S R B C & CO LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To
The Members of Future Financial Servicess Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Future Financial Servicess Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014 and 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.

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 accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ('the Act'), read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. 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. 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.

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:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

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S R B C & CO (a partnership firm) converted into S R B C & CO LLP (a Limited Liability Partnership with LLP Identity No. AAB-4318) effective 1st April, 2013
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(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) 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 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the 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 notified under the Act, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs; and

(e) On the basis of written representations received from the directors as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Jayesh Gandhi
Partner
Membership Number: 037924

Place: Bengaluru
Date: May 29, 2014

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Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Future Financial Servicess Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.

(iii) (a) The Company had granted loan to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1,000,000 and the year-end balance of loans granted to the party was Nil.

(iii) (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(iii) (c) The loans granted were re-payable on demand. We are informed that the company received the repayment demanded of any such loan during the year, and thus, there has been no default on the part of the party to whom the money has been lent. The payment of interest has been regular.

(iii) (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(iii) (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

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(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, for the purchase of fixed assets and for rendering of services.

During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

The activities of the Company do not involve purchase of inventory and sale of goods hence adequacy of internal controls in respect of these areas are not applicable.

(v) (a) According to the information and explanation provided by the management we are of the opinion that the particulars of contract or arrangement referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposit from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

(viii) To the best of our knowledge and as explained, the company is not in the business of sale of any goods. Therefore, in our opinion, the provision of clause 4 (viii) of the order are not applicable to the company.

(ix) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases*. The provisions relating to investor education and protection fund, sales-tax, wealth-tax, customs duty and excise duty are not applicable to the Company in the current year.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to investor education and protection fund, sales-tax, wealth-tax, customs duty and excise duty are not applicable to the Company in the current year.

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(c) According to the information and explanations given to us, there are no dues of income tax, service tax and cess which have not been deposited on account of any dispute. The provisions relating to investor education and protection fund, sales-tax, wealth-tax, customs duty and excise duty are not applicable to the Company in the current year.

(x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in such financial year and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information & explanations given by the management , we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, 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, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by other from bank or financial institution.

(xvi) Based on information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanation given to us and on overall examination the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies 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 public issue during the year.

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(xxi) We have been informed that certain *employees of the Company have misappropriated funds amounting to Rs. 315,118 during the year under audit. As explained to us, the Company terminated the service of such employees and provision of 223,820 (net of recovery) has been made in the financial statements for the estimated loss.*

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Jayesh Gandhi
Partner
Membership Number: 037924

Place: Bengaluru
Date: May 29, 2014

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Future Financial Servicess Limited
Balance Sheet as at March 31, 2014

	Note	Rs. As at 31-Mar-14	Rs. As at 31-Mar-13
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	100,656,140	99,656,140
Reserves and surplus	3	481,535,701	399,679,081
		582,191,841	**499,335,221**
Non-current liabilities			
Long-term borrowings	4	629,028,569	844,920,682
Long-term provisions	5	202,625,054	191,985,966
		831,653,623	**1,036,906,648**
Current liabilities			
Trade Payables	6	29,640,591	20,534,526
Other current liabilities	6	937,167,074	332,240,550
Short-term provisions	5	3,657,109	64,680,933
		970,464,774	**417,456,009**
TOTAL		**2,384,310,238**	**1,953,697,878**
ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible assets	7	13,807,459	13,766,429
(ii) Intangible assets	8	2,120,194	2,562,131
Long-term loans and advances	10	599,605,559	690,833,861
Other non-current assets	11	81,172,002	29,028,353
		696,705,214	**736,190,774**
Current assets			
Current investments	9	-	68,370
Cash and bank balances	12	707,229,125	267,539,508
Short-term loans and advances	10	894,463,250	903,339,583
Other current assets	11	85,912,649	46,559,643
		1,687,605,024	**1,217,507,104**
TOTAL		**2,384,310,238**	**1,953,697,878**

Summary of significant accounting policies 1.1
The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Jayesh Gandhi
Partner
Membership Number: 037924

Place: Bengaluru

Date: May 29, 2014

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For and on behalf of the Board of Directors of
Future Financial Servicess Limited

G.Dasaratha Reddy
Managing Director

Pramod Kabra
Director

Aarthi Rajendran
Company Secretary

Place: Bengaluru

Date: May 29, 2014

Future Financial Services Ltd.

Future Financial Servicess Limited
Statement of Profit and Loss for the Year ended March 31, 2014

	Note	Rs. For the year ended 31-Mar-14	Rs. For the year ended 31-Mar-13
Revenue from operations	13	429,661,064	423,034,010
Other Income	14	10,607,515	1,742,710
Total Revenue (I)		**440,268,579**	**424,776,720**
Expenses			
- Finance Costs	15	167,472,993	161,478,830
- Employee benefits expense	16	93,131,904	91,260,885
- Other operating expenses	17	92,774,601	63,388,587
- Provision and write offs	18	(2,657,234)	213,953,980
Total Expenses (II)		**350,722,264**	**530,082,282**
Profit / (Loss) before Depreciation and amortisation (I-II)		**89,546,315**	**(105,305,562)**
- Depreciation and amortisation expense	20	7,689,695	7,034,208
Profit before tax		**81,856,620**	**(112,339,770)**
Profit /(Loss) before prior period item and tax		**81,856,620**	**(112,339,770)**
- Prior period Item	19	-	2,716,125
Profit /(Loss) before tax		**81,856,620**	**(115,055,895)**
Tax expenses:			
- Current tax (MAT payable)		13,836,700	-
- Less: MAT credit entitlement		(13,836,700)	-
- Net Current tax expense		-	
Total tax expenses		-	-
Profit / (Loss) for the year		**81,856,620**	**(115,055,895)**
Earnings per Equity Shares [Nominal value of share Rs.10 (March 31, 2013: Rs.10]			
Basic EPS	21	8.13	(12.36)
Diluted EPS	21	8.13	(12.36)
Summary of significant accounting policies	1.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Jayesh Gandhi
Partner
Membership Number: 037924

Place: Bengaluru
Date: May 29, 2014

For and on behalf of the Board of Directors of
Future Financial Servicess Limited

G.Dasaratha Reddy
Managing Director

Pramod Kabra
Director

Aarthi Rajendran
Company Secretary

Place: Bengaluru
Date: May 29, 2014

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Future Financial Services Ltd.

Future Financial Servicess Limited
Cash flow statement for the year ended March 31, 2014

Particulars	For the year ended 31-Mar-14 Rs.	For the year ended 31-Mar-13 Rs.
Cash flow from operating activities		
Profit/ (Loss) before tax	81,856,620	(115,055,895)
Adjustment for:		
Depreciation/ amortization	7,689,695	7,034,208
Loss/ (Profit) on sale of fixed assets	(190,762)	56,076
Reversal of provision on standard assets	(3,187,557)	(253,912)
Provision for Non performing assets	13,083,319	81,768,114
Reversal of provision for loss on securitisation	(58,081,475)	-
Provision for others	(1,181,657)	2,205,513
Provision for Gratuity	(73,013)	73,013
Provision for leave encashment	(34,806)	1,232,255
Profit on sale of current investment	(6,804,199)	(1,138,606)
Reversal on provsion - Securitised assets	(6,842,676)	-
Bad debts written off	46,710,136	130,234,265
Fixed assets written off	112,131	1,201,056
Operating profit before working capital changes	**73,055,756**	**107,356,087**
Movements in working capital :		
Increase/ (decrease) in trade payables	9,106,065	(5,213,669)
Increase/ (decrease) in other current liabilities	192,662,182	78,359,100
Decrease / (increase) in long-term loans and advances	67,884,740	(392,543,544)
Decrease / (increase) in short-term loans and advances	9,876,332	482,317,644
Decrease / (increase) in other current assets	(39,353,006)	(32,863,477)
Decrease / (increase) in current margin money deposit	(193,399,655)	
Decrease / (increase) in other non-current assets	(52,143,649)	(49,568,295)
Cash generated from operations	**67,688,765**	**187,843,846**
Direct taxes paid (net of refunds)	(17,519,239)	(3,668)
Net cash flow from operating activities (A)	**50,169,526**	**187,840,178**
Cash flows from investing activities		
Purchase of fixed assets, net	(7,440,112)	(8,733,100)
Purchase of investment	(865,000,000)	(135,000,000)
Sale of Investment	871,872,570	138,318,737
Proceeds from sale of fixed assets	315,750	70,032
Net cash flow used in investing activities (B)	**(251,792)**	**(5,344,331)**
Cash flows from financing activities		
Proceeds from issuance of equity share capital	-	30,642,348
Proceeds from long-term borrowings	734,149,492	75,000,000
Repayment of long-term borrowings	(537,777,264)	(121,728,560)
Net cash flow from in financing activities (C)	**196,372,228**	**(16,086,212)**
Net increase in cash and cash equivalents (A + B + C)	**246,289,962**	**166,409,635**
Cash and cash equivalents at the beginning of the year	246,999,566	80,589,931
Cash and cash equivalents at the end of the year	**493,289,528**	**246,999,566**

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Future Financial Servicess Ltd. *

Future Financial Servicess Limited
Cash flow statement for the year ended March 31, 2014

Particulars	For the year ended 31-Mar-14 Rs.	For the year ended 31-Mar-13 Rs.
Components of cash and cash equivalents		
Cash in hand	**84,526**	35,000
With banks- on current account	**493,205,002**	246,964,566
- on deposit account		-
Total cash and cash equivalents	**493,289,528**	**246,999,566**

Notes:

1.The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS)-3 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006 as amended.

2. Cash and cash equivalents in the balance sheet comprises of Cash in kind and Cash at bank.

3. The accompanying notes are an integral part of the financial statements

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Jayesh Gandhi
Partner
Membership Number: 037924

Place: Bengaluru
Date: May 29, 2014

S R B C & CO LLP * MUMBAI * CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors of
Future Financial Servicess Limited

G.Dasaratha Reddy
Managing Director

Pramod Kabra
Director

Aarthi Rajendran
Company Secretary

Place: Bengaluru
Date: May 29, 2014

Future Financial Services Ltd. *

Future Financial Servicess Limited
Notes forming part of the Financial Statements for the year ended March 31, 2014

1. a. **Corporate Information**

Future Financial Servicess Limited (the 'Company') is a Non-Banking Finance Company (NBFC). The Company was incorporated on October 14, 1996. The Company was registered as a non –deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') with effect from February 16, 2001 and has been classified as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with effect from December 6, 2013.

The Company is engaged in micro finance lending activities in the form of providing financial assistance to enable income generation to poor women, who are organized as Joint Liability Groups ('JLG'), with a view of enhancement of their livelihoods in a financially viable manner in the rural areas of India. The Company now operates only in the states of Karnataka, Tamil Nadu, Andhra Pradesh and Gujarat.

During the year, the Company had introduced new product called Micro Enterprises Loan (MEL) to provide the financial assistance to the borrowers to use the money to augment the house hold income.

b. **Basis of Preparation**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 read with general circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs and the provision of the RBI as applicable to a NBFC-MFI and NBFC-ND. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

1.1 Summary of Significant Accounting Policies

a. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results in the outcomes requiring as material adjustments to the carrying amounts of assets and liabilities in future periods.

b. Current / Non-current classification of assets and liabilities

As required by Revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not readily determinable, the operating cycle has been considered as 12 months.

c. Fixed Assets and Depreciation:

i) Tangible Assets:

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and cost attributable to bringing the asset to its working condition for its intended use.

Depreciation on tangible assets is provided using written down value method at the rates prescribed under Schedule XIV of the Companies Act, 1956 or based on the useful life of the assets as estimated by management, whichever is higher.

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Individual assets costing less than Rs. 5,000/- are depreciated in full in the year of acquisition.

ii) Intangible Assets

Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life, of 3 years.

iii) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

d. Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

e. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

f. Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

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Future Financial Servicess Ltd.

g. Retirement and other employee benefits

i. Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service.

ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.

iii. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

iv. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

v. The Company recognizes termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

h. Investments:

Investments which are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

i. Revenue Recognition:

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

i) Interest Income on portfolio loans is recognized by applying the rate of interest as per the agreement. Income including interest on non-performing asset is recognized only when realized. Any such income recognized before the asset became non-performing and remaining unrealized will be reversed.

ii) Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.

iii) Loan processing fees from members are recognized on an upfront basis.

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Future Financial Services Ltd. ★

iv) Profit/premium arising on securitization is amortized over life of the underlying portfolio loan/securities, loss if any arising on securitization is recognized immediately. Income from interest strip is recognized immediately net of losses.

v) Dividend income is recognized when the right to receive payment is established by the balance sheet date.

vi) *Gain on securitization*

a. Profit/premium arising on securitization is amortized over life of the underlying portfolio loan/securities, loss if any arising on securitization is recognized immediately. Income from interest strip is recognised immediately net of losses.

b. In respect of 'Par deals' securtisation, amount realised towards interest from the borrowers, to the extent not paid as interest to the assignee, has been recognized as Gain on Securtisation.

vii) All other income is recognized on an accrual basis.

viii) Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

j. Classification of loan portfolio

i. Loan to Joint Liability Group ('JLG') are classified as follows:

Asset (based on Company's policy) Classification	Loans under JLG
Standard Assets	Less than 90 days
Sub-Standard Assets	91-180 days
Doubtful Assets	Above 180 days

"Overdue" refers to interest to interest and / or installment remaining unpaid from the day it became receivable.

The above classification is in compliance with NBFC-MFI Directions, December 02, 2011, as amended from time to time.

ii. Loans and advances other than loans to JLG are classified as standard, sub-standard, doubtful and loss assets in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time ('NBFC-ND Directions').

k. Provisioning policy for loan portfolio

i. Provisioning policy for loans to JLG:

Asset Classification As per RBI	Arrear Period	Provision as per RBI prudential norms
Standard	Current Loans*	1%
Sub-Standard	Overdue for 31 – 180 days	50%
Doubtful	Overdue over 180 days	100%

* The overall provision for JLG determined as per provisioning policy stated above and is subject to the provision prescribed in the NBFC-MFI (Reserve Bank) Directions, 2011. These directions require the total provision for JLG loans to be higher of (a) 1% of the outstanding loan portfolio or (b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

Such additional provision created in order to comply with the NBFC-MFI Directions is classified and disclosed in the Balance Sheet along with the contingent provision for standard assets.

ii. Outstanding loan portfolio in the state of Andhra Pradesh prior to April 1, 2013, being the date of applicability of the asset classification and provisioning norms laid down in the NBFC-MFI Directions, has been fully provided for and these loans are not included for calculation of portfolio at risk as referred in note (i) above.

iii. Loans and advances other than loans to JLG are provided for at the higher of management estimates and provision required as per NBFC-ND Directions.

iv. Provision for losses arising under securitization arrangements is made as higher of the incurred loss and provision as per the Company's provisioning policy for JLG loans mentioned in (i) above and subject to the maximum guarantee given in respect of these arrangements.

v. All overdue loans where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable are written off.

l. Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes un-recognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

m. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the arrangement of borrowings.

o. Leases

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

p. Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

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Notes forming part of the Financial Statements for the year ended March 31, 2014

Note : 2 SHARE CAPITAL	Rs. As at 31-Mar-14	Rs. As at 31-Mar-13
Authorised Shares		
20,000,000 (Previous Year 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000
	200,000,000	**200,000,000**
Issued, Subscribed and fully paid - up shares		
10,065,614 (Previous year 10,065,614) equity shares of Rs. 10 each fully paid up	100,656,140	100,656,140
Less: Nil (Previous Year: 100,000) equity shares of Rs 10 each, fully paid up, issued to employees through Acts group staff welfare trust	-	1,000,000
Total issued, subscribed and fully paid-up share capital	**100,656,140**	**99,656,140**

Note:
As per the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, the Company has adjusted the Share Capital by Rs. Nil (Previous year Rs.1,000,000) in respect of Nil shares (Previous year 100,000 shares) held by the trusts. During the year the Company had received Rs.1,000,000/- from Acts Welfare Trust on 31st March 2014 towards repayment.

(a) Reconciliation of the shares and amount outstanding at the beginning and at the end of the reporting period:
Equity Shares

	As at 31-Mar-14		As at 31-Mar-13	
	Nos.	Amount (Rs.)	Nos.	Amount (Rs.)
At the beginning of the year	10,065,614	100,656,140	8,893,613	88,936,130
Issued during the year on preferential basis	-	-	1,172,001	11,720,010
Outstanding at the end of the period	**10,065,614**	**100,656,140**	**10,065,614**	**100,656,140**

(b) Terms/ rights attached to equity shares:
The company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees.

During the year ended 31st March 2014, the amount of per share dividend recognized as distributions to equity shareholders was Nil (31 March 2013: Nil).

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.

(c) Details of shareholding more than 5% shares in the Company:

Name of the Shareholder	As at 31st March 2014 Nos.	% holding in the class	As at 31st March 2013 Nos.	% holding in the class
Equity shares of ` 10 each fully paid				
Indium IV (Mauritius) Holdings Ltd	6,383,092	63.41	4,563,392	45.34
Acts Mahila Mutually Aided Co-Operative Thrift Society Ltd. (AMMACTS)	1,222,221	12.14	1,222,222	12.14
Mr.G. Dasaratha Reddy	1,165,600	11.58	1,165,600	11.58
Ms.G.Kalavathi	1,133,000	11.26	1,133,000	11.26
Acts group staff welfare trust *	-	-	1,000,000	9.93

* Shares held by Acts group staff welfare trust has been transferred to Indium IV (Mauritius) Holding Ltd on August 28, 2013.

(d) Shares held by holding company:

Name of the shareholder	As at 31st March 2014 Rs.	As at 31st March 2013 Rs.
Indium IV (Mauritius) Holdings Ltd, the holding company 6,383,092 shares (March 31, 2013: 4,563,392 shares) of Rs 10 each fully paid up	63,830,920	45,633,920

As per records of the company, including its register of shareholders/members and other declarations if any, received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(e) For a five year period immediately preceding the date at which Balance Sheet is prepared:
i. Aggregate number of shares issued for consideration other than cash, as sweat equity, during the period of five years immediately preceeding March 31, 2014 is 2,000,000 shares (November 30, 2008: 2,000,000 shares)
ii. No Shares were allotted as fully paid up by way of bonus shares.
iii. No Shares were bought back.

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