

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IFMR FINANCE FOUNDATION

Report on the Financial Statements

We have audited the accompanying financial statements of **IFMR FINANCE FOUNDATION** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's 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 notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the 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.



Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

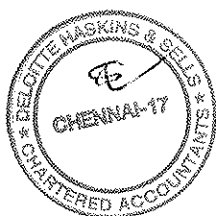
Emphasis of Matter

1. We draw attention to Note No 5 of the financial statements, regarding the utilisation out of the corpus funds of Rs 100,000,000 towards disbursement of grant and other administration expenses.
2. We draw attention to Note No 16 of the financial statements, regarding the preparation of the financial statements on a going concern basis despite the erosion of net worth of the Company, based on the commitment towards providing continued operational and financial support by the controlling entity, IFMR Trust and grants received for various projects, which are executed by the entity.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. The requirements of the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, are not applicable to the Company.
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 our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).



**Deloitte
Haskins & Sells**

- (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

Bhavani Balasubramanian

Bhavani Balasubramanian
(Partner)
(Membership No. 22156)

CHENNAI, June 30, 2014



IFMR FINANCE FOUNDATION

Balance Sheet as on March 31, 2014

(Amount in INR)

	Particulars	Note No.	As on 31st March 2014	As on 31st March 2013
I	EQUITY & LIABILITIES			
	Shareholders' funds			
	Share Capital	3	100,000	100,000
	Reserves & Surplus	4	(27,767,274)	(23,763,333)
			(27,667,274)	(23,663,333)
	Corpus Funds	5	21,678,822	21,678,822
	Non Current Liabilities			
	Long-term Provision	6	517,700	255,090
			517,700	255,090
	Current Liabilities			
	Trade Payables	7	9,890,550	6,173,256
	Other Current liabilities	8	304,385	183,636
			10,194,935	6,356,892
	TOTAL		4,724,183	4,627,471
II.	ASSETS			
	Non-Current assets			
	Fixed assets			
	Tangible assets	9	169,607	29,801
	Intangible assets		72,583	-
	Long-term Loans and Advances	10	2,556,532	2,388,604
			2,798,722	2,418,405
	Current assets			
	Cash and cash equivalents	11	1,585,794	1,811,317
	Short-term loans and advances	12	339,667	397,749
			1,925,461	2,209,066
	TOTAL		4,724,183	4,627,471

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants



Bhavani Balasubramanian
Partner

For and on behalf of the Board



Bindu Ananth
Director



Anand Sahasranaman
Director

Place: Chennai

Date: 30th June, 2014



IFMR Finance Foundation

Statement of Profit & Loss for the Year ended March 31, 2014

(Amount in INR)

Particulars	Note No.	For the year ended 31st March 2014	For the year ended 31st March 2013
Grants received	18	8,798,286	11,080,507
Other Income	11	87,938	276,828
TOTAL REVENUE (I)		8,886,224	11,357,335
EXPENSES			
Employee benefits expense	14	8,458,483	6,248,888
Depreciation	9	128,099	42,537
Administrative & Other expenses	15	4,303,583	5,675,123
TOTAL EXPENSES (II)		12,890,165	11,966,548
Loss for the year before tax (I) - (II)		(4,003,941)	(609,213)
Tax Expenses			
Current tax		-	-
Deferred Tax		-	-
		-	-
Loss for the year		(4,003,941)	(609,213)
Earnings per share (of Rs.10 each)	22		
(a) Basic		(400.39)	(60.92)
(b) Diluted		(400.39)	(60.92)

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Bhavani Balasubramanian

Bhavani Balasubramanian
Partner

For and on behalf of the Board

Bindu Ananth

Bindu Ananth
Director

Anand Sahasranaman

Anand Sahasranaman
Director

Place: Chennai

Date: 30th June, 2014



(Amount in INR)

Particulars	For the year ended 31st Mar 2014	For the year ended 31st March 2013
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Loss for the year before Tax		
<u>Adjustments for:</u>	(4,003,941)	(609,213)
Depreciation		
Interest received	128,099	42,537
Provision for Gratuity	(46,835)	(4,174)
Interest on Income tax Refund	262,610	148,297
Operating Loss before working capital changes	-	(15,022)
<u>Changes in working capital:</u>	(3,660,067)	(437,575)
<u>Adjustments for (increase)/decrease in operating assets</u>		
Long Term Loans and Advances		
Short term Loans & Advances	(167,928)	-
<u>Adjustments for increase/(decrease) in operating Liabilities</u>	58,083	(128,330)
Trade Payables		
Other Current Liabilities	3,717,294	516,653
Cash generated from operations	120,749	121,484
Net income taxes paid	68,130	72,232
Net cash generated from operations (A)	-	181,959
	68,130	254,191
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditure on fixed assets, including capital advances		
Interest Received	(340,488)	(2,531)
Net cash (used in)/generated from Investing activities (B)	46,835	4,174
	(293,653)	1,643
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Net cash generated from financing activities		
	-	-
Net (Decrease)/Increase in cash and cash equivalents (A+B+C)	(225,523)	255,834
Cash & Cash Equivalents at the beginning of the year	1,811,317	1,555,483
Cash & Cash Equivalents at the end of the year	1,585,794	1,811,317
Reconciliation of cash and cash equivalents:		
Cash and Cash Equivalents as per Balance sheet (Refer Note 11)		
Cash and cash equivalents at the end of the year *	1,585,794	1,811,317
* Comprises:		
Balances with banks		
- in Current account		
- in Cash	1,584,150	1,811,317
	1,644	-

See accompanying notes forming part of the financial statements
terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Bhavani Balasubramanian

Bhavani Balasubramanian
Partner



FOR AND ON BEHALF OF THE BOARD

Bindu Ananth

Bindu Ananth
Director

Anand Sahasranaman

Anand Sahasranaman
Director

Place: Chennai

Date: 30th June, 2014

IFMR FINANCE FOUNDATION

Notes forming part of Financial Statements:

1. Corporate Information

IFMR Finance Foundation (IFF) is a Section 25 company incorporated on 4th August 2008 under the Companies Act 1956, as a wholly owned subsidiary of IFMR Trust and is also registered under Section 12AA of the Income Tax Act, 1961. During the previous year, the company was registered under the Foreign Contribution Regulation Act, 2010.

2. Significant accounting policies

2.1 Basis of preparation of financial statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The Financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Use of estimates

The preparation of the financial statements in conformity with the Generally Accepted Accounting Principles requires the management estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the year. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non-current classification of assets and liabilities.

2.4 Grants:

Grants received towards corpus are treated as capital receipts and taken to corpus fund.

Other grants received are being treated as revenue receipts. Grants disbursed during the year to various grantees are accounted on cash basis.

2.5 Fixed Assets and depreciation:

Fixed assets are carried at historical cost less accumulated depreciation and impairment losses, where applicable. The Company capitalizes all costs relating to the acquisition and



IFMR FINANCE FOUNDATION

installation of fixed assets. Cost comprises the purchase price and any attributed cost of bringing the asset to its working condition for its intended use. Depreciation on assets is provided on the Written down Value Method at the following rates based on the management's estimate of the useful life of the asset, which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956:

Asset category	Depreciation rate
Computers	60%
Software	60%

Assets individually costing less than Rs.5,000/- added during the year are fully depreciated.

2.6 Impairment of assets:

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets.

2.7 Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic value will flow to the company and the revenue can be reliably measured.

2.8 Employee benefits:

Employee benefits include gratuity. Employees are not provided with benefits of provident fund and compensated absences.

Defined contribution plan:

Provident Fund

As the number of employees on the rolls of the Company is less than the statutory minimum required for Provident Fund (PF) registration, no registration is required to be made by the Company with Provident Fund department and no remittances have been made to appropriate Authorities.

Defined benefit plans(Long term employee benefits)

Gratuity

The Company accounts for its liability for future gratuity benefits based on the actuarial valuation, as at the balance sheet date, determined by an Independent Actuary using the Projected Unit Credit method and is provided for. The company's gratuity plan is non-funded.



IFMR FINANCE FOUNDATION

Actuarial gains and losses are recognized in the Statement of Profit and Loss account in the year in which they occur.

2.9 Taxes on income:

The company is registered under Section 12AA of the Income Tax Act. Accordingly grants received and other income of the company is fully exempt from tax under Section 12AA of the said Act subject to the conditions specified in the said provisions. Therefore, provision for current tax is not required to be made as at the balance sheet date.

As the income is exempt from tax, deferred tax will not apply to this company.

2.10 Provisions, contingent liabilities and contingent assets:

A provision is recognised when the Company has a present or legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the company or (ii) Present obligation arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent asset are not recognised in the financial statements since this may result in the recognition of income that may never be realised.



IFMR Finance Foundation

Notes forming part of Financial statements as at March 31, 2014

Amount in INR

Particulars	As on 31st March 2014	As on 31st March 2013
Note 11: Cash & Cash Equivalents		
Cash and cash equivalents as defined in As-3		
Cash on hand	1,644	-
Balance in Current account	1,584,150	1,811,317
Total	1,585,794	1,811,317
Note 12: Short-term loans and advances		
Security Deposits for Employees	210,000	343,000
Other Deposits	25,000	25,000
Prepaid Expenses	19,981	25,296
Balances with Government Authorities	81,744	2,817
Advances recoverable in cash or in kind or for value to be received	2,942	1,636
Total	339,667	397,749



IFMR Finance Foundation
Notes forming part of Financial statements as at March 31, 2014

Note 9: Fixed Assets

Asset	Gross Block				Depreciation				Net Block	
	As on 01-April-2013	Additions	Deletions	As on 31st March 2014	As on 01-April-2013	For the year	On Deletions	As on 31st March 2014	As on 31st March 2014	As on 31-March-2013
Tangible Assets										
Computers (Previous Year)	338,557 (336,026)	214,091 (2,531)	-	552,648 (338,557)	308,756 (266,219)	74,285 (42,537)	-	383,041 (308,756)	169,607 (29,801)	29,801 (69,807)
Intangible Assets										
Software (Previous Year)	-	126,397	-	126,397	-	53,814	-	53,814	72,583	-
Total	338,557 (336,026)	340,488 (2,531)	-	679,045 (338,557)	308,756 (266,219)	128,099 (42,537)	-	436,855 (308,756)	242,190 (29,801)	29,801 (69,807)



IFMR Finance Foundation

Notes forming part of Financial statements as at March 31, 2014

(Amount in INR)

Particulars	For the year ended 31st		For the year ended 31st	
	March 2014		March 2013	
Note 13: Other Income				
Other Interest Income		46,835		4,174
Provision for bonus no longer required written back		40,258		257,632
Interest on Income Tax Refund		-		15,022
Other Income		845		-
Total		87,938		276,828
Note 14: Staff Costs				
Salaries, Allowances and Bonus		8,031,220		5,928,664
Staff Welfare Expenses		164,653		171,927
Gratuity		262,610		148,297
Total		8,458,483		6,248,888
Note 15: Administrative & Other expenses				
Rent and Amenities		1,655,712		1,373,905
Repairs and Maintenance		59,578		28,505
Printing and Stationery		224,119		133,679
Telephone Expenses		172,715		95,256
Travelling and Conveyance		879,940		957,295
Consultancy Charges		-		37,454
Legal & Professional Charges		832,305		2,617,085
Seminar and Meeting Expenses		28,090		3,709
Website maintenance and internet expenses		17,463		9,423
Auditors' Remuneration				
For Statutory Audit (inclusive of Service Tax)	337,080		337,080	
For Tax Audit	56,180		56,180	
For Reimbursement of expenses	14,506	407,766	11,618	404,878
Rates and Taxes		2,297		9,918
Exchange Loss		20,456		-
Miscellaneous expenses		3,143		4,017
Total		4,303,583		5,675,123



IFMR FINANCE FOUNDATION

Accounting Standards Disclosure

19. Employee benefits

The Company's obligation towards Gratuity is a Defined Benefit Plan and no fund is being maintained. The details of actuarial valuation have been given below:

Valuation as at 31st March 2014

Particulars	2013-14	2012-13
	Amount in INR	Amount in INR
Movements in Accrued Liability		
Accrued Liability as at beginning of the Year:	255,090	106,793
Interest Cost	20,407	9,077
Current Service Cost	122,178	108,361
Benefits Paid	Nil	Nil
Actuarial (gain) / loss	120,025	30,859
Accrued Liability as at the end of the year:	517,700	255,090
Amounts to be recognized in the Balance Sheet		
Present Value of obligations as on the accounting date:	517,700	255,090
Fair Value of the Plan Assets	Nil	NIL
Liability to be recognized in the Balance Sheet:	517,700	255,090
Amounts to be Recognized in the Statement of Profit and Loss		
Interest Cost	20,407	9,077
Current Service Cost	122,178	108,361
Net Actuarial (gain) / loss	120,025	30,859
Net Expenses to be recognized in Statement of Profit and Loss	262,610	148,297



IFMR FINANCE FOUNDATION

Particulars	2012-13	2011-12
	Amount in INR	Amount in INR
Reconciliation		
Net Liability as at the beginning of the year	255,090	106,793
Net Expenses in Statement of Profit and Loss	262,610	148,297
Benefits Paid	Nil	Nil
Net Liability as at the end of the Year	517,700	255,090
Principal Actuarial Assumptions		
Interest Rate (Liabilities)	8.00%	8.00%
Return on Assets	N.A	N.A
Mortality Table	LIC(94-96)	LIC(94-96)
Resignation Rate per annum	10.00%	10.00%
Salary Escalation Rate	10.00%	10.00%

Notes:

- i) The estimate of future salary increase takes in to account inflation, seniority, promotion and other relevant factors.
- ii) Discount rate is the prevailing market yields used by LIC for similar computations.
- iii) Experience Adjustments:

Particulars	2013-14	2012-13	2011-12
On plan Liability (gain)/loss	120,025	30,859	(202,802)
On plan Assets (gain) / loss	Nil	Nil	Nil
Present Value of benefit obligations	517,700	255,090	106,793
Fair Value of Plan Assets	Nil	Nil	Nil
Excess of obligation over plan assets	17,700	255,090	106,793

Details relating to experience adjustments are provided to the extent available.

20. Segment Reporting:

The Company is primarily engaged in the business of providing access to financial services to the under-served population in the country. All activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting".



IFMR FINANCE FOUNDATION

e) Outstanding balances with related parties:

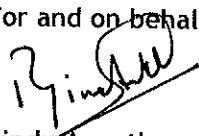
Related Party	Nature of Balance Outstanding at the year end	(Amount in INR)	
		As at 31 March 2014	As at 31 March 2013
IFMR Trust	Amount Payable	7,592,129	3,604,164
IFMR Rural Channels and Services	Amount Payable	3,551	NIL
Anand Sahasranaman	Amount recoverable	556	NIL

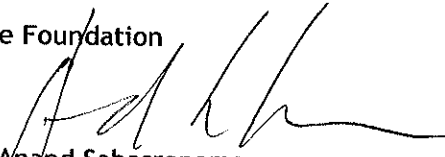
22. Earnings per share - Basic and Diluted:

	As at 31 March 2014	As at 31 March 2013
	Amount in INR	Amount in INR
Loss for the year attributable to equity shareholders	(4,003,941)	(609,213)
Weighted average shares outstanding during the year (Basic)	10,000	10,000
Weighted average shares outstanding during the year (Diluted)	10,000	10,000
Basic earnings per share	(400.39)	(60.92)
Diluted earnings per share	(400.39)	(60.92)

23. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of IFMR Finance Foundation


Bindu Ananth
Director


Anand Sahasranaman
Director

Place : Chennai
Date : 30th June 2014

