



The Power of Distribution



The Power of Distribution

Consolidated Financial Report

2016-17

REGISTERED OFFICE

**6, GROUND FLOOR, NARAYAN CHAMBERS,
B/H.PATANG HOTEL, ASHRAM ROAD,
AHMEDABAD – 380009.**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAS FINANCIAL SERVICES LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MAS FINANCIAL SERVICES LIMITED (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.



We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by other auditor in terms of their report referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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, of the consolidated state of affairs of the Group, as at 31st March, 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 1,872,379,659 as at 31st March, 2017, total revenues of Rs. 233,048,794 and net cash inflows amounting to Rs. 43,681,205 for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by another auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on the reports of the other auditor.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matter with respect to our reliance on the work done and report of other auditor.



Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditor of its subsidiary company, none of the directors of the Group companies is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company and subsidiary company. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's/ subsidiary company's internal financial controls over financial reporting.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
 - ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.



- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company.
- iv. The Holding Company has provided requisite disclosures in the consolidated financial statements as regards the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016 of the Group entities as applicable. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the relevant books of accounts maintained by those entities for the purpose of preparation of the consolidated financial statements and as produced to us by the Management of the respective Group entities.



For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

Kartikeya Raval

Kartikeya Raval
(Partner)
(Membership No. 106189)

Place: Ahmedabad
Date: *June 21, 2017*

**ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT
(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory
Requirements’ section of our report of even date)**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of
Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of MAS Financial Services Limited (hereinafter referred to as “the Holding Company”) and its subsidiary company, as of that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company, are responsible for establishing and maintaining internal financial controls based on the criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company and its subsidiary company, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting include obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.



We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor of the subsidiary company, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the aforesaid entities.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditor referred to in the Other Matters paragraph below, the Holding Company and its subsidiary company, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.



Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to subsidiary company, is based on the corresponding report of the auditor of that company.

Our opinion is not modified in respect of the above matters.



For Deloitte Haskins & Sells
Chartered Accountants
(Firm's Registration No.117365W)

Kartikeya Raval

Kartikeya Raval
(Partner)
(Membership No. 106189)

Place: Ahmedabad

Date: *June 21, 2017*

HAS FINANCIAL SERVICES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2017

	Notes	As at 31st March 2017 Rupees	As at 31st March 2016 Rupees
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	904,272,720	594,712,150
Reserves and Surplus	4	2,412,572,506	1,219,859,069
		3,316,845,226	1,814,571,219
Minority Interest		104,983,389	97,119,670
Preference Shares issued by subsidiary company outside the group	5	40,000,000	20,000,000
Compulsorily Convertible Debentures (Unsecured)	3.5	499,800,000	499,800,000
Non-current liabilities			
Long-term borrowings	6	3,108,911,524	3,948,440,493
Deferred Tax Liabilities (Net)	7A	5,648,606	4,232,496
Other Long-term Liabilities	8	2,520,451,662	1,526,657,271
Long-term provisions	9	37,042,652	19,546,101
		5,672,054,444	5,498,876,361
Current liabilities			
Short-term borrowings	10	7,679,891,181	7,411,161,069
Trade payables :			
Total outstanding dues of micro and small enterprises		-	-
Total outstanding dues of creditors other than micro and small enterprises		27,591,330	46,909,209
Other current liabilities	11	4,531,468,070	3,964,128,645
Short-term provisions	12	133,891,933	119,044,227
		12,372,842,514	11,541,243,150
TOTAL		22,006,525,573	19,471,610,400
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	86,063,757	81,716,355
Intangible assets		1,379,528	-
		87,443,285	81,716,355
Non-current investments	14	69,915	2,733,121
Deferred tax assets (net)	7B	42,225,774	30,079,546
Long-term loans and advances	15	8,839,719,672	5,877,664,189
Other non-current assets	16	94,814,110	79,953,086
		8,976,829,471	5,990,429,942
Current assets			
Cash and Cash Equivalents	17	473,659,788	1,817,018,568
Short-term loans and advances	15	12,248,751,082	11,385,243,253
Other current assets	18	219,841,947	197,202,282
		12,942,252,817	13,399,464,103
TOTAL		22,006,525,573	19,471,610,400
See accompanying notes forming part of the consolidated financial statements			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kartikeya Raval

Kartikeya Raval
Partner

Darshana S. Pandya

Darshana S. Pandya
(Director & Chief Operating Officer)
(DIN - 07610402)

Nirav P. Patel

Nirav Patel
(Company Secretary)

For and on behalf of the Board of Directors

Kamlesh C. Gandhi

Kamlesh C. Gandhi
(Chairman & Managing Director)
(DIN - 00044852)

Mukesh C. Gandhi

Mukesh C. Gandhi
(Whole Time Director &
Chief Financial Officer)
(DIN - 00187086)

Place : Ahmedabad
Date : June 21, 2017

Place: Ahmedabad
Date: 21/06/2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017

	Notes	Year ended 31st March 2017 Rupees	Year ended 31st March 2016 Rupees
INCOME			
Revenue from Operations	19	3,637,462,888	3,086,512,680
Other Income	20	9,557,197	7,479,250
Total Revenue		3,647,020,085	3,093,991,930
EXPENSES			
Employee Benefits Expense	21	293,877,923	244,207,738
Finance Costs	22	1,642,945,579	1,422,526,666
Depreciation and Amortisation Expense	23	13,766,354	10,942,086
Provisions and Loan Losses	24	272,237,706	236,069,997
Other Expenses	25	364,302,462	342,766,277
Total Expenses		2,587,130,024	2,256,512,764
Profit Before Tax		1,059,890,061	837,479,166
Tax Expense / (Benefit):			
Current Tax		377,610,000	296,160,000
Short/(Excess) provision for tax relating to prior years		(182,492)	53,540
Net current tax expense		377,427,508	296,213,540
Deferred Tax		(10,730,118)	(6,271,639)
Net tax expense		366,697,390	289,941,901
Profit after tax before share of profit attributable to minority interest		693,192,671	547,537,265
Less: Share of profit attributable to minority Interest		(7,863,719)	(5,533,006)
Profit for the year attributable to the shareholders of the Company		685,328,952	542,004,259
Earnings per share (of Rs. 10 each):			
Basic	26	16.14	12.65
Diluted		15.33	12.65
See accompanying notes forming part of the consolidated financial statements			

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

Kartikeya Raval

Kartikeya Raval
Partner

Darshana S. Pandya

Darshana S. Pandya
(Director & Chief Operating Officer)
(DIN - 07610402)

Nirav P. Patel

Nirav Patel
(Company Secretary)

For and on behalf of the Board of Directors

Kamlesh C. Gandhi

Kamlesh C. Gandhi
(Chairman & Managing Director)
(DIN - 00044852)

Mukesh C. Gandhi

Mukesh C. Gandhi
(Whole Time Director &
Chief Financial Officer)
(DIN - 00187086)

Place : Ahmedabad
Date : June 21, 2017

Place: Ahmedabad
Date: 21/06/2017

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

	Year ended 31st March 2017		Year ended 31st March 2016	
	Rupees		Rupees	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax		1,059,890,061		837,479,166
Adjustments for :				
Depreciation and Amortisation	13,766,354		10,942,086	
Finance Costs	1,642,945,579		1,422,526,666	
Provision for Non Performing Assets	7,437,973		2,588,963	
Contingent Provision against Standard Assets	31,562,202		19,784,980	
Loss Assets Written Off	216,885,092		202,006,472	
Loss on Sale of Fixed Assets	124,413		609,976	
Loss on Sale of Repossessed Assets	16,352,439		11,689,582	
Interest Income	(3,637,462,888)		(3,086,512,680)	
Interest Income from Investments and Deposits	(8,659,430)		(7,441,668)	
Dividend Income	(1,028)		(3,794)	
Profit on Redemption of Investment	-		(33,788)	
Income on distribution on PTC held as non-current investments	(896,739)		-	
	-	(1,717,946,033)	-	(1,423,843,205)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(658,055,972)		(586,364,039)
Changes in Working Capital:				
Adjustments for (increase)/decrease in operating assets:				
Loans and Advances	(3,998,905,573)		(4,229,455,075)	
Deposits given as Collateral	-		59,578,362	
Other Current Assets	(20,405,523)		(11,663,443)	
Adjustments for increase/(decrease) in operating liabilities:				
Trade Payables	(19,317,878)		31,633,053	
Security Deposits from Borrowers	950,268,536		363,458,762	
Advance from Borrowers	66,502,860		-	
Other Current Liabilities	328,994,568		257,515,070	
Short Term Provisions	1,002,902	(2,691,860,108)	1,660,573	(3,527,272,698)
CASH GENERATED FROM / (USED IN) OPERATIONS		(3,349,916,080)		(4,113,636,737)
Finance Costs	(1,530,226,359)		(1,393,644,974)	
Income Tax Paid (Net)	(371,728,656)		(285,078,043)	
Interest Income Received	3,609,156,269	1,707,201,254	2,986,566,220	1,307,843,203
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES [A]		(1,642,714,826)		(2,805,793,534)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Capital expenditure on fixed assets, including capital advances	(40,598,513)		(49,300,052)	
Proceeds from sale of Fixed Assets	142,144		2,700,000	
Bank balances not considered as Cash and Cash Equivalents				
- Fixed Deposits Matured	478,500,000		336,500,052	
- Fixed Deposits Placed	(484,612,125)		(341,306,052)	
Interest Income from Investments and Deposits	4,960,977		19,891,584	
Income on distribution on PTC held as non-current investments	896,739		-	
Proceeds from redemption of Long Term Investments	2,663,206		795,000	
Dividend Income	1,028		3,794	
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES [B]		(38,046,544)		(30,715,674)



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

	Year ended 31st March 2017		Year ended 31st March 2016	
	Rupees		Rupees	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Shares	1,000,000,041		-	
Shares Issue Expenses	(60,266,214)		-	
Proceeds from Issue of Non-Convertible Debentures	-		400,000,000	
Proceeds from Issue of Convertible Cumulative Preference Shares	40,000,000		-	
Proceeds from Issue of Preference Shares to Minority Shareholders	20,000,000		20,000,000	
Proceeds from Long Term Borrowings	1,525,000,000		3,903,740,998	
Proceeds from Issue of Commercial Papers	734,201,250		-	
Redemption of Commercial Papers	(750,000,000)		-	
Repayments of Long Term Borrowings	(2,240,801,775)		(1,486,503,386)	
Net Increase / (Decrease) in Working Capital Borrowings	268,730,112		(42,847,469)	
Dividends paid including Dividend Distribution Tax	(198,850,604)		(279,769,535)	
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES [C]		338,012,810		2,514,620,608
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(1,342,748,560)		(321,888,600)
Cash and Cash Equivalents at the beginning of the year		1,808,072,998		2,129,961,598
Cash and Cash Equivalents at the end of the year (Refer Note No. 17(A))		465,324,438		1,808,072,998

Notes:

- 1 The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013.
- 2 Previous year's figures have been regrouped / reclassified wherever necessary.

See accompanying notes forming part of the financial statements

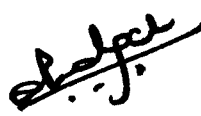
In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kartikeya Raval
Partner

Place : Ahmedabad
Date : June 21, 2017

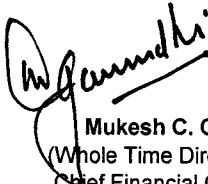
For and on behalf of the Board of Directors


Darshana S. Pandya
(Director & Chief Operating Officer)
(DIN - 07610402)

Nirav Patel
(Company Secretary)

Place: Ahmedabad
Date: 21/06/2017


Kamlesh C. Gandhi
(Chairman & Managing Director)
(DIN - 00044852)


Mukesh C. Gandhi
(Whole Time Director & Chief Financial Officer)
(DIN - 00187086)

Note-1 CORPORATE INFORMATION

MAS Financial Services Limited ("the Company/the Holding Company") together with its subsidiary MAS Rural Housing & Mortgage Finance Limited, hereinafter referred to as 'the Group' are public companies domiciled in India and incorporated under the provisions of Companies Act, 1956. MAS Financial Services Limited is registered as a Non-Banking Finance Company (NBFC) with Reserve Bank of India. MAS Rural Housing & Mortgage Finance Limited is registered as a Housing Finance Company (HFC) with National Housing Bank. The Group is engaged in the business of providing Micro Enterprise Loans, SME Loans, Two Wheeler Loans, Commercial Vehicle Loans, Agri-based Loans, Loans to Micro Financial Institutions (MFI) and NBFCs and housing finance by way of providing housing loans, commercial loans and project loans for real estate projects to customers especially in the segment of Affordable Housing in Rural & Urban areas. The Holding Company has filed Draft Red Herring Prospectus with Securities and Exchange Board of India (SEBI) for the proposed Initial Public Offer (IPO) and Offer for Sale (OFS) amounting up to Rs. 550 crores.

Note-2 BASIS OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act"). The consolidated financial statements have been prepared on accrual basis under the historical cost convention. Further, the Group follows the prudential norms for income recognition and provisioning for Non-performing Assets as prescribed by the Reserve Bank of India / National Housing Bank for Non-Banking Financial Companies / Housing Finance Companies. Loans to customers outstanding at the close of the year are stated net of amounts written off. The Group assesses all receivables for their recovery and accordingly provisions for non-performing assets are enhanced as considered necessary, based on past experience emerging trends and estimates. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to MAS Financial Services Limited and its subsidiary company. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the subsidiary company used in the consolidation are drawn upto the same reporting date as that of the Company i.e. 31st March, 2017.
- b) The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions and resulting unrealised profit or losses, unless cost cannot be recovered.
- c) The excess of share of equity of the Group in the subsidiary company as on the date of investments over the cost of investments of the Group in the subsidiary company is recognised as 'Capital Reserve on Consolidation' and shown under the head 'Reserves & Surplus', in the consolidated financial statements.
- d) Minority Interest in the net assets of the consolidated subsidiary consists of the amount of equity attributable to the minority shareholders at the date on which investments in the subsidiary company were made and further movements in their share in the equity, subsequent to the dates of investments. Net profit for the year of the subsidiary attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to the shareholders of the Company.
- e) The following subsidiary company has been considered in the preparation of the consolidated financial statements:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power as at	
				31st March 2017	31st March 2016
MAS Rural Housing and Mortgage Finance Limited	Subsidiary Company	India	MAS Financial Services Limited	59.61%	59.61%

- f) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's standalone financial statements.

C. USE OF ESTIMATES

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialize.

