

BSRR & Co

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANANYA FINANCE FOR INCLUSIVE GROWTH PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Ananya Finance for Inclusive Growth Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information ('collectively referred to as the 'financial statements').

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). 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 judgement, 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. 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.



ANANYA FINANCE FOR INCLUSIVE GROWTH PRIVATE LIMITED
INDEPENDENT AUDITOR'S 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 2013;
- (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 the 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, as amended ("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 purpose of our 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; and
 - (e) on the basis of written representations received from the directors as at 31 March 2013, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

for B S R R & Co
Chartered Accountants
Firm's registration number: 130791W



Sriram Mahalingam
Partner
Membership No. 049642

Place: Ahmedabad
Date: 21 June 2013

**ANANYA FINANCE FOR INCLUSIVE GROWTH PRIVATE LIMITED
ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT**

The Annexure referred to in our report of even date to the members of Ananya Finance for Inclusive Growth Private Limited ("the Company") on the financial statements for the year ended 31 March 2013, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
- (c) No fixed assets were disposed off during the year. Accordingly, paragraph 4(i) (c) of the order is not applicable.
- ii. The Company is a Non Banking Financial Company ('NBFC'), engaged in the business of providing loans. Accordingly, it does not hold any physical inventories. Hence 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 Companies Act, 1956
- 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 services rendered by the Company. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- v. In our opinion and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- 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 clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for any of the services rendered 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, the Company has been generally regular in depositing 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 with the appropriate authorities during the year. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance, Sales-tax, Excise duty, Wealth Tax and Custom duty.



ANANYA FINANCE FOR INCLUSIVE GROWTH PRIVATE LIMITED
ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT (continued)

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 2013 for a period of more than six months from the date they become payable.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute.
- x. The Company has been registered for a period less than five years. Accordingly, paragraph 4(x) of the order is not applicable.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year
- xii. The Company has not granted any 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 the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 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. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- xvii. According to information and explanations given to us, and on an 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 investment.
- 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 Companies Act, 1956
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by way of public issue.
- 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 R & Co

Chartered Accountants

Firm Registration No: 130791W



Sriram Mahalingam

Partner

Membership No: 049642

Place : Ahmedabad

Date : 21 June 2013

Ananya Finance for Inclusive Growth Private Limited**Balance Sheet as at 31 March 2013**

(All amount is Indian rupees, except share data and where otherwise stated)

	Note	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	430,100,000	430,100,000
Reserves and surplus	2.2	(246,030,661)	(72,844,542)
		184,069,339	357,255,458
Non-current liabilities			
Long-term borrowings	2.3	218,561,398	188,337,770
Other long term liabilities	2.4	32,138	337,564
Long-term provisions	2.5	385,580,139	258,830,625
		604,173,675	447,505,959
Current liabilities			
Other current liabilities	2.6	209,055,763	923,471,027
Short-term provisions	2.7	2,055,268	20,231,208
		211,111,031	943,702,235
Total		999,354,045	1,748,463,652
ASSETS			
Non-current assets			
Fixed assets	2.8		
(i) Tangible fixed assets		1,179,998	2,438,833
(ii) Intangible fixed assets		121,916,792	182,650,985
		123,096,790	185,089,818
Non-current investments	2.9	7,400,000	26,166,660
Deferred tax assets, net	2.10	-	1,221,256
Long-term loans and advances	2.11	621,709,808	719,518,509
Other non-current assets	2.12	11,559,556	-
		640,669,364	746,906,425
Current assets			
Current investments	2.13	5,500,000	-
Cash and bank balances	2.14	60,765,102	169,439,863
Short-term loans and advances	2.15	167,159,111	640,599,982
Other current assets	2.16	2,163,678	6,427,564
		235,587,891	816,467,409
Total		999,354,045	1,748,463,652

Significant accounting policies 1
Notes to financial statements 2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **BSRR & Co**

Chartered Accountants

Firm registration number: 130791W



Sriram Mahalingam

Partner

Membership No. 049642

Place: Ahmedabad

Date: 21 June 2013

for **Ananya Finance for Inclusive Growth Private Limited**



Brij Mohan

Chairman

Place: Ahmedabad

Date: 21 June 2013



Vijayalakshmi Das

Managing Director

Ananya Finance for Inclusive Growth Private Limited
Statement of Profit and Loss for the year ended 31 March 2013
(All amount is Indian rupees, except share data and where otherwise stated)

	Note	For the year ended 31 March 2013	For the year ended 31 March 2012
INCOME			
Revenue from operations	2.17	84,516,481	240,679,735
Other income	2.18	43,448,416	21,458,725
Total revenue		127,964,897	262,138,460
EXPENSES			
Employee benefits	2.19	13,587,798	14,621,218
Finance costs	2.20	76,242,644	220,226,995
Depreciation and amortisation	2.8	62,259,498	62,712,143
Provisions and write offs	2.21	109,381,390	184,575,322
Other expenses	2.22	12,291,770	10,859,402
Provision for impairment of investments		26,166,660	-
Total expenses		299,929,760	492,995,080
Profit / (loss) before tax		(171,964,863)	(230,856,620)
Tax expense:			
- Current tax		-	-
- Deferred tax		1,221,256	2,482,861
Loss for the year		(173,186,119)	(233,339,481)
Earnings per share (nominal value of Rs. 10 per share)	2.23		
- Basic and diluted		(5.25)	(7.07)

Significant accounting policies 1
Notes to financial statements 2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **BSRR & Co**

Chartered Accountants

Firm registration number: 130791W

for **Ananya Finance for Inclusive Growth Private Limited**



Sriram Mahalingam

Partner

Membership No. 049642



Brij Mohan

Chairman



Vijayalakshmi Das

Managing Director

Place: Ahmedabad

Date: 21 June 2013

Place: Ahmedabad

Date: 21 June 2013

Ananya Finance for Inclusive Growth Private Limited
Cash Flow Statement for the year ended 31 March 2013
(All amount is Indian rupees, except share data and where otherwise stated)

	For the year ended 31 March 2013	For the year ended 31 March 2012
Cash flows from operating activities		
Net loss before tax	(171,964,863)	(230,856,620)
Adjustments :		
Depreciation and amortisation	62,259,498	62,712,143
Provisions and write offs on loan portfolio	109,381,390	184,575,322
Loss on sale of fixed asset	-	737,063
Income from mutual fund investments	(3,238,136)	(7,411,409)
Liabilities no longer required written back	(5,309,608)	-
Operating cash flows before working capital changes	(8,871,719)	9,756,499
(Increase) / Decrease in loans and advances	557,110,391	1,678,990,807
(Increase) / Decrease in other assets	4,001,207	12,448,470
Increase / (Decrease) in long term liabilities	(305,424)	(351,403)
Increase / (Decrease) in liabilities and provisions	13,976,562	(1,616,732)
Cash generated from operations	565,911,016	1,699,227,641
Income taxes (paid) / refunded, net	32,430,665	(22,838,127)
Net cash provided by operating activities (A)	598,341,681	1,676,389,514
Cash flows from investing activities		
Purchase of fixed assets	(266,470)	(200,000)
Proceeds from sale of fixed assets	-	300,000
Purchase of units of mutual funds	(836,400,000)	(2,398,913,651)
Proceeds from sale of units of mutual funds	834,138,136	2,475,412,422
Investment in bank deposits (having original maturity of more than three months)	(11,665,435)	(257,912)
Income from mutual funds	-	912,638
Net cash provided / (used) by investing activities (B)	(14,193,769)	77,253,497
Cash flows from financing activities		
Proceeds from issue of share capital	-	100,000,000
Proceeds from long term borrowings	100,000,000	-
Repayment of long-term borrowings	(793,191,230)	(1,757,193,714)
Net cash used by financing activities (C)	(693,191,230)	(1,657,193,714)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(109,043,318)	96,449,297
Cash and cash equivalents at the beginning of the year	165,251,644	68,802,347
Cash and cash equivalents at the end of the year (Refer note 2.14)	56,208,326	165,251,644

As per our report of even date attached
for **BSRR & Co**
Chartered Accountants
Firm registration number: 130791W



Sriram Mahalingam
Membership No. 049642

Place: Ahmedabad
Date: 21 June 2013

for **Ananya Finance for Inclusive Growth Private Limited**



Brij Mohan
Chairman

Place: Ahmedabad
Date: 21 June 2013



Vijayalakshmi Das
Managing Director

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013
(All amounts in Indian rupees, except share data and where otherwise stated)

Overview

Ananya Finance for Inclusive Growth Private Limited incorporated on 22 April 2009 under the Companies Act 1956 is a Non-Banking Financial Company ('NBFC') engaged in providing financial services to Microfinance institutions in India.

Note 1: Significant accounting policies

a. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the Accounting Standards ("AS") prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, the relevant provisions of the Companies Act, 1956 ('the Act') and the relevant guidelines of Reserve Bank of India ('RBI') to the extent applicable to a Non Banking Financial (Non – Deposit Accepting or Holding) Company. The financial statements are presented in Indian Rupees rounded off to the nearest rupee.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

c. 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:

- i. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is expected to be realised within 12 months after the reporting date; or
- iv. 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:

- i. it is expected to be settled in the Company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is due to be settled within 12 months after the reporting date; or
- iv. 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 a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
 (All amounts in Indian rupees, except share data and where otherwise stated)

c. Current – non-current classification (continued)

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

Operating cycle

Company has ascertained its operating cycle as 12 months that is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

d. Revenue recognition

- i). Interest income on loan portfolio is recognised in the Statement of Profit and Loss on accrual basis using effective interest method except in the case of non-performing assets (“NPA’s”) where it is recognised, upon realization, as per the prudential norms of RBI.
- ii). Interest on term deposits has been accrued on the time proportion basis, using the underlying interest rate.
- iii). Loan processing fees which is collected upfront is amortised over the tenor of the loan.
- iv). Dividend income is accounted when the right to receive the dividend is established.

e. Classification of loan portfolio and provisioning policy

The Company classified its loan portfolio in accordance with the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 into Performing and Non-performing Assets (NPA). Further, NPAs are classified into sub-standard, doubtful and loss assets.

Management has reassessed its provisioning norms during the year after considering the existing facts and circumstances, uncertainties inherent in the business environment, geographical factors, expected realisable value of the security and other factors affecting the overall quality of the loan portfolio assets and aligned the same with Non-Banking Financial (Non-Deposit Accepting and Holding) Companies prudential Norms (Reserve Bank) Direction, 2007.

Overdue days	Classification	Provision for the year ended	
		31 March 2013	31 March 2012
Upto 180 days	Standard	0.25%	5% - 20%
181 to 730 days	Sub-standard	10%	30% - 50%
>730 days	Doubtful	100%*	100%*

*100% provision to the extent to which the advance is not covered by the realisable value of the security to which the Company has a valid recourse.

Overdue Loans which in the opinion of the management, considered as loss asset then the same is fully written off at the year end. However, if the assets are permitted to remain in the books for any reason, 100% of the outstanding is provided for.

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amounts in Indian rupees, except share data and where otherwise stated)

e. Classification of loan portfolio and provisioning policy (continued)

In addition to the specific provision as mentioned above, the Company maintains an additional provision of 0.25% (previous year: 1%) on the outstanding balance of standard assets which has not fallen due.

Further, loans restructured / rescheduled are provided in accordance with the Non-Banking Financial (Non-Deposit Accepting and Holding) Companies prudential Norms (Reserve Bank) Direction, 2007.

f. Fixed assets and depreciation

Tangible fixed asset

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation and/ or accumulated impairment loss, if any. The cost of tangible fixed assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use are disclosed as capital work-in-progress.

Depreciation on tangible fixed assets is provided using the straight-line method over the useful life of the assets estimated by the management. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review, is shorter than that envisaged in the aforesaid Schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life / remaining useful life. Pursuant to this policy, depreciation on tangible fixed assets has been provided at the following rates based on the useful lives of fixed assets as estimated by management:

Furniture and fixtures	25% to 33%
Vehicles	25%
Office equipments	20%
Computers	33%

Depreciation is calculated on a pro-rata basis from the day the assets are purchased / sold. Fixed assets individually costing less than Rs. 5,000 are depreciated fully in the year of purchase.

Intangible fixed asset

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets and software are amortised using straight-line method over 5 years and 3 years respectively.

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amounts in Indian rupees, except share data and where otherwise stated)

g. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that any assets forming part of its cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs 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 recognised 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 reassessed recoverable amount subject to a maximum of depreciated historical cost.

h. Investments

Investments that are readily realisable and intended to be held to the period of not more than a year are classified as current investments. Current investments are valued at lower of cost and fair value determined on individual investment basis. All other investments are classified as non-current investments. Non-current investments are carried at cost. Provision is recognised for any diminution in the value of investments, other than temporary.

i. Employee benefits

Defined contribution plans

The Company makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

Defined benefit plan

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by the Life Insurance Corporation of India and the contributions made by the company to the scheme are recognised in Statement of Profit and Loss. The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets. The calculation of the Company's obligation under the plan is performed annually by qualified independent actuary using the projected unit credit method. Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss

Compensated absences

The service rules of the Company do provide for the carry forward of the accumulated leave balance. However, leave encashment is not provided in the service rule.

j. Income tax

Income tax expense comprises current tax and deferred tax.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amounts in Indian rupees, except share data and where otherwise stated)

j. Income tax (continued)

Deferred tax

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income for the year. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/virtually certain to be realised.

k. Earnings per share

Basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date.

l. Borrowing costs

Borrowing cost includes interest and other cost including, amortization of ancillary borrowing costs. Interest on borrowings is expensed in the period to which they relate. Ancillary costs incurred in connection with the terms of borrowing are amortised over the tenure of the borrowing on straight line basis.

m. Provisions and contingent liabilities

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount for 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. Where there is a possible obligation or a present obligation that the likelihood of outflow of resource is remote, no provision or disclosure is made.

n. Leases

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense as and when the payments are made over the lease term.

o. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the Company are segregated.

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amount is Indian rupees, except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
2.1 Share capital		
Authorised:		
150,000,000 (Previous year: 175,000,000) equity shares of Rs. 10 each *#	1,500,000,000	1,750,000,000
10,000,000 (Previous year: 10,000,000) equity shares of Rs. 10 each 'category B'	100,000,000	100,000,000
40,000,000 (Previous year: 15,000,000) preference shares of Rs. 10 each	400,000,000	150,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Issued, subscribed and paid-up:		
33,010,000 (Previous year: 33,010,000) equity shares of Rs. 10 each, fully paid-up	330,100,000	330,100,000
10,000,000 (Previous year: 10,000,000) 6% compulsorily convertible cumulative preference shares of Rs.10 each, fully paid up	100,000,000	100,000,000
	<u>430,100,000</u>	<u>430,100,000</u>

* The Company has, on 22nd June, 2012, reclassified 25,000,000 equity shares of Rs.10 each out of the unissued equity share capital into 25,000,000 preference shares of Rs.10 each.

The Company had, during the previous year on 26th March, 2012, reclassified 25,000,000 equity shares of Rs.10 each out of the unissued equity share capital into 15,000,000 preference shares of Rs.10 each and 10,000,000 equity shares into "Category B" of Rs.10 each.

Particulars	As at 31 March 2013		As at 31 March 2012	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the commencement of the year	33,010,000	330,100,000	33,010,000	330,100,000
Issued during the year	-	-	-	-
Shares outstanding at the end of the year	<u>33,010,000</u>	<u>330,100,000</u>	<u>33,010,000</u>	<u>330,100,000</u>

Particulars	As at 31 March 2013		As at 31 March 2012	
	Number of shares	Amount	Number of shares	Amount
6% compulsorily convertible cumulative preference shares				
At the commencement of the year	10,000,000	100,000,000	-	-
Issued during the year	-	-	10,000,000	100,000,000
Shares outstanding at the end of the year	<u>10,000,000</u>	<u>100,000,000</u>	<u>10,000,000</u>	<u>100,000,000</u>

Rights, preferences and restrictions attached to equity shares

a) The Company has two class of equity shares having a par value of Rs. 10 per equity share. All equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Rights, preferences and restrictions attached to preference shares

b) The Company has issued 10,000,000 6% compulsorily convertible cumulative preference shares (CCCPS) of Rs. 10 each at par to Indian Foundation for Inclusive Growth. These preference shares are compulsorily convertible into equity shares of the Company on 31 March 2017 on a fully diluted basis in accordance with the the terms of investment agreement dated 30 March 2012. The agreement provides for optional conversion after 3 years from the allotment date in the event the preference shareholders give a conversion notice. Preference share holders carry a preferential right as to dividend over equity shareholders if and when dividend is declared by the Company. In the event of liquidation, preference share holders have preferential right over equity share holders to be repaid to the extent of Capital paid up and dividend in arrears of such shares.

Shares held by holding/ ultimate holding and/ or their subsidiaries/ associates

Name of the equity share holder	As at 31 March 2013		As at 31 March 2012	
	Number of shares	% of holding	Number of shares	% of holding
Sudha Kapurchand Kothari - as a trustee of Indian Foundation for Inclusive Growth - the holding enterprise	330,000,000	99.97%	330,000,000	99.97%

Equity shareholder and preference shareholder holding more than 5% of shares along with the number of shares held is as given below:

Name of the equity share holder	As at 31 March 2013		As at 31 March 2012	
	Number of shares	% of holding	Number of shares	% of holding
Sudha Kapurchand Kothari - as a trustee of Indian Foundation for Inclusive Growth	330,000,000	99.97%	330,000,000	99.97%
Name of the preference share holder	Number of shares	% of holding	Number of shares	% of holding
Sudha Kapurchand Kothari - as a trustee of Indian Foundation for Inclusive Growth	10,000,000	100.00%	10,000,000	100.00%

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amount is Indian rupees, except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
2.2 Reserves and surplus		
Securities premium account		
At the commencement of the year	150,000,000	150,000,000
Add: Received during the year	-	-
Closing balance	<u>150,000,000</u>	<u>150,000,000</u>
Statutory reserve (created under Section 45-1C of RBI Act, 1934)		
At the commencement of the year	3,309,122	3,309,122
Add: Transferred from surplus	-	-
Closing balance	<u>3,309,122</u>	<u>3,309,122</u>
Surplus		
At the commencement of the year	(226,153,664)	7,185,817
Add : Net loss for the year	(173,186,119)	(233,339,481)
Less: transferred to statutory reserve	-	-
Closing balance	<u>(399,339,783)</u>	<u>(226,153,664)</u>
Total reserves and surplus	<u>(246,030,661)</u>	<u>(72,844,542)</u>
2.3 Long-term borrowings		
Secured		
Term loans from banks *	75,270,000	-
Unsecured		
Term loans from other parties*	143,291,398	188,337,770
	<u>218,561,398</u>	<u>188,337,770</u>
*Refer note 2.24 for terms of borrowings.		
2.4 Other long term liabilities		
Unamortised processing fees	32,138	337,564
	<u>32,138</u>	<u>337,564</u>
2.5 Long-term provisions		
Contingent provision for standard assets*	200,509	1,011,479
Provision for non performing assets*	385,379,630	257,819,146
	<u>385,580,139</u>	<u>258,830,625</u>
*Refer note 2.27		
2.6 Other current liabilities		
Current maturities of long-term debt*	184,833,250	908,248,108
Interest accrued but not due on borrowings	1,227,090	3,164,157
Unamortised processing fees	1,113,592	4,996,512
Payable to FWFB	13,406,015	-
Grant from SIDBI	-	5,309,608
Sundry liabilities (interest capitalisation)	6,216,306	-
Statutory liabilities	252,806	745,897
Accrued expenses	2,006,704	1,006,745
	<u>209,055,763</u>	<u>923,471,027</u>
*Refer note 2.24 for terms of borrowings		
2.7 Short-term provisions		
Contingent provision for standard assets*	385,370	6,948,101
Provision for non performing assets	1,273,037	12,553,606
Provision for employee benefits		
Gratuity (funded) (refer note 2.35)	396,861	729,501
	<u>2,055,268</u>	<u>20,231,208</u>
*Refer note 2.27		

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
 (All amount is Indian rupees, except share data and where otherwise stated)

2.8 Fixed assets

Particulars	Gross block				Depreciation and amortisation				Net block	
	As at 1 April 2012	Additions	Disposals	As at 31 March 2013	As at 1 April 2012	For the year	On disposals	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
Tangible fixed assets										
Furniture and fixtures	2,508,502	-	-	2,508,502	1,358,430	636,011	-	1,994,441	514,061	1,150,072
Vehicles	615,141	-	-	615,141	281,338	153,785	-	435,123	180,018	333,803
Office equipment	1,219,883	6,470	-	1,226,353	529,779	241,251	-	771,030	455,323	690,104
Computers	724,201	-	-	724,201	459,347	234,258	-	693,605	30,596	264,854
Total	5,067,727	6,470	-	5,074,197	2,628,894	1,265,305	-	3,894,199	1,179,998	2,438,833
Intangible fixed assets										
Software	1,000,000	260,000	-	1,260,000	269,015	354,193	-	623,208	636,792	730,985
Intangible assets*	303,200,000	-	-	303,200,000	121,280,000	60,640,000	-	181,920,000	121,280,000	181,920,000
Total	304,200,000	260,000	-	304,460,000	121,549,015	60,994,193	-	182,543,208	121,916,792	182,650,985
Total	309,267,727	266,470	-	309,534,197	124,177,909	62,259,498	-	186,437,407	123,096,790	185,089,818
Previous year	311,005,625	200,000	1,937,898	309,267,727	62,366,600	62,712,143	900,834	124,177,909	185,089,818	248,639,025

* Intangible assets acquired as per business transfer agreement with FWWB represent microfinance customer acquisition cost including customer profiling, customer credit history, technical knowhow, market knowhow and associated lending and investment methods and procedures.

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amount is Indian rupees, except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
2.9 Non-current investments		
Long term at cost, unless stated otherwise		
I. Trade (Unquoted)		
In other companies		
(a) Investments in equity instrument (fully paid-up)		
1,308,333 (previous year: 1,308,333) equity shares of face value of Rs. 10 each of Trident Microfin Private Limited	13,083,330	13,083,330
(b) Investments in preference shares (fully paid-up)		
1,308,333 (previous year: 1,308,333) 0.001% optionally convertible cumulative redeemable preference shares of face value of Rs. 10 each of Trident Microfin Private Limited	13,083,330	13,083,330
340,000 (previous year: Nil) 0.001% optionally convertible cumulative redeemable preference shares of face value Rs.10 each of Asmitha Microfin Limited	3,400,000	-
400,000 (previous year: Nil) 0.001% optionally convertible cumulative redeemable preference shares of face value Rs.10 each of Share Microfin Limited	4,000,000	-
Less: Provision for impairment	<u>(26,166,660)</u>	<u>-</u>
	<u><u>7,400,000</u></u>	<u><u>26,166,660</u></u>
2.10 Deferred tax assets, net*		
Deferred tax asset comprises of the following:		
Employee benefits	-	236,722
Preliminary expenses	-	984,533
Provision for loan portfolio	-	2,291,073
Depreciation on fixed assets	-	-
	<u>-</u>	<u>3,512,328</u>
Deferred tax Liability comprises of the following:		
Depreciation on fixed assets	-	(2,291,072)
	<u>-</u>	<u>(2,291,072)</u>
	<u>-</u>	<u>1,221,256</u>
	<u><u>-</u></u>	<u><u>1,221,256</u></u>
*As a matter of prudence, Company has not recognised deferred tax assets on provision for loan portfolio, unabsorbed depreciation and carry forward losses and accordingly deferred tax assets have been charged off during the year.		
2.11 Long-term loans and advances		
Loan portfolio		
-Secured, considered good*	80,203,345	132,545,505
-Secured, considered doubtful**	495,901,768	508,011,544
-Unsecured, considered doubtful	18,633,745	19,443,745
<i>Unsecured, considered good</i>		
Rental and other deposits	533,000	649,100
Advance tax (net of provision)	26,437,950	58,868,615
	<u>621,709,808</u>	<u>719,518,509</u>
	<u><u>621,709,808</u></u>	<u><u>719,518,509</u></u>
*Represents standard assets in accordance with classification of assets as per RBI Prudential norms for NBFCs (Refer note 2.27)		
**Represents sub - standard assets and doubtful assets in accordance with classification of assets as per RBI Prudential norms for NBFCs (Refer note 2.27)		
2.12 Other non-current assets		
Bank balances		
- in deposit accounts (Due to mature after 12 months)*	11,296,878	-
Unamortised processing fees	262,678	-
	<u>11,559,556</u>	<u>-</u>
	<u><u>11,559,556</u></u>	<u><u>-</u></u>
* Includes deposit of Rs. 7,500,000 (previous year: nil) maintained as margin money deposits against loans availed by the Company.		
2.13 Current investment		
<i>(at lower of cost or market value)</i>		
Investment in mutual funds (fully paid-up) (Quoted)		
4242.83 (previous year: Nil) units of Axis liquid fund - direct plan-growth (Refer note 2.33)	5,500,000	-
	<u>5,500,000</u>	<u>-</u>
	<u><u>5,500,000</u></u>	<u><u>-</u></u>
Aggregate market value of quoted investments	5,511,932	-

Ananya Finance for Inclusive Growth Private Limited

Notes to financial statements for the year ended 31 March 2013 (continued)

(All amount is Indian rupees, except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
2.14 Cash and bank balances		
Cash and cash equivalents		
Cash on hand	60,315	68,244
Balances with banks		
- in current accounts	43,041,807	165,183,400
- in bank deposits (with less than 3 months maturity)	13,106,204	-
	<u>56,208,326</u>	<u>165,251,644</u>
Other bank balances		
- in bank deposits (Due to mature from 4 to 12 month)	4,556,776	4,188,219
	<u>60,765,102</u>	<u>169,439,863</u>
2.15 Short-term loans and advances		
Loan portfolio		
-Secured, considered good*	154,148,096	537,821,984
-Secured, considered doubtful**	12,730,374	102,211,088
<i>Unsecured, considered good</i>		
Prepaid expenses	48,700	525,872
Advances to others	231,941	41,038
	<u>167,159,111</u>	<u>640,599,982</u>
*Represents standard assets in accordance with classification of assets as per RBI Prudential norms for NBFCs (Refer note 2.27)		
**Represents sub - standard assets assets in accordance with classification of assets as per RBI Prudential norms for NBFCs (Refer note 2.27)		
2.16 Other current assets		
Interest accrued on deposits	971,665	199,897
Interest accrued and due on loans	741,713	370,860
Interest accrued but not due on loans	-	486,281
Receivable from FWWB	-	5,135,587
Unamortised processing fees	450,300	234,939
	<u>2,163,678</u>	<u>6,427,564</u>

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amount is Indian rupees, except share data and where otherwise stated)

	For the year ended 31 March 2013	For the year ended 31 March 2012
2.17 Revenue from operations		
Interest income on loan portfolio	79,046,540	234,820,765
Processing fees on loan portfolio	5,469,941	4,858,970
Other operating revenues		
- Recoveries from previous write off	-	1,000,000
	<u><u>84,516,481</u></u>	<u><u>240,679,735</u></u>
2.18 Other income		
Interest income	10,769,927	5,982,995
Dividend income from investments	-	912,638
Profit on sale of current investments	3,238,136	6,498,771
Grant receipt from IFC	23,490,653	8,047,800
Liabilities no longer required written back	5,309,608	-
Consultancy fees	640,092	-
Miscellaneous income	-	16,521
	<u><u>43,448,416</u></u>	<u><u>21,458,725</u></u>
2.19 Employee benefits		
Salaries, wages and bonus	12,368,691	13,446,509
Contribution to provident and other funds	1,111,051	1,173,639
Staff welfare expenses	108,056	1,070
	<u><u>13,587,798</u></u>	<u><u>14,621,218</u></u>
2.20 Finance costs		
Interest expenses	71,406,914	215,648,923
Other borrowing costs	4,835,730	4,578,072
	<u><u>76,242,644</u></u>	<u><u>220,226,995</u></u>
2.21 Provisions and write offs		
Provision on standard assets	(7,373,701)	(16,856,851)
Provision on non performing assets	116,279,915	250,480,514
Provision on other assets	-	(50,286,958)
Loans written off	475,176	1,238,617
	<u><u>109,381,390</u></u>	<u><u>184,575,322</u></u>
2.22 Other expenses		
Power and fuel	175,871	181,326
Rent	2,629,224	3,917,868
Repair and maintenance		
- others	162,543	120,451
Insurance	36,771	170,327
Rates and taxes	153,717	183,178
Communication expenses	332,038	346,165
Printing and stationery	48,474	62,337
Travelling and conveyance	1,879,457	2,078,452
Legal and professional fees	3,380,553	2,016,115
Directors' sitting fees	85,000	190,000
Loss on sale of fixed assets	-	737,063
Donation	1,000,000	-
Office expenses	297,730	251,498
Training and workshop expenses	2,075,909	524,591
Miscellaneous expenses	34,483	80,031
	<u><u>12,291,770</u></u>	<u><u>10,859,402</u></u>

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amount is Indian rupees, except share data and where otherwise stated)

	For the year ended 31 March 2013	For the year ended 31 March 2012
2.23 Earnings per share		
Net profit/(loss) for the year attributable to equity shareholders	(173,186,119)	(233,339,481)
<i>Shares</i>		
Number of equity shares at the beginning of the year	33,010,000	33,010,000
Add: Equity shares issued during the year	-	-
Total number of equity shares outstanding at the end of the year	33,010,000	33,010,000
Weighted average number of equity shares outstanding during the year – Basic and diluted*	33,010,000	33,010,000
Earnings/(loss) per share in Rupees – Par value of Rs.10 per share		
Basic and diluted	(5.25)	(7.07)

*In computing the diluted earnings per share, 10,000,000 6% compulsorily convertible cumulative preference shares of Rs. 10 each have not been considered, as they are anti dilutive in nature.

2.24 Terms of borrowings

Name of the lender	31-Mar-13		First repayment date	Period of repayment/ No. of installment	Rate of Interest
	Long term maturity	Current maturity			
Secured term loans from banks					
HDFC Bank *	-	-	1-Jun-11	6 Quarterly	10.00%
Syndicate bank **	37,770,000	50,360,000	31-Jul-12	10 Quarterly	12.25% to 13%
IDBI Bank *	37,500,000	50,000,000	31-Jan-13	8 Quarterly	14.00%
Indian Overseas Bank *	-	-	31-Oct-10	24 Monthly	12% to 13%
Corporation bank *	-	-	16-Sep-09	12 Quarterly	12.25%
Corporation bank *	-	-	31-May-10	12 Quarterly	12.50%
Total	75,270,000	100,360,000			
Unsecured loan from other parties					
NABARD	-	2,000,000	31-Aug-09	5 Annually	3.50%
NABARD	-	-	15-Apr-08	10 Half yearly	7.50%
NABARD	-	1,000,000	15-Oct-08	10 Half yearly	7.50%
NABARD	-	1,400,000	15-Oct-08	10 Half yearly	7.50%
NABARD	-	1,880,000	15-Apr-09	10 Half yearly	7.50%
NABARD	19,500,000	6,500,000	30-Sep-12	10 Half yearly	7.50%
NABARD	12,250,000	3,500,000	1-Nov-12	10 Half yearly	7.50%
FWWB - State Bank of India ^	-	12,500,000	31-Aug-08	20 Quarterly	12% to 12.25%
FWWB-CORDAID ^	-	17,001,250	16-Jul-10	7 Half yearly	6.25%
FWWB - Rabo foundation ^	30,879,000	-	24-Nov-14	On maturity	5.00%
FWWB - Ford Foundation ^	65,392,398	18,332,000	25-May-12	5 yearly	1.00%
FWWB - Small Industries Development Bank of India ^	-	-	10-Jun-10	30 Monthly	10.00%
FWWB - Dena Bank ^	-	-	31-Mar-10	12 Quarterly	10.50%
FWWB- Syndicate bank ^	15,270,000	20,360,000	31-Jul-12	10 Quarterly	12.25% to 13%
Total	143,291,398	84,473,250			
Grand total	218,561,398	184,833,250			

* Secured by way of hypothecation of book debts.

Secured by hypothecation of book debts and guaranteed by Friends of WWB, India, a trust registered under the Bombay Public Charitable Trust Act, 1950

^ Company vide business transfer agreement acquired the microfinance business of Friends of Women World Banking, India (FWWB) consisting of loan portfolio and also taken over liabilities of FWWB that are associated with the loan portfolio. Pending approval from certain lenders for such transfer, the Company continues to service the liabilities. (refer note 2.26)

Ananya Finance for Inclusive Growth Private Limited

Notes to financial statements for the year ended 31 March 2013 (continued)

(All amount is Indian rupees, except share data and where otherwise stated)

2.24 Terms of borrowings (continued)

Name of the lender	31-Mar-12 Amount outstanding		First repayment date	Period of repayment/ No. of installment	Rate of Interest
	Long term maturity	Current maturity			
Secured term loans from banks					
HDFC Bank *	-	33,333,335	1-Jun-11	6 Quarterly	10.00%
Syndicate bank **	-	219,000,000	31-Jul-12	10 Quarterly	12.50%
Indian Overseas Bank *	-	49,999,894	31-Oct-10	24 Monthly	12.00%
Corporation bank *	-	12,488,825	16-Sep-09	12 Quarterly	10.50%
Corporation bank *	-	64,840,872	31-May-10	12 Quarterly	10.50%
Total	-	379,662,926			
Unsecured loan from other parties					
NABARD	2,000,000	2,000,000	31-Aug-09	5 Annually	3.50%
NABARD	-	3,320,000	15-Apr-08	10 Half yearly	7.50%
NABARD	1,000,000	2,000,000	15-Oct-08	10 Half yearly	7.50%
NABARD	1,400,000	2,800,000	15-Oct-08	10 Half yearly	7.50%
NABARD	1,880,000	1,880,000	15-Apr-09	10 Half yearly	7.50%
NABARD	26,000,000	6,500,000	30-Sep-12	10 Half yearly	7.50%
NABARD	15,750,000	1,750,000	1-Nov-12	10 Half yearly	7.50%
FWWB - State Bank of India ^	12,500,000	50,000,000	31-Aug-08	20 Quarterly	12.00%
FWWB-CORDAID ^	17,001,250	34,002,500	16-Jul-10	7 Half yearly	6.25%
FWWB - Rabo foundation ^	30,879,000	-	24-Nov-14	On maturity	5.00%
FWWB - Ford Foundation ^	79,927,520	18,332,000	25-May-12	5 yearly	1.00%
FWWB - Small Industries Development Bank of India ^	-	215,000,000	10-Jun-10	30 Monthly	10.00%
FWWB - Dena Bank ^	-	50,000,682	31-Mar-10	12 Quarterly	10.00%
FWWB- Syndicate bank ^	-	141,000,000	31-Jul-12	10 Quarterly	12.50%
Total	188,337,770	528,585,182			
Grand total	188,337,770	908,248,108			

* Secured by way of hypothecation of book debts.

Secured by hypothecation of book debts and guaranteed by Friends of WWB, India, a trust registered under the Bombay Public Charitable Trust Act, 1950.

^ Company vide business transfer agreement acquired the microfinance business of Friends of Women World Banking, India (FWWB) consisting of loan portfolio and also taken over liabilities of FWWB that are associated with the loan portfolio. Pending approval from certain lenders for such transfer, the Company continues to service the liabilities. (refer note 2.26)

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
 (All amounts in Indian rupees, except share data and where otherwise stated)

2.25 Contingent liability

Particulars	As at 31 March 2013	As at 31 March 2012
Dividend payable on CCCPS	6,016,438	16,438

2.26 On 26 April 2010, the Company vide business transfer agreement acquired the microfinance business of Friends of Women World Banking, India (FWWB) consisting of loan portfolio, other associated assets, customer contracts, customer profiling, customer credit history, technical know-how, market know-how, associated lending and investment methods and procedures as a going concern along with all rights and borrower base subject to agreement of its lenders. The Company has also taken over liabilities of FWWB that are associated with the loan portfolio. As at 31 March 2013, the Company has received approvals from some lenders. Pending approval from the remaining lenders for such transfer, the Company continues to service the liabilities.

2.27 Loan portfolio classification and provisioning

(a) Provision for outstanding loan portfolio

Asset classification	As at 31 March 2013		As at 31 March 2012	
	Loan Portfolio	Provision	Loan Portfolio	Provision
Standard portfolio	234,351,441	585,879	670,367,489	7,959,580
Sub standard asset	149,903,578	14,990,358	611,032,632	251,739,007
Doubtful portfolio	377,362,309	371,662,309	18,633,745	18,633,745
Other assets	-	-	-	-
Total	761,617,328	387,238,546	1,300,033,866	278,332,332

(b) Loan portfolio amounting to Rs.475,176 (previous year: Rs.1,238,617) has been written off.

(c) The movement in provision for the year ended 31 March 2013

Particulars	Standard asset provision	Non-performing asset provision	Total
Opening as at 1 April 2012	7,959,580	270,372,752	278,332,332
Additions	-	116,279,915	116,279,915
Reversals	(7,373,701)	-	(7,373,701)
Closing as at 31 March 2013	585,879	386,652,667	387,238,546

(d) The movement in provision for the year ended 31 March 2012

Particulars	Standard asset provision	Non-performing asset provision	Other assets	Total
Opening as at 1 April 2011	24,816,431	19,892,238	50,286,958	94,995,627
Additions	-	250,480,514	-	250,480,514
Reversals	(16,856,851)	-	(50,286,958)	(67,143,809)
Closing as at 31 March 2012	7,959,580	270,372,752	-	278,332,332

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
 (All amounts in Indian rupees, except share data and where otherwise stated)

2.28 Segment information

a) Business segment

The Company operates in a single reportable segment i.e. providing loans to microfinance institutions. Accordingly, there is no reportable segment to be disclosed as required by Accounting Standard 17 'Segment Reporting'.

b) Geographical segment

During the year under report, the Company has engaged in its business within India. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

2.29 Leases

Lease payments made under cancellable operating lease amounting to Rs. 2,629,224 (previous year: Rs.3,917,868) disclosed as rent and the same have been recognised as an expense in the Statement of Profit and Loss. The company has not entered into any non – cancellable operating or finance leases.

2.30 Auditors' remuneration (excluding service tax)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Audit fees	475,000	475,000
Certification and other services	67,500	126,381
Tax matters	67,500	67,500
Reimbursement of expenses	26,090	67,368
Total	636,090	736,249

2.31 Related party disclosures

(a) Names of related party and nature of relationship

Names	Nature of relationship
Indian Foundation for Inclusive Growth - trust	Holding enterprise
Friends of WWB, India (FWWB) – a trust registered under the Bombay Public Charitable Trust Act, 1950	Entity in which key managerial personnel have significant influence
Vijayalakshmi Das – Managing Director	Key managerial personnel

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
 (All amounts in Indian rupees, except share data and where otherwise stated)

2.31 Related party disclosures (continued)

(b) Particulars of related party transactions

Sl. No.	Name of the related party	Nature of transactions	For the year ended 31 March 2013	For the year ended 31 March 2012
1	Indian Foundation for Inclusive Growth	Allotment of compulsorily convertible cumulative preference shares	-	100,000,000
2	Friends of WWB, India	Interest income	152,500	5,628,291
		Interest expense	30,902,142	125,509,068
		Other borrowing costs	3,796,878	2,933,120
		Loan transferred from FWWB	-	106,530,697
		Principal repayments of borrowings	472,705,183	979,148,395
		Fixed deposit proceeds adjusted against loan	18,851,301	-
		Bank charges reimbursed to FWWB	134,234	362,703
		Other payments	291,433	-
3	Vijayalakshmi Das	Remuneration paid*	3,600,012	3,600,012

*The managing director is covered by the Company's gratuity policy along with other employees of the Company. The proportionate amount of gratuity cost pertaining to the managerial personnel has not been included in the aforementioned disclosures as these are not determined on an individual basis.

(c) The Company has the following amounts dues to / receivable from related parties

Sl. No.	Name of the related party	Nature of payables	Amount receivable / (payable) as at 31 March 2013	Amount receivable / (payable) as at 31 March 2013
1	Friends of Women's World Banking, India	Payable on account of borrowings	(179,734,648)	(648,642,953)
2	Friends of Women's World Banking, India	Other payables	(13,406,015)	5,135,587

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
 (All amounts in Indian rupees, except share data and where otherwise stated)

2.32 Asset Liability Management - Maturity pattern of certain items of assets and liabilities

As at 31 March 2013	1 day to 30/31 day (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months upto 6 months	Over 6 months upto 1year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Liabilities									
Loan funds	33,520,000	32,582,000	-	52,431,250	66,300,000	178,083,002	40,478,398	-	403,394,650
Assets									
Loans & Advances	22,444,159	21,388,835	19,557,366	41,892,099	61,596,011	70,567,019	52,380,001	471,791,838	761,617,328
Investments	5,500,000		256,041	256,041	512,084	5,120,833	10,413,332	17,008,329	39,066,660

As at 31 March 2012	1 day to 30/31 day (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months upto 6 months	Over 6 months upto 1year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Liabilities									
Loan funds	85,243,930	69,165,334	220,855,494	312,873,880	220,109,470	123,324,250	63,263,520	1,750,000	1,096,585,878
Assets									
Loans & Advances	101,915,678	89,137,949	73,887,952	185,363,880	189,727,613	92,863,732	29,015,148	538,121,914	1,300,033,866
Investments	-	-	-	-	-	-	-	26,166,660	26,166,660

2.33 Current investments

Particulars	Units Purchased	Purchase Value	Units Sold	Sale Value	Closing Units	Closing value
31 March 2013	672,655	836,400,000	668,412	834,138,136	4,243	5,500,000
31 March 2012	36,926,399	2,398,913,651	36,996,393	2,475,412,422	-	-

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Notes to financial statements for the year ended 31 March 2013 (continued)
(All amounts in Indian rupees, except share data and where otherwise stated)

2.34 Break up of loan portfolio

Loan Portfolio	For the year ended 31 March 2013	For the year ended 31 March 2012
Opening Loan outstanding	1,300,033,866	3,006,583,519
Portfolio taken over from FWWB	-	-
Loans disbursed during the Year	144,000,000	885,100,000
A	1,444,033,866	3,891,683,519
Loans recovered during the year	674,541,362	2,564,244,376
Portfolio restructured into investments	7,400,000	26,166,660
Portfolio written off	475,176	1,238,617
B	682,416,538	2,591,649,653
Loans outstanding at the end of the year (A-B)	761,617,328	1,300,033,866

2.35 a) Employee benefit plans

The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and is computed at 15 days salary (last salary drawn) for each completed year of service.

The following tables set out the status of the gratuity plan as required under AS 15 (Revised)

i) Change in defined benefit obligation

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Benefit obligation at the beginning of the year	3,361,096	2,999,776
Acquisition adjustments	-	-
Service cost	310,385	346,549
Interest cost	277,290	254,981
Actuarial loss/(Gain)	(421,880)	(240,210)
Benefits paid	-	-
Benefit obligation at the end of the year	3,526,891	3,361,096

ii) Change in the fair value of plan assets:

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Fair value of plan assets at the beginning of the year	2,631,595	679,971
Adjustments	-	49,572
Expected return on plan assets	251,580	142,673
Actuarial gains	11,026	47,950
Employer contributions	235,829	1,711,429
Benefits paid	-	-
Fair value of plan assets at the end of the year	3,130,030	2,631,595

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
 (All amounts in Indian rupees, except share data and where otherwise stated)

2.35 Employee benefits plan (continued)

iii) Amount recognised in Balance Sheet:

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Defined benefit obligation at the end of the year	3,526,891	3,361,096
Fair value of plan assets at the end of the year	3,130,030	2,631,595
Net liability		
Liability recognised in the balance sheet	396,861	729,501

iv) Expense recognised in statement of Statement of Profit and Loss:

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Current service cost	310,385	346,549
Interest on defined benefit obligation	277,290	254,981
Expected return on plan assets	(251,580)	(142,673)
Net actuarial loss/(gain) recognised in the year	(432,906)	(288,160)
Amount included in employee benefits expenses	(96,811)	170,697

v) Asset information:

Category of Assets	As at 31 March 2013	As at 31 March 2012
Insurer managed funds	100%	100%

vi) Summary of actuarial assumptions:

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Discount Rate	8.25%	8.50%
Expected return on plan assets	9.15%	9.00%
Salary escalation rate	6.50%	6.50%

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

b) Defined contribution plan

Amount recognised in Statement of Profit and Loss towards	For the year ended 31 March 2013	For the year ended 31 March 2012
i) Provident fund	1,111,051	1,173,639

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amounts in Indian rupees, except share data and where otherwise stated)

2.36 Capital to Risk Asset ratio (CRAR):

Particulars	2012-13	2011-12
i) CRAR	14.54%	16.34%
ii) CRAR – Tier I Capital (%)	14.39%	15.59%
iii) CRAR – Tier II Capital (%)	0.15%	0.75%

2.37 The Company does not have any direct or indirect exposure to Real Estate sector.

2.38 Amounts payable to Micro, Small and Medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2013 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil	Nil
The amount of interest paid by the company along with the amounts of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this act.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprise.	Nil	Nil

The list of undertakings covered under “Micro, Small and Medium Enterprises Development Act, 2006” (“MSMED”) was determined by the Company on the basis of information available with the Company.

Ananya Finance for Inclusive Growth Private Limited
Notes to financial statements for the year ended 31 March 2013 (continued)
(All amounts in Indian rupees, except share data and where otherwise stated)

2.39 Previous year's figures have been regrouped / reclassified, where necessary, to conform to current year's presentation.

As per our report of even date attached
for **BSRR & Co**
Chartered Accountants
Firm registration number: 130791W


for **Ananya Finance for Inclusive Growth Private Limited**



Sriram Mahalingam
Partner
Membership No.049642



Brij Mohan
Chairman



Vijayalakshmi Das
Managing Director

Place: Ahmedabd
Date: 21 June 2013

Place: Ahmedabad
Date: 21 June 2013