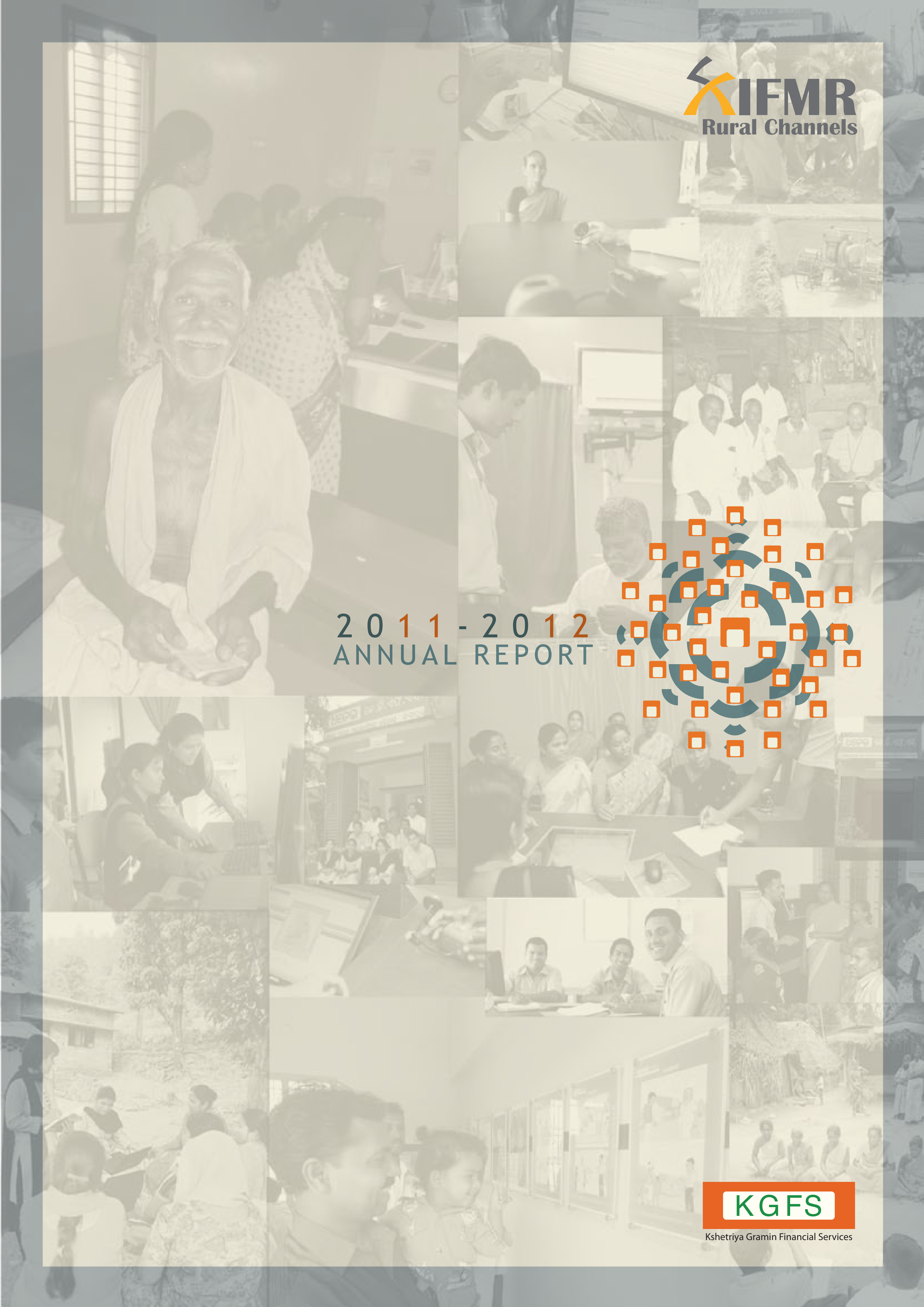


IFMR Rural Channels

2011-2012 ANNUAL REPORT

KGFS
Kshetriya Gramin Financial Services

“To maximise the financial wellbeing of
every individual and every enterprise by
providing complete access to
financial services in remote rural India”

CONTENTS

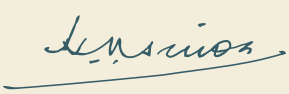
Message from the Chairman

Dear Shareholders,

It gives me immense pleasure to share with you all, the first annual report of IFMR Rural Channels and Services Private Limited(IRCS), for the FY 2011-12. It's an organisation created with the sole purpose of providing access to complete financial services in the remote rural parts of the country so as to maximise the financial wellbeing of every individual and enterprise through the KGFS model. In this brief period of operations, the Company has already demonstrated a robust operating model on the ground with a combination of deep understanding of the customer needs and efficient deployment of technology.

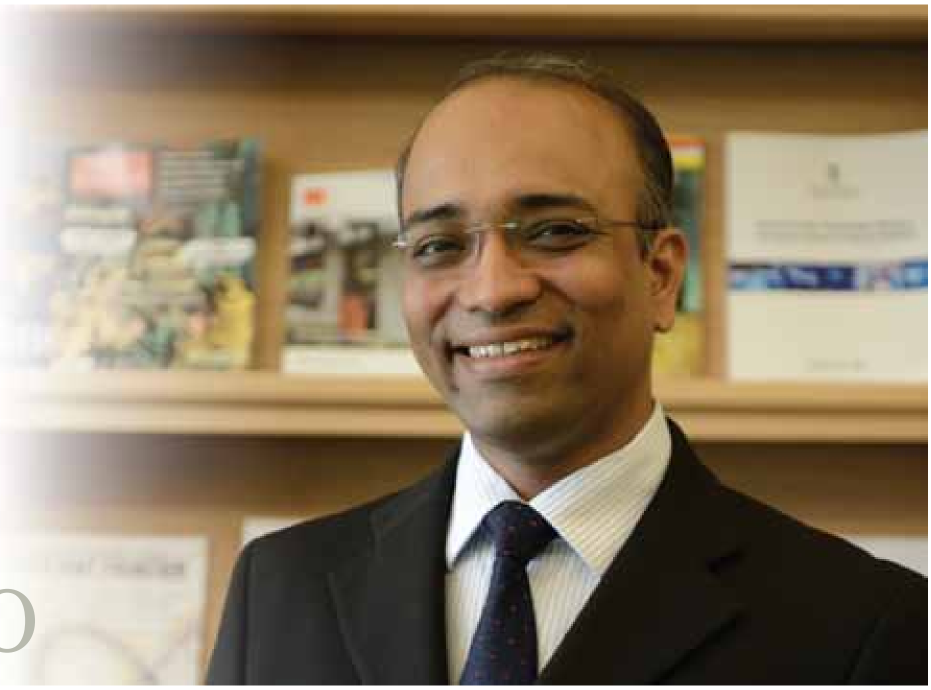
The KGFS model through which the services are being offered to the remote rural households focusses on the Wealth Management approach, which entails that the engagement goes beyond the product level requirements, but a thorough understanding of the financial situation of the households served. This kind of approach in my views is the need of the hour. A country as vast as India need to have more KGFS' or Regional Rural Financial Services which understands the local needs better than the National Institutions. The focus on inclusive growth at the policy levels are expected to open up much more opportunities in the remote rural locations which are manifesting in the strategic partnerships that IRCS has been able to build in this year. I take this opportunity to congratulate the entire team for their outstanding commitment and wish them all success for the coming fiscal.

Thank you.



Hoshang N. Sinor

Message from the CEO



Dear Shareholders,

I have pleasure in presenting the Annual Report of your Company for the Financial Year (FY) 2011-12.

IFMR Rural Channels and Services Private Limited(IRCS) was formed as an investment and distribution company to further augment the mission of its parent company, IFMR Trust, to ensure that every individual and every enterprise has complete access to financial services. The year 2011-2012, being the first year of operation under the current structure, was challenging enough as the entire sector was recovering from the after-effects of significant events in the external environment with the resultant drying up of funds from the banking sector.

Your company started its operation in August 2011 and in a span of six months added two new KGFS' namely Thenaaru and Vellaaru KGFS and eight more branches to its distribution network. Despite the external challenges, we have been able to expand our operations by adding new entities and branches to our network primarily riding on the belief that our KGFS approach does address some of the concerns that are being attributed to the sector we operate in. Currently, there are five operational KGFS' viz., Pudhuaaru KGFS, Dhanei KGFS, Sahastradhara KGFS, Vellaaru KGFS and Thenaaru KGFS serving around 1,90,000 customers through a network of 113 branches.

For the year 2011-12 your Company has incurred a loss of Rs. 53,825,333/- primarily on account of setting up costs and operative expenses. However, we are hopeful that the performance in the second year of operations would be as per the Annual Operating Plan (AOP) and Projections for FY 2012-13.

We continue to learn from our operations in diverse geographies. Our operations in the delta region of Tamil Nadu representing Tanjore have consolidated while demonstrating an impeccable portfolio quality. The operations in Orissa are progressing on the expected lines with a healthy mix of portfolio representing different products. The enchantment of working in the hills of Garhwal in Uttarakhand continues. We have been able to make significant developments in addressing external challenges in terms of connectivity and process level adaptations so as to reach out to a larger segment of households.

Direct Origination Model

Financial Inclusion continues to be the dominant agenda of policy makers. The focus has shifted towards impressing upon Banks to reach out to un-served markets either directly or through strategic partnerships.

Strategically your company is poised to make most of this focus of policy makers by positioning itself as the ideal partner for the banks. Our experience of the rural market and distribution strength can be best utilised by banks in reaching out to these markets and there by fulfilling your company's mission of maximising the financial wellbeing of every individual and every enterprise by providing complete access to financial services in remote rural India. This would also give our model an opportunity to offer a wider range of products and services to our customers. Our initial discussions with banks have been encouraging with Axis bank appointing your company as their partner and operations going live in Ariyalur and Pudukottai Districts of Tamil Nadu. This model being referred to by us as Direct Origination Model is set to demonstrate the value of a full service structure. Your company is also in discussion with other banks and financial institutions which could pave way for more partnerships and expansions in the coming fiscal.

Equity Infusion

In March 2012, your company successfully raised its first round of equity from Lok Capital and PROPARCO.

Lok Capital is one of the most active social venture capital fund investing in high potential financial inclusion and broader inclusion enterprises (Education, Healthcare, Livelihoods), serving the bottom of pyramid (BOP) segment. Lok seeks to partner with visionary entrepreneurs to help take these social enterprises to new levels of sustainability, scalability and professionalism and thus multiply the 'impact' on the BOP segment.

PROPARCO of France is a Development Finance Institution jointly held by Agence Française de Développement (AFD) and public & private shareholders. Its mission is to catalyse private investment in emerging and developing countries with the aim of supporting growth, sustainable development and the achievement of the Millennium Development Goals (MDGs). It finances investments that are economically viable, socially equitable, environmentally sustainable and financially profitable.

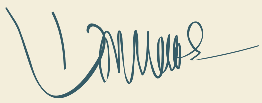
Regulatory Developments

There have been several developments on the Regulatory front that would have a significant impact on the operating environment of entities in the financial services space. Several of these developments are expected to have positive effect on our model of providing a suite of financial products to people in the remote rural areas. As in the past, we as a company are fully geared to adapt to these changes and leverage on the aspects that contribute to our overall growth.

Way Forward

The changes in the external environment should stabilise and we would continue to make progress by being adaptive to these changes and strengthening the KGFS way of delivering complete financial services to our customers.

On behalf of the entire Company and its leadership team, I would like to thank the shareholders, IFMR Trust, Company's employees, customers, partners for their support and commitment to the Company. I look forward to your continued support as your Company embarks on the next phase of its growth journey.



Warm Regards
S.G.Anil Kumar

Board of Directors

HOSHANG NOSHIRWAN SINOR

Mr. Sinor is the Chief Executive Officer of the Association of Mutual Funds in India. He started his career in 1965 with Central Bank of India and in 1969 moved to Union Bank of India where he worked for 28 years. In 1996, he was appointed as Executive Director of Central Bank of India. He also served as the Managing Director and CEO of ICICI Bank from July 1997 to March 2002 and post-merger of ICICI Ltd., with ICICI Bank, he became Joint Managing Director till his superannuation. He thereafter joined Indian Banks' Association as Chief Executive where he was the spokesman for the Banking Industry from June 2003 to 2008.

He has been associated with a large number of committees at a policy level during his banking career.

BINDU ANANTH

Ms. Bindu Ananth is the President of IFMR Trust and has held this position since January 2008. Prior to this, Bindu worked in ICICI Bank's microfinance team and was also head of the new product development team within the Rural Banking Group.

She has an under graduate degree in Economics from Madras University and Master Degrees from the Institute of Rural Management (IRMA) and Harvard University's John F. Kennedy School of Government. She is a Fellow member of Global Economic Society.

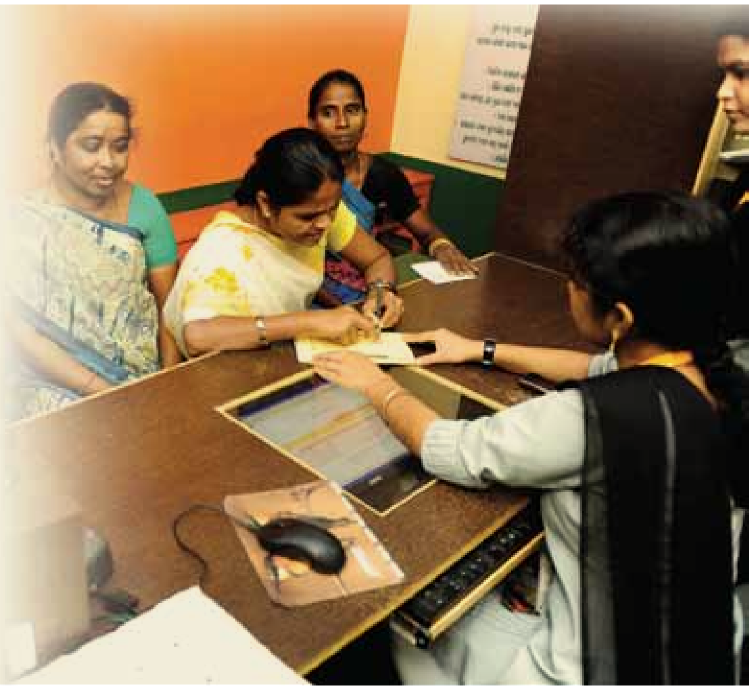
Bindu has published in the Economic and Political Weekly, OECD Trade Paper Series and the Small Enterprise Development Journal. She is also a member of the FICCI taskforce on financial inclusion.

S.G. ANIL KUMAR

Anil is a career banker with close to two decades of experience in the areas of Rural, Retail and Agri Banking. Since April 2007, he has been involved in the set-up of a new model of rural financial services delivery channel named "Kshetriya Gramin Financial Services (KGFS)" in remote rural geographies. Currently there are Five KGFS' in Tamil Nadu, Orissa and Uttarakhand collectively serving over 2,00,000 households through their 140 branches offering a suite of financial products and services delivered under a Wealth Management framework.

In addition to his work within IFMR Trust, he is a Board Member in Grameen Capital India and Member - Project Management Committee, MicroSave India.

Anil has a Masters in Management (2005) from Asian Institute of Management, Manila, Phillipines and holds a Masters Diploma in Business Administration (2002) from Symbiosis Institute of Management Studies, Pune.



Directors' Report

The Directors have pleasure in presenting to you the First Annual Report on the business and operations of the Company together with the audited financials statement and accounts for the year ended March 31, 2012.

Mission

To maximise the financial wellbeing of every individual and every enterprise by providing complete access to financial services in remote rural India.

Financial Results

The financial performance for fiscal 2012 is summarised in the following table:

S. No	Particular	2011-12 (In Rupees)
1.	Income from Operations	611,401
2.	Other Income	268,468
3.	Total Revenue (1+2)	879,868
4.	Expenses	54,705,201
5.	Loss After Tax	53,825,333
6.	Loss for the period	53,825,333
7.	Loss per share	9.33

The Company was incorporated on August 01, 2011 to offer full suite of financial products and services based on wealth management approach to households and enterprises in remote rural areas of India through the KGFS model.

Currently there are five operational KGFS'- Pudhuaaru KGFS functioning in Thanjavur and Tiruvarur districts of Tamil Nadu; Dhanei KGFS in Ganjam and Khurda districts in Odisha; Sahastradhara KGFS in the hilly regions of Garhwal in Uttarakhand; Vellaaru KGFS and Thenaaru KGFS, in Ariyalur and Pudukottai Districts of Tamil Nadu.

The Company's operations in this financial year represented a phase of consolidation and growth. The Company has concluded its first round of equity infusion with investments coming from two PE players. The Company has been quick to capitalise on the developments in the external environment by forging strategic partnerships with Banks and FIs to directly originate business for them. This led to opening of two new KGFS' one each in Ariyalur and Pudukottai. The losses incurred were due to setting up costs and operative expenses. The Directors report that the performance in the second year of operations would be as per the Annual Operative Plan (AOP) and projections. The Directors shall make all efforts and are confident of achieving better results in the forthcoming years.

Future Outlook and Opportunities

The directors are happy to share with you their positive outlook for the future of the Company. The innovative service offerings of the Company have found enthusiastic acceptance from the customers and support from the mainstream market players, prospective partners and investors. We are committed to refine our offering to the customers continuously, and are confident that the customer centric approach of the Company will ensure the achievement of Company's mission in a time-bound manner.

Dividend

The Directors do not recommend payment of dividend for the FY 2011-12.

Directors' Responsibility Statement

In compliance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company confirms that:

a. in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departures;

b. the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for that period;

c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the annual accounts have been prepared on a going concern basis;

e. the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

Subsidiary Companies

The Company has two subsidiaries namely "Pudhuaaru Financial Services Private Limited" and "Ankur Securities Private Limited" as on March 31, 2012.

Fixed Deposits

The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

Directors

Subject to the Companies Act, 1956 and as per the Articles of Association of the Company, none of the Directors shall retire by rotation.

Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, who are the statutory auditors of the Company, hold office, in accordance with the provisions of the Act up to the conclusion of the forthcoming AGM and are eligible for reappointment.

Particulars of Employees

None of the Employees are in receipt of remuneration above the limits prescribed under section 217(2A) of the companies Act, 1956 and the rules framed there under.

Compliance Certificate

The Company has a whole time Secretary and accordingly, pursuant to the second proviso of Section 383A, compliance certificate was not required for the Company during the previous year.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The Company has no activity relating to conservation of energy and technology absorption. There were no foreign exchange earnings or outflow during the year.

Employee Relationship

The employees at all ranks of the Company have extended their whole-hearted cooperation with the Company for the smooth conduct of the affairs of the Company and hence the employee relations of the Company have been cordial. The Directors wish to place on record their deep appreciation to all the employees for their commitment and contribution to the performance of the Company.

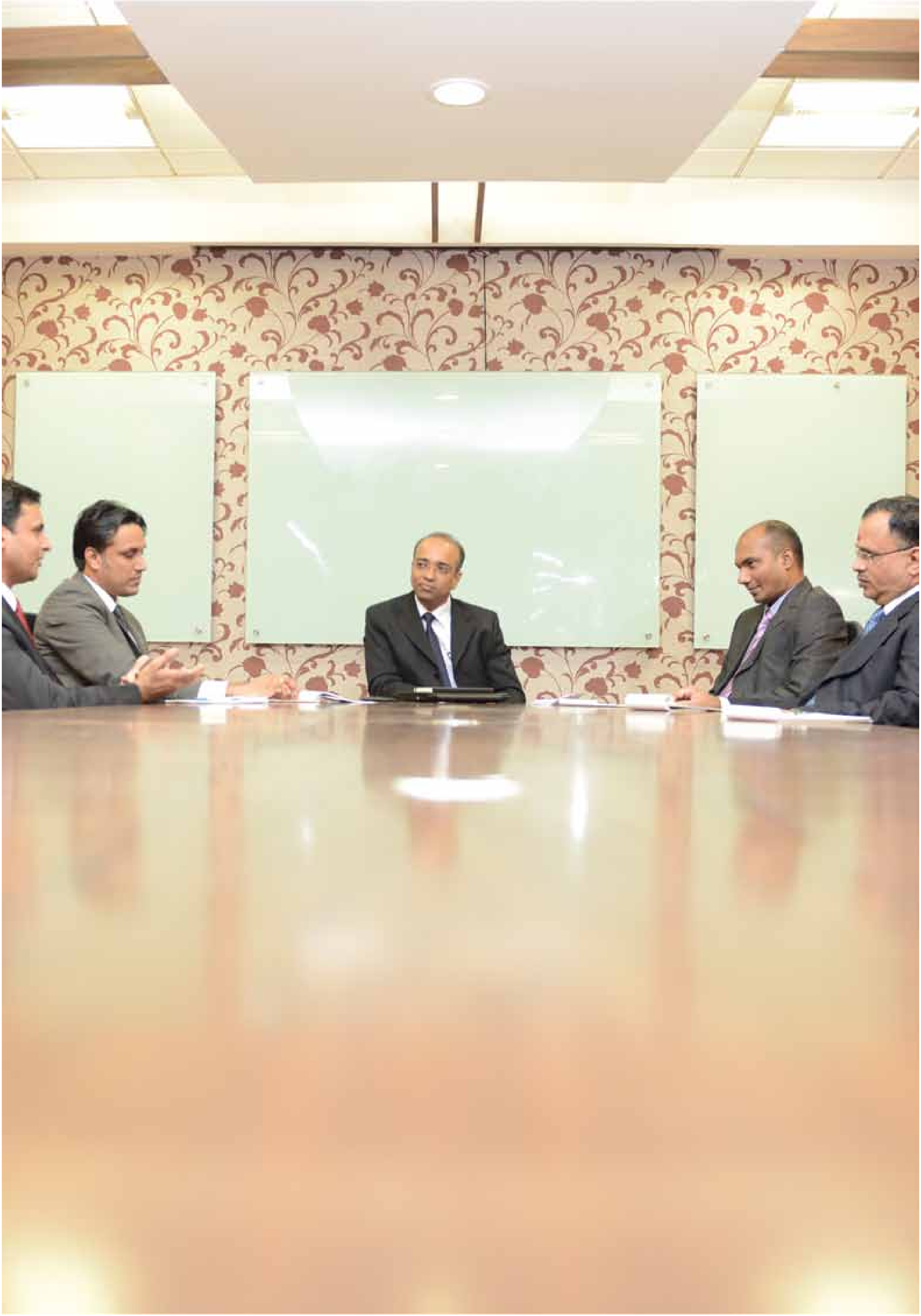
Acknowledgement

The Directors wish to place on record their appreciation to thank the Financial Institutions, Banks and all the various stakeholders (M/s IFMR Trusteeship Services Private Limited (Trustee IFMR Trust), M/s. Lok Capital II LLC and Societe Promotion et de Pour La Cooperation Economique S.A. (PROPARCO)) for their continued co-operation and support to the Company. They would also like to take this opportunity to thank the Customers, Auditors, Vendors, Dealers and Suppliers for their continuous support and encouragement.

On behalf of the Board of Directors

S.G. Anil Kumar	**Bindu Ananth**
Director	Director

Place: Chennai
Date: May 31, 2012



Auditors' Report

TO THE MEMBERS OF
IFMR RURAL CHANNELS AND SERVICES PRIVATE LIMITED

1. We have audited the attached Balance Sheet of IFMR RURAL CHANNELS AND SERVICES PRIVATE LIMITED ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the period ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The requirements of the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 are not applicable to the company.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 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 31st March, 2012;

      (ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the period ended on that date;

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date.

5. On the basis of the written representations received from the Directors as on 31st March, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

Bhavani Balasubramanian
Partner
(Membership No. 22156)

Place: Chennai
Date: May 31, 2012

Financials

IFMR Rural Channels and Services Private Limited

Balance Sheet as at March 31, 2012

			As at March 31, 2012
I	**EQUITY AND LIABILITIES**		
(1)	Shareholders' Fund		
	Share Capital	2	307,512,310
	Reserves and Surplus	3	37,436,357
(2)	Non-current Liabilities		
	(a) Long Term Borrowings	4	100,000,000
	(b) Long Term Provisions	5	1,331,761
(3)	Current Liabilities		
	(a) Short Term Borrowings	4	365,000
	(b) Trade Payables	6	5,206,685
	(c) Other Current Liabilities	7	16,282,583
	(d) Short Term Provisions	8	6,315,830
	Total		474,450,526
II	**ASSETS**		
(1)	Non-current Assets		
	(a) Fixed Assets	9	
	(i) Tangible Assets		20,619,245
	(ii) Intangible Assets		246,895
	(b) Non-current Investment	10	196,068,361
	(c) Long Term Loans & Advances	11	140,793,690
	(d) Other non-current assets	12	4,701,494
(2)	Current Assets		
	(a) Cash and Cash Equivalents	13	106,550,050
	(b) Short Term Loans & Advances	14	4,795,049
	(c) Other Current Assets	15	675,742
	Total		474,450,526

(continued on next page)

See accompanying notes forming part of the financial statements

In terms of our reports attached For Deloitte Haskins & Sells Chartered Accountants	For and on behalf of the Board IFMR Rural Channels and Services Private Limited		
Bhavani Balasubramanian Partner	**Bindu Ananth** Director	**S. G. Anil Kumar** Director	**Srinivasa Raghavan** Company Secretary

Place: Chennai
Date: May 31, 2012

IFMR Rural Channels and Services Private Limited

Statement of Profit & Loss for the period from August 01, 2011 to March 31, 2012

Amount in INR

	Particulars	Note No.	For the period from August 01, 2011 to March 31, 2012
I.	**Revenue from Operations**	16	611,401
II.	**Other Income**	17	268,467
III.	Total Revenue		879,868
IV.	**Expenses**		
	Employee Benefits Expenses	18	20,289,674
	Finance Cost	19	1,560
	Depreciation/Amortisation	9	2,144,023
	Other Expenses	20	32,269,944
	Total Expenses		54,705,201
V.	**Loss before tax (III- IV)**		(53,825,333)
VI.	**Tax expense:**		
	(1) Current tax		-
	(2) Deferred tax		-
VII.	Loss for the period (V-VI)		(53,825,333)
	Loss per equity share (Face value Rs. 10)	24	
	(1) Basic		(9.33)
	(2) Diluted		(9.33)

See accompanying notes forming part of the financial statements

In terms of our reports attached
For Deloitte Haskins & Sells
Chartered Accountants

Bhavani Balasubramanian
Partner

For and on behalf of the Board
IFMR Rural Channels and Services Private Limited

Bindu Ananth
Director

S. G. Anil Kumar
Director

Srinivasa Raghavan
Company Secretary

Place: Chennai
Date: May 31, 2012

Cash Flow statement for the year period from August 01, 2011 to March 31, 2012

		For the period from August 01, 2011 to March 31, 2012
A	**Cash Flow from Operating Activities**	
	Loss before Tax	(53,825,333)
	Adjustments for:	
	Depreciation and amortisation	2,144,023
	Interest income	(212,864)
	Interest on loan	1,560
	Provision for Compensated absences	2,130,832
	Provision for Gratuity	1,331,761
	Operating Loss before working capital changes	**(48,430,021)**
	Changes in working capital:	
	Adjustments for (increase)/decrease in operating assets	
	Current Assets	
	Increase in Short term Loans and Advances	(4,795,049)
	Increase in Long term Loans and Advances	(357,376)
	Increase in Other Current Assets	(600,686)
	Current Liabilities	
	Increase in Trade Payables	5,206,685
	Increase in Other Current Liabilities	16,281,023
	Increase in Short term Provisions	4,184,998
	Cash used in operations	**(28,510,426)**
	Net income Tax (paid)/ Refunds	-
	Net cash used in operating activities (A)	(28,510,426)
B	Cash Flows from Investing Activities	
	Investment in Equity shares of Subsdiaries	(196,068,361)
	Advance for Purchase of Equity shares	(140,500,000)
	Purchase of fixed assets	(23,010,163)
	Investment in Restricted Deposits	(4,500,000)
	Net cash used in Investing activities (B)	(364,078,524)
C	Cash Flows from Financing Activities	
	Proceeds from Long term borrowings	365,000
	Proceeds from Issue of convertible debentures	100,000,000
	Share Application Money received	398,774,000
	Net cash flow generated from Financing activities (C)	499,139,000

(continued on next page)

Net increase in Cash and Cash Equivalents (A+B+C)	106,550,050
Cash and Cash Equivalents at the beginning of the period	-
Cash and Cash Equivalents at the end of the period	106,550,050
Reconciliation of Cash and cash equivalents with the Balance Sheet:	
Cash and cash equivalents as per Balance Sheet (Refer Note 13)	106,550,050
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements	-
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 13	106,550,050

See accompanying notes forming part of the financial statements

In terms of our reports attached
For Deloitte Haskins & Sells
Chartered Accountants

Bhavani Balasubramanian
Partner

For and on behalf of the Board
IFMR Rural Channels and Services Private Limited

Bindu Ananth
Director

S. G. Anil Kumar
Director

Srinivasa Raghavan
Company Secretary

Place: Chennai
Date: May 31, 2012

Note 1
SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, in accordance with accounting principles generally accepted in India, including the notified accounting standards under the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The Company is a subsidiary of IFMR Trust, which is not a Small and Medium Sized entity (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 1956. Accordingly, the Company has also been classified as non-SMC and has complied with the accounting standards as applicable to a non - SMC.

1.2 Use of estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates to be used in the preparation of financial statements are prudent and reasonable. Future results could differ from these estimates and the difference between the actual results and the estimates are recognised in the periods in which the results are known.

1.3 Fixed Assets and Depreciation/ Amortisation:

a. Tangible fixed assets:

Fixed assets are stated at historical cost less accumulated depreciation. The Company capitalizes all costs relating to the acquisition and installation of fixed assets. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Depreciation on assets have been provided on the Written Down Value Method at the following rates based on the managements estimate of the useful life of the assets, which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956:

Asset Category	Depreciation Rate
Computer	60%
Furniture and Fittings	20%
Office Equipment	15%
Buildings	10%
Cycle	20%

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

b. Intangible assets:

Asset Category	Depreciation Rate
Software	60%

1.4 Impairment of Assets:

The Company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

1.5 Investments:

Investments that are readily realisable and are intended to be held for not more than one year the date, on which such investments are made, are classified as current investments. Current investments are stated at lower of cost and fair value. Long-term investments are stated at cost of acquisition. Provision for diminution is made if such diminution is considered other than temporary in nature. Investments in Mutual Funds are valued at the lower of cost or fair value, prevailing as at the balance sheet date.

1.6 Leases:

Leases are classified as finance or operating leases depending upon the terms of the lease agreements.

Finance Leases

Finance leases, which effectively transfer substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the lower of the fair value or present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and the reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

Operating Leases

Leases of assets under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

1.7 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.

- Revenue in respect of services like Insurance Agency commission, NPS Lite commission and commission from Remittance Business is recognized as per the terms of the contract.
- Revenue in respect of fees for origination and servicing of loan portfolio is recognised monthly on accrual basis.
- Interest income on deposits with bank is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- All other income is recognized on accrual basis.

1.8 Employee Benefits:

Employee benefits include provident fund, gratuity and compensated absences.

Defined Contribution Plan:

Provident Fund

Contribution to Provident Fund and Family Pension Fund accrued and paid on monthly basis to the relevant authorities, are absorbed in the statement of profit and loss.

Defined Benefit Plans (Long term employee benefits):

Gratuity

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

Actuarial gains and losses are recognised in the statement of profit and loss in the year in which they occur.

1.9 Service Tax Input Credit:

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing/utilizing the same.

1.10 Taxes on Income:

Income Tax

Current tax is determined in accordance with the provisions of Income tax act, 1961.

Deferred Tax

Deferred tax is calculated at the rates and laws that have been enacted or substantively enacted as of Balance Sheet date and is recognised on timing difference that originate one period and capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence are recognised and carried forward only to the extent that they can be realised.

1.11 Provisions, Contingent Liabilities and Contingent Assets:

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

	As at March 31, 2012
Note 2	
Share Capital	
Authorised	500,000,000
5,00,00,000 Equity Shares of INR 10 each	
Issued, Subscribed and Fully Paid up	307,512,310
30,751,231 Equity Shares of INR 10 each	
Total	307,512,310

(a) Details of Shares held by each shareholder holding more than 5% shares

Name of the shareholders	No of Shares held (As at March 31, 2012)	% of Shares
IFMR Trust (Controlling Entity) and its nominee*	24,877,400	80.90
Lok Capital LLC	3,759,252	12.22
Societe De Promotion et de Participation Pour la Cooperation Economique S.A (PROPARCO)	2,114,579	6.88
Total	30,751,231	100.00

*Includes 265,307 equity shares issued persuant to contract without payment being made in cash

(b) The company has only one class of equity shares with voting rights (one vote per share)

	As at March 31, 2012
Note 3	
Reserves and Surplus	
Security Premium on equity shares issued during the period	91,261,690
Deficit in Statement for Profit and Loss	(53,825,333)
Total	37,436,357

Security premium represents premium paid on equity shares by Lok Capital and PROPARCO at INR 15.54 per share.

	As at March 31, 2012
Note 4	
Borrowings	
Long Term Borrowings	
Compulsorily Convertible Debentures (Unsecured)	100,000,000
	100,000,000
Short Term Borrowings	
Loans from Bank (Secured)	365,000
	365,000
Total	100,365,000

a. During the period the Company has issued 1,000, 16% compusorily convertible debentures of INR 100,000 each. These debentures carry no interest coupon rate until March 31, 2014. These debentures together with any unpaid coupon shall be convertible into such number of Equity Shares of the same class as the Subscription Shares held by the Investors, as determined by dividing the Debenture Subscription Amount by the Conversion Price. -

b. The company has also availed term loan of INR 365,000 from Axis Bank on March 20, 2012 at 13% per annum with repayments starting from March 2013. This loan is secured by way of exclusive hypothecation charge on entire assets(fixed and current assets) of the Company.

Note 5
Long Term Provisions

Provision for Gratuity (Refer Note 21)	1,331,761
Total	1,331,761

Note 6
Trade Payables

Sundry Creditors	
- Micro Enterprises and Small Enterprises*	-
- Other than Micro Enterprises and Small Enterprises	608,499
- Third Party Product Liabilities payable to Vendors	142,777
- Third Party Product Liabilities payable to Cusotmers	25,000
- Other Trade Payables	4,430,409
Total	5,206,685

*In accordance with the Notification No. GSR 719 (E) dated 16.11.2007 issued by the Ministry of Corporate affairs, certain disclosures are required to be made relating to Micro Small and Medium Enterprises as defined under the Micro Small and Medium Enterprises Development Act 2006. As represented by the management, the Company has initiated the process of identifying enterprises, which qualify under the definition of Micro, Small and Medium enterprises Development Act 2006. Also, in the view of the management, there are no amounts payable / or claims from suppliers in accordance with the provisions of the Act, and therefore, no disclosures have been made in the financial statements.

Note 7
Other Current Liabilities

Advances from Group Companies (Refer Note 23)	10,310,691
Interest Accrued but not due on Loans Taken	1,560
Statutory Liabilities	1,930,448
Payable to DCB against collection of Portfolio sold	3,528,811
Other Liabilities	511,073
Total	16,282,583

Note 8
Short Term Provisions

Provision for Audit Fees	611,800
Provision for Compensated Absences	2,130,832
Provision for Other Expenses	3,573,198
Total	6,315,830

Note 9
Fixed Assets

ASSETS	Gross Block				Depreciation				Net Block
	As at August 01, 2012	Additions	Adjustments	As at March 31, 2012	As at August 01, 2012	For the period	Adjustments	As at March 31, 2012	As at March 31, 2012
TANGIBLE ASSETS									
Buildings	-	7,755,939	-	7,755,939	-	258,402	-	258,402	7,497,537
Office Equipments	-	7,800,238	-	7,800,238	-	735,231	-	735,231	7,065,007
Furnitures & Fixtures	-	3,744,033	-	3,744,033	-	374,954	-	374,954	3,369,079
Computers & Accessories	-	3,352,783	-	3,352,783	-	665,161	-	665,161	2,687,622
Cycle	-	48,340	-	48,340	-	48,340	-	48,340	-
Total - A	-	22,701,333	-	22,701,333	-	2,082,088	-	2,082,088	20,619,245
INTANGIBLE ASSETS									
Software	-	308,830	-	308,830	-	61,935	-	61,935	246,895
Total - B	-	308,830	-	308,830	-	61,935	-	61,935	246,895
Grand Total (A+B)	-	23,010,163	-	23,010,163	-	2,144,023	-	2,144,023	20,866,140
Previous period	-	-	-	-	-	-	-	-	-

Note 10
Non-current Investment

Non Quoted-trade at cost	
Investment in equity instruments of subsidiaries	
- Pudhuaaru Financials Services Private Limited	190,550,152
- Ankur Securities Private Limited	5,518,209
Total	196,068,361

During the year, the Company has acquired equity shares of the following companies:

(i) Pudhuaaru Financial Services Private Limited (PFSPL), a non-deposit taking NBFC was acquired by the Company from IFMR Trusteeship Services Private Limited (Trustee – IFMR Trust) for a consideration of INR 93,031,152. Subsequent to the acquisition the company has infused INR 195,519,000 for further aquisition of shares in PFSPL out of which 975,190 shares of INR 100 each has been allotted to the company and the balance of INR 98,000,000 is retained as advance for purchase of equity shares.

(ii) Ankur Securities Private Limited, a non-deposit taking NBFC, was acquired by the Company from Megha Holdings Private Limited for a consideration of INR 5,518,209. Subsequent to the acquisition the company has infused INR 42,500,000 for further aquisition of shares which has been retained as advance towards purchase of equity shares.

Note 11
Long term Loans & Advances

Advance for Purchase of Equity Shares (Refer Note 10)	140,500,000
Staff Advances	293,690
Total	140,793,690

Note 12
Other Non Current Assets

Non Current Bank Balances *	4,500,000
Interest accrued on non current deposit	116,520
Advance Tax and Tax Deducted at Source (Net of Provision for Tax - NIL)	84,974
Total	4,701,494

* Represents fixed deposits given as First Loss Default Guarantee to Development Credit Bank Limited, which are cash and cash equivalents restricted from being utilised

Note 13
Cash and Cash Equivalents

Cash in Hand	10,304,385
Balances with Scheduled Banks	
- in Current Accounts	16,245,665
- in Deposit Accounts*	80,000,000
Total	106,550,050
Of the above, the balances that meet the definition of Cash and Cash equivalents as per AS - 3 cashflow statement	106,550,050

* Balances in deposit accounts having an original maturity of less than 12 months

Note 14
Short Term Loans & Advances
(Unsecured, considered good)

Advances to Group Companies (Refer Note 23)	71,871
Deposits	
- Rental Deposits	789,414
- Staff Security Deposits	416,000
- Other Deposits	126,099
Other Advances	
- Service tax input credit	1,261,996
- Staff Advances	629,230
- Prepaid expenses	875,657
- Others	624,782
Total	4,795,049

Note 15
Other Current Assets

Accruals	
- Interest Accrued on Deposits	75,056
- Commission Accrued	27,512
- Fee Receivable on Loan Origination	573,174
Total	675,742

Note 16
Revenue from Operations

Loan Origination fees	577,388
Commission Income	34,013
Total	611,401

Note 17
Other Income

Interest on Fixed Deposits	212,864
Interest on Staff Loan	38,872
Interest on Rental Advances	3,773
Miscellaneous Income	12,958
Total	268,467

Note 18
Employee Benefits Expenses

Salaries and Wages	15,650,047
Employer's Contribution to Provident and Other Funds	953,201
Staff Welfare Expenses	199,903
Gratuity	1,331,761
Compensated Absences	2,154,762
Total	20,289,674

Note 19
Finance Cost

Interest on Loans	1,560
Total	1,560

Note 20
Other Expenses

Electricity and Water Charges	127,111
Rent and Amenities	1,846,115
Rates and Taxes	311,121
Travelling and conveyance	2,764,331
Legal and Professional Charges	18,638,614
Communication expenses	926,062
Repairs and Maintenance	443,022
Office Maintenance Expenses	231,544
Insurance	550,818
Printing and Stationery	294,960
Advertisement and Business Promotion	166,739
Auditors' Remuneration:	
- Statutory Audit	628,240
- Reimbursement of expenses	675
Branch Set up Expenses	1,290,592
Preliminary Expenses	2,653,068
Technology Cost	725,000
Security Charges	101,201
Recruitment and Training Expenses	242,261
Miscellaneous Expenses	328,470
Total	32,269,944

Note 21

Employee Benefits

The Company's obligation towards Gratuity is a Defined Benefit Plan. The details of actuarial valuation have been given below:

Particulars	2011-12 Amount in INR
Movements in Accrued Liability	
Accrued Liability as at beginning of the period:	-
Interest Cost	30,885
Current Service Cost	360,138
Benefits Paid	-
Actuarial gain / loss	940,738
Accrued Liability as at the end of the period: (No Fund is being maintained)	1,331,761
Amounts to be recognized in the Balance Sheet	
Present Value of obligations as on the accounting date:	1,331,761
Fair Value of the Plan Assets	-
Liability to be recognized in the Balance Sheet:	1,331,761
Amounts to be Recognized in the Statement of Profit and Loss	
Interest Cost	30,885
Current Service Cost	360,138
Net Actuarial (gain) / loss	940,738
Net Expenses to be recognized in Statement of Profit and Loss	1,331,761
Reconciliation	
Net Liability as at the beginning of the period	-
Net Expenses in Statement of Profit and Loss	1,331,761
Benefits Paid	-
Net Liability as at the end of the period	1,331,761
Principal Actuarial Assumptions	
Interest Rate (Liabilities)	8.50% per annum
Rate of Return on Assets	-
Mortality Table	As per LIC (1994 – 96) (Ultimate) Mortality Table
Rate of exit due to reasons other than death or retirement	15.00% per annum
Salary Escalation Rate	10.00% per annum

Note:

1. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors
2. Discount rate is the prevailing market yields used by LIC for similar computations.
3. The information on experience adjustment is not readily available

Note 22

Segment Reporting

a. Business Segments:

The Company operates in only one business segment, namely facilitating financial services including those in relation to third party products.

b. Geographical Segments:

The Company does not have any reportable geographical segment as per Accounting Standard 17.

Note 23
Related Party Disclosure

Information relating to related party transactions for the period ended March 31, 2012 (as identified by the management and relied upon by auditors)

a. **Parties where control exists:**

   Controlling Entity: IFMR Trust – represented by IFMR Trusteeship Services Private Limited.

b. **Fellow Subsidiaries with whom the company had transactions during the period:**

   Dhanei Kshetriya Gramin Services
   Sahastradhara Kshetriya Gramin Services
   IFMR Mezzanine Finance Private Limited
   Megha Holdings Private Limited
   IFMR Rural Finance services Private Limited

c. **Subsidiaries with whom the company had transactions during the period:**

   Ankur Securities Private Limited
   Pudhuaaru Financial Services Private Limited

d. **Key Management personnel:**
   (i) Mr. SG. Anil Kumar, Chief Executive Officer and Director
   (ii) Ms. Bindu Ananth, Director

Remuneration is paid to the Chief Executive Officer amounting to INR 1,380,000

e. **Related Party Transactions Made during the period:**

Related Party	For the period ended March 31, 2012 (Amount in INR)
Shares allotted during the period	
IFMR Trust	248,774,000
Fixed Assets Transferred from	
IFMR Trust	15,250
Dhanei Kshetriya Gramin Services	6,860,713
Sahastradhara Kshetriya Gramin Services	12,816,281
IFMR Mezzanine Finance Private Limited	2,570
Cost Allocated by	
IFMR Trust	1,526,320
IFMR Rural Finance Services Private Limited	7,039,605
Megha Holdings Private Limited	1,661,141
Ankur Securities Private Limited	22,060
Investments made in	
Pudhuaaru Financial Services Private Limited	190,550,152
Ankur Securities Private Limited	5,518,209
Advance for Purchase of Equity shares in	
Pudhuaaru Financial Services Private Limited	98,000,000
Ankur Securities Private Limited	42,500,000

f. **Related Party Balances Outstanding as at March 31, 2012:**

Related Party	As at March 31, 2012 (Amount in INR)
Share Capital	
IFMR Trust	248,774,000
Advances Recoverable	
Dhanei Kshetriya Gramin Services	54,800
IFMR Mezzanine Finance Private Limited	17,071
Advances Payable	
IFMR Trust	482,709
Pudhuaaru Financial Services Private Limited	8,644,201
Ankur Securities Private Limited	22,060
IFMR Rural Finance Services Private Limited	1,161,060
Sahastradhara Kshetriya Gramin Services	661
Security Deposit	
S.G. Anil Kumar – Key Managerial Personnel	145,000
Loan origination & Servicing Fees Receivable	
Pudhuaaru Financial Services Private Limited	573,174

Note 24
Loss per share - Basic & Diluted

Description	For the Period ended March 31, 2012 (Amount in INR)
Loss after Tax for the period attributable to equity shareholders	5,38,25,333
Weighted average Shares outstanding during the year (Basic and diluted)	5,768,924
Loss per Share - Basic and Diluted	9.33

As required by the Accounting Standard – 20, 'Earnings per Share', the effects of anti-dilutive potential equity shares are ignored in calculating diluted loss per share, as their conversion to equity shares will decrease the loss per share from continuing ordinary activities.

Note 25

The company has reviewed its deferred tax assets and liabilities as at March 31, 2012. The Company has preliminary expenses, carried forward losses unabsorbed depreciation and employee benefits which give rise to deferred tax asset. However, in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized, the said deferred tax asset has not been recognized.

Note 26

The Company was incorporated on August 01, 2011 and these financial statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956 for the period August 01, 2011 to March 31, 2012. Consequently, there are no comparative figures to be disclosed.

For and on behalf of the Board
IFMR Rural Channels and Services Private Limited

Bindu Ananth	**S. G. Anil Kumar**	**Srinivasa Raghavan**
Director	Director	Company Secretary

Place: Chennai
Date: May 31, 2012

IFMR Rural Channels and Services Private Limited

IFMR Trust, 10th Floor-Phase 1, IIT-Madras Research Park, Kanagam Village, Taramani, Chennai 600113, India

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