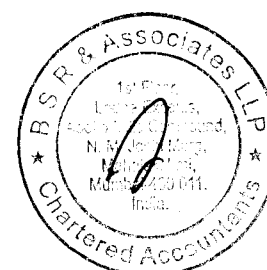


# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2014	As at 31 March 2013
<b>2.3 Deferred tax liability (net)</b>		
<b>Deferred tax assets</b>		
Difference between book and tax depreciation	-	-
Amortised loan processing fees	-	-
Provision for doubtful debts/advances	-	-
Disallowances under section 43B of the Income Tax Act, 1961	-	28,552
	<u>-</u>	<u>28,552</u>
<b>Deferred tax liabilities</b>		
Difference between book and tax depreciation	-	279,274
	<u>-</u>	<u>(250,722)</u>
<p>The Company has deferred tax asset of Rs. 186,421 on difference between book and tax depreciation and Rs. 101,228 on disallowances under section 43B of the Income Tax Act, 1961. These have not been recognised in accordance with the Accounting Standard 22 - Accounting for taxes on income. Also refer note 1.10 forming part of significant accounting policies.</p>		
<b>2.4 Long-term provisions</b>		
Provision for employee benefits		
Gratuity	554,000	376,121
Compensated leave absences	233,000	46,000
	<u>787,000</u>	<u>422,121</u>
<b>2.5 Trade payables</b>		
Trade payables (includes sundry creditors and provision for expenses)	6,654,868	10,349,797
	<u>6,654,868</u>	<u>10,349,797</u>
<b>2.6 Other current liabilities</b>		
Other payables		
Accrued salaries and benefits	14,081,705	9,744,523
Withholding tax, service tax and other taxes payable	1,765,811	1,838,390
Book overdraft	16,935,193	-
Others	956,710	643,357
	<u>33,739,419</u>	<u>12,226,270</u>
<b>2.7 Short-term provisions</b>		
Provision for employee benefits		
Compensated absences	79,000	42,000
Others		
Provision for taxation (net of advance tax Rs. 75,000; Previous year Rs. Nil)	599,277	188,864
	<u>678,277</u>	<u>230,864</u>





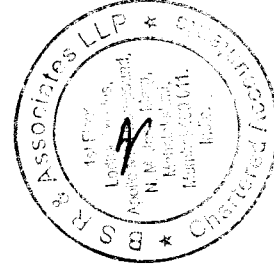
## Edelweiss Asset Management Limited

### Notes to the financial statements (continued)

(Currency : Indian Rupees)

#### 2.8 Fixed assets

Description of Assets	Gross Block			Depreciation			Net Block	
	As at 1 April 2013	Additions during the year	Deductions during the year	As at 31 March 2014	Charge for the year	Deductions during the year	As at 31 March 2014	As at 31 March 2013
<b>Tangible assets</b>								
Furniture and Fixtures	70,085	34,450	70,079	34,456	8,490	46,573	4,289	27,713
Vehicles	4,281,220	-	-	4,281,220	695,216	-	2,291,169	2,685,267
Office equipment	1,494,453	181,235	966,162	709,526	119,331	553,789	236,055	823,940
Computers	3,096,405	579,856	1,766,781	1,909,480	477,718	1,625,939	995,876	932,308
<b>Total : A</b>	<b>8,942,163</b>	<b>795,541</b>	<b>2,803,022</b>	<b>6,934,682</b>	<b>1,300,755</b>	<b>2,226,301</b>	<b>3,527,389</b>	<b>4,489,228</b>
<b>Intangible assets</b>								
Computer software	3,543,922	596,076	-	4,139,998	1,290,462	-	3,502,259	1,332,125
<b>Total : B</b>	<b>3,543,922</b>	<b>596,076</b>	<b>-</b>	<b>4,139,998</b>	<b>1,290,462</b>	<b>-</b>	<b>3,502,259</b>	<b>1,332,125</b>
<b>Grand Total [A+B]</b>	<b>12,486,085</b>	<b>1,391,617</b>	<b>2,803,022</b>	<b>11,074,680</b>	<b>2,591,217</b>	<b>2,226,301</b>	<b>7,029,648</b>	<b>5,821,353</b>
Previous Year	10,916,530	1,579,005	9,450	12,486,085	2,401,027	1,279	6,664,732	5,821,353

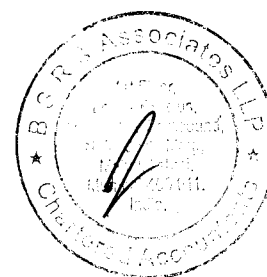


# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2014	As at 31 March 2013
<b>2.9 Long-term loans and advances</b> (Unsecured, considered good)		
Security Deposits		
Rental deposits	30,750	30,750
Other loans and advances		
Advance income tax (net of provision for taxation Rs. 420,000; Previous year Rs. 5,614,192)	16,696,034	17,260,525
Input tax credit	5,105,861	-
	<u>21,832,645</u>	<u>17,291,275</u>



# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency : Indian Rupees)

### 2.10 Current investments

	As at 31 March 2014			As at 31 March 2013		
	Face Value	Quantity	Amount	Face Value	Quantity	Amount
<b>Other investments (unquoted)</b>						
Edelweiss Ultra Short Term Bond Fund - Direct - Growth Plan	1,000	-	-	1,000	26,071	36,113,797
Edelweiss Short Term Bond Fund - Institutional - Growth Plan	10	-	-	10	4,610,838	60,389,746
Edelweiss Short Term Bond Fund - Direct - Growth Plan	10	7,827,143	110,723,793	-	-	-
Edelweiss Gilt Fund - Growth Plan	10	-	-	10	51,098	540,980
Edelweiss Liquid Fund - Direct - Growth Plan	1,000	21,010	26,068,680	1,000	7,862	9,000,000
			<u>136,792,473</u>			<u>106,044,523</u>
Aggregate value of unquoted investments						
At carrying value			136,792,473			106,044,523
At net asset value			140,276,578			109,209,524



# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency : Indian Rupees)

	As at 31 March 2014	As at 31 March 2013
<b>2.11 Trade receivables</b>		
Other debts		
Unsecured, considered good	1,792,103	2,550,001
	<u>1,792,103</u>	<u>2,550,001</u>
<b>2.12 Cash and bank balances</b>		
Cash in hand	17,000	17,335
Cheques in hand	11,598,331	-
Balances with banks		
- in current accounts	3,490,558	16,747,975
- in fixed deposits with original maturity less than 3 months	440,000,000	400,000,000
	<u>455,105,889</u>	<u>416,765,310</u>
<b>2.13 Short-term loans and advances</b> (Unsecured, considered good)		
Other loans and advances		
Intercompany deposits placed with related parties	107,000,000	170,000,000
Prepaid expenses	1,585,089	468,750
Loans and advances to employees	838,593	516,043
Input tax credit	3,107,571	7,287,443
Advance income tax	4,847,714	9,295,858
Advances recoverable in cash or in kind or for value to be received	3,303,934	2,815,578
	<u>120,682,901</u>	<u>190,383,672</u>
<b>2.14 Other current assets</b>		
Accrued interest on fixed deposits	618,411	374,794
Receivable on account of sale of investments	-	21,135,484
	<u>618,411</u>	<u>21,510,278</u>

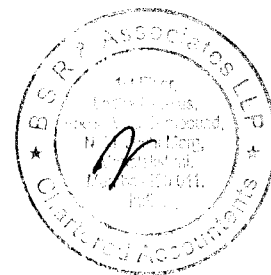


# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency : Indian Rupees)

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.15 Revenue from operations</b>		
Management fees	18,954,047	15,746,302
Portfolio management fees	347,153	1,170,765
	<u>19,301,200</u>	<u>16,917,067</u>
<b>2.16 Other income</b>		
Profit on sale of current investment	9,612,465	15,734,105
Interest income on intercorporate deposits	58,438,822	73,518,494
Interest income on fixed deposits	999,452	3,305,479
Miscellaneous income	329,049	73,707
	<u>69,379,788</u>	<u>92,631,785</u>
<b>2.17 Employee benefit expense</b>		
Salaries and wages	65,344,856	55,952,211
Contribution to provident and other funds (refer note 2.23)	1,386,936	1,506,949
Staff welfare expenses	1,130,289	932,007
	<u>67,862,081</u>	<u>58,391,167</u>
<b>2.18 Finance costs</b>		
Interest on loan from holding company	46,991	-
Interest - others	-	1,433
Financial and bank charges	1,735	21,296
	<u>48,726</u>	<u>22,729</u>

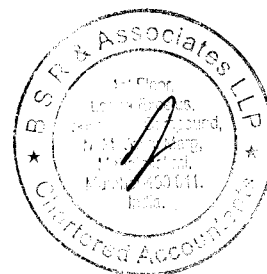


# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency : Indian Rupees)

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.19 Other expenses</b>		
Advertisement and business promotion	3,217,931	4,084,624
Auditors' remuneration (refer below)	185,500	273,343
Commission and brokerage on PMS	84,909	415,039
Communication	1,613,097	1,351,167
Computer expenses	111,517	87,246
Clearing and custodian charges	528,500	150,000
Dematerialisation charges	250,000	-
Directors' sitting fees	150,000	230,000
Electricity charges (refer note 2.26)	1,061,703	854,506
Mutual fund - NFO expenses	500,000	250,870
Insurance	716,040	849,250
Legal and professional fees	2,833,543	4,676,887
Loss on sale/ write-off of fixed assets	565,155	1,975
Membership and subscription	1,712,133	1,325,234
Mutual fund expenses	23,105,238	23,873,878
Office expenses	398,796	295,421
Postage and courier	12,197	160,995
Printing and stationery	496,060	843,390
Rates and taxes	53,741	85,186
Rent (refer note 2.26)	14,698,318	14,860,794
Repairs and maintenance	471,552	982,198
Security transaction tax	-	94,189
Seminar and conference	56,540	70,720
Service tax expenses	64,649	185,164
Website related expenses	290,088	350,000
Travelling and conveyance	3,246,244	3,517,097
Miscellaneous expenses	24,733	42,107
	<b>56,448,184</b>	<b>59,911,280</b>
<b>Auditors' remuneration:</b>		
As Auditor	175,000	175,000
For other services	-	92,918
For reimbursement of expenses	10,500	5,425
	<b>185,500</b>	<b>273,343</b>



# Edelweiss Asset Management Limited

## Notes to the financial statements (*continued*)

(Currency: Indian Rupees)

### 2.20 *Segment reporting*

The Company is in the business of providing asset management service to the Fund and portfolio management service to clients. Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment.

As the Company's business activity falls within a primary business segment, the financial statements are reflective of the information required under Accounting Standard 17 on Segment Reporting prescribed by Companies (Accounting Standards) Rules, 2006.

### 2.21 *Related parties*

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

Edelweiss Financial Services Limited - Holding company

**(B) Fellow subsidiaries with whom transactions have taken place**

Edelweiss Securities Limited

Edelweiss Commodities Services Limited

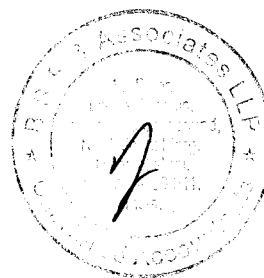
Edelweiss Trusteeship Company Limited

Ecap Equities Limited

Edelweiss Broking Limited

Edelweiss Web Services Limited

Edelweiss Financial Advisors Limited



# Edelweiss Asset Management Limited

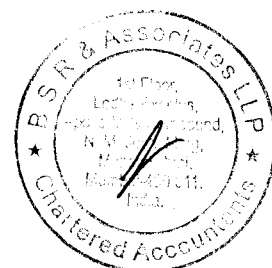
## Notes to the financial statements (continued)

(Currency : Indian Rupees)

### 2.21 Related parties (continued)

#### (C) Transactions with related parties

Particulars	Holding Company	Fellow Subsidiaries
<b>Capital account transactions</b>		
<b>Buy-back of equity share</b>		
Edelweiss Financial Services Limited	(229,350,000)	-
<b>Loans taken</b>		
<b>Unsecured loans taken</b>		
Edelweiss Financial Services Limited	13,460,435	-
<b>Unsecured loans repaid</b>		
Edelweiss Financial Services Limited	13,460,435	-
<b>Loans given</b>		
<b>Inter-corporate deposits placed</b>		
Edelweiss Commodities Services Limited	-	400,000,000 (500,000,000)
<b>Inter-corporate deposits redeemed</b>		
Edelweiss Securities Limited	-	- (322,500,000)
Edelweiss Commodities Services Limited	-	463,000,000 (330,000,000)
<b>Current account transactions</b>		
<b>Amounts given</b>		
Edelweiss Financial Services Limited	11,382,083 (11,248,785)	-
<b>Interest expense</b>		
<b>Interest paid on loan</b>		
Edelweiss Financial Services Limited	46,991	-
<b>Interest income</b>		
<b>Interest income on inter-corporate deposit</b>		
Edelweiss Securities Limited	-	- (26,482,877)
Edelweiss Commodities Services Limited	-	58,438,822 (47,035,617)
<b>PMS fees</b>		
Edelcap Securities Limited	-	- (323,081)
Ecap Equities Limited	-	5,472 (323,081)





# Edelweiss Asset Management Limited

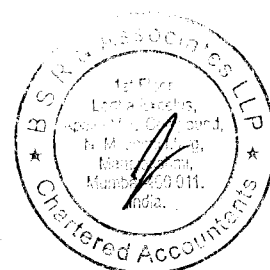
## Notes to the financial statements (continued)

(Currency : Indian Rupees)

### 2.21 Related parties (continued) (C) Transactions with related parties

Particulars	Holding Company	Fellow Subsidiaries
<b>Reimbursement recovered</b>		
<b>Cost reimbursement recovered</b>		
Ecap Equities Limited	-	2,737,904
	-	-
<b>Reimbursements paid</b>		
<b>Cost reimbursement paid</b>		
Edelweiss Commodities Services Limited	-	15,632,790
	-	(15,628,194)
Edelweiss Financial Services Limited	-	-
	(2,624,540)	-
<b>Mutual fund expenses (incurred on behalf of the Fund)</b>		
Edelweiss Broking Limited	-	5,500
	-	-
Edelweiss Financial Advisors Limited	-	750
	-	-
Edelweiss Trusteeship Company Limited	-	1,000,000
	-	(1,000,000)
<b>Processing fees</b>		
Edelweiss Web Services Limited	-	16,800
	-	-
<b>Balances with related parties</b>		
<b>Inter-corporate deposit</b>		
Edelweiss Commodities Services Limited	-	107,000,000
	-	(170,000,000)
<b>Other current assets</b>		
Edelweiss Financial Services Limited	5,704	-
	-	-
Edelweiss Securities Limited	-	5,876
	-	-
<b>Trade receivables</b>		
Edelcap Securities Limited	-	-
	-	(326,713)
Ecap Equities Limited	-	-
	-	(326,713)
<b>Trade payables</b>		
Edelweiss Financial Services Limited	-	-
	(2,889,954)	-
Edelweiss Broking Limited	-	4,950
	-	-
Edelweiss Web Services Limited	-	17,196
	-	-

Note: Figures in brackets represent previous year numbers.



# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency: Indian Rupees)

### 2.22 Earnings per share

In accordance with Accounting Standard 20 on Earnings per Share prescribed by Companies (Accounting Standards) Rules, 2006, the computation of earnings per share is set out below:

	2014	2013
A Shareholders' earnings (as per statement of profit and loss)	(38,018,498)	(11,354,537)
B Calculation of weighted average number of Equity Shares of Rs. 10 each		
- Number of shares at the beginning of the year	45,000,000	60,000,000
- Number of shares issued/bought back during the year	-	(15,000,000)
Total number of equity shares outstanding at the end of the year	45,000,000	45,000,000
Weighted average number of equity shares outstanding during the period	45,000,000	56,712,329
C Basic and diluted earnings per share (in Rupees) (A/B)	<u>(0.84)</u>	<u>(0.20)</u>

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

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

#### A) Defined contribution plan (provident fund):

Amount of Rs. 1,386,936 (Previous year: Rs. 919,019) is recognised as expense and included in "Employee benefit expenses" – note 2.17 in the statement of profit and loss.

#### B) Defined benefit plan (gratuity):

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

#### Statement of profit and loss

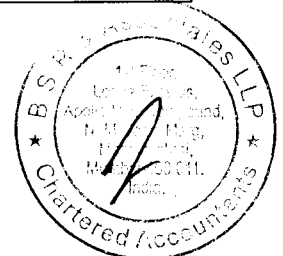
Net employee benefit expense:

	2014	2013
Current service cost	469,000	453,725
Interest cost	127,000	71,249
Expected return on plan asset	(101,000)	(87,961)
Actuarial (gain) or loss recognized in the year	83,000	150,917
<b>Expense recognized in statement of profit and loss</b>	<b>578,000</b>	<b>587,930</b>

#### Balance Sheet

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
Present value of obligation at the beginning of the year	1,606,903	890,618
Interest cost	127,000	71,249
Current service cost	469,000	453,725
Benefits paid	(432,000)	-
Actuarial (gain)/loss on obligation	145,097	191,311
<b>Liability at the end of the year</b>	<b>1,916,000</b>	<b>1,606,903</b>



# Edelweiss Asset Management Limited

## Notes to the financial statements (continued)

(Currency: Indian Rupees)

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

Changes in the fair value of plan assets are as follows:

	2014	2013
Fair value of plan asset at the beginning of the year	1,230,782	1,102,427
Expected return on plan asset	101,000	87,961
Contributions	400,000	-
Benefits paid	(432,000)	-
Actuarial (gain)/loss on plan assets	62,218	40,394
<b>Fair value of plan assets at the end of the year</b>	<b>1,362,000</b>	<b>1,230,782</b>

Amount recognised in the balance sheet:

Particulars	2014	2013	2012	2011
Liability at the end of the year	1,916,000	1,606,903	890,618	1,035,029
Fair value of plan assets at the end of the year	1,362,000	1,230,782	1,102,427	1,142,189
<b>Amount recognized in balance sheet - asset/(liability)</b>	<b>(554,000)</b>	<b>(376,121)</b>	<b>211,809</b>	<b>87,180</b>

Experience adjustment :

Particulars	2014	2013	2012	2011
On plan liabilities: (gain)/ loss	210,000	249,263	(628,200)	(730,061)
On plan assets: gain/ (loss)	63,000	40,000	23,759	24,616
<b>Estimated contribution for next year</b>	<b>500,000</b>	<b>500,000</b>	<b>Nil</b>	<b>Nil</b>

Principal actuarial assumptions at the balance sheet date:

	2014	2013
Discount rate	8.70%	7.90%
Salary escalation	6%	6%
Employee attrition rate	13% - 60%	13% - 60%

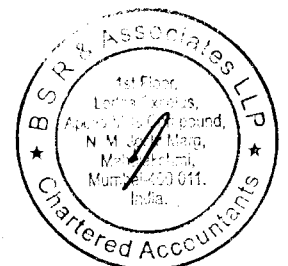
### 2.24 Foreign currency transactions

The Company has undertaken the following transactions in foreign currency:

	2014	2013
<b>Expenditure incurred in foreign currency (on accrual basis)</b>		
Membership and subscription	-	65,330
<b>Total</b>	<b>-</b>	<b>65,330</b>

### 2.25 Contingent liabilities and commitments

- (i) The Company has received demand notice/s from tax authorities on account of disallowance of expenditure for earning exempt income under Section 14A of Income Tax Act, 1961, read with Rule 8D of Income Tax Rules, 1962, the Company has filed appeal/s and is defending its position. Due to lack of clarity on the legal position relating to application of Rule 8D, the outcome and quantification of the eventual tax liability on the Company, if any, at this stage cannot be estimated. The Company has been advised by its tax counsel that it has a good chance in sustaining its position.
- (ii) The Company has capital commitments of Rs. 52,000 (Previous year: Rs. Nil) as at the balance sheet date.



# Edelweiss Asset Management Limited

## Notes to the financial statements (*continued*)

(Currency: Indian Rupees)

### 2.26 *Cost sharing*

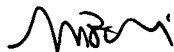
During the year the Company carried out its operations from premises leased by Edelweiss Commodities Services Limited (ECSL) being a fellow subsidiary. The Company has entered into an MOU with ECSL for reimbursement of costs on the basis of number of employees, area occupied, actual identifications etc. Accordingly, and as identified by the Management, the expenditure heads in note 2.19 are gross of the reimbursements made.

### 2.27 *Details of dues to micro small and medium enterprises*

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

As per our report of even date attached.

For B S R & Associates LLP  
Chartered Accountants  
Firm's Registration No: 116231W



**Farhad Bamji**  
Partner  
Membership No: 105234

For and on behalf of the Board of Directors



Director



Director



Company Secretary

Mumbai  
12 May 2014

Mumbai  
12 May 2014