



HDFC PENSION MANAGEMENT COMPANY LTD.

Audited Financial Statements FY 2014-15

Independent Auditor's Report

TO THE MEMBERS OF HDFC PENSION MANAGEMENT COMPANY LIMITED

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of HDFC Pension Management Company Limited ("the Company"), which comprise of the Balance Sheet as at March 31, 2015, and the Statements of Profit and Loss and Cash Flow for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. 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.
5. 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 financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 state of affairs of the Company as at March 31, 2015, and its profit and its cash flows for the year ended on that date.

Emphasis of matter

We draw attention to the Note 2 (Background paragraph) in Notes to the financial statements dealing with the Company and its Sponsor - HDFC Standard Life Insurance Company's (HDFC Life), litigation against Pension Fund Regulatory and Development Authority (PFRDA). The note describes the status of Company and its Sponsor's litigation against PFRDA arising out of PFRDA's objection to eligibility of the Sponsor to run a pension fund. Letter of appointment issued to the Sponsor and consequently the Company's ability to continue as a going concern is subject to the outcome of this pending litigation. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2015, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report 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 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 it appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - e. on the basis of written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 2 (Background paragraph) in Notes forming part of financial statements, Significant accounting policies.
 - ii. The Company 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 Company.

For [B. K. Khare & Co.](#)
Chartered Accountants
Firm Registration Number 105102W

[Padmini Khare Kaicker](#)
Partner
Membership Number 044784

Place: Mumbai
Date: April 16, 2015

Annexure to the Auditor's Report referred to in our report of even date:

- 1 (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. service tax, duty of customs, duty of excise, value added tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) These assets were physically verified by the Management during the year at reasonable intervals and discrepancies noticed during the verification were not material and have been properly dealt with in the books of accounts. (b) According to the records of the Company and information and explanations given to us there are no disputed dues which have not been deposited with the relevant authority.
- 2 Clause 3(ii) of the Companies (Auditor's Report) Order 2015 is not applicable to the Company. (c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- 3 Based on the records examined by us and according to the information and explanations given to us, the Company has not granted any loans to parties covered in the Register maintained under Section 189 of the Companies Act, 2013. 8 On facts, Clause (viii) of the order dealing with cash losses and accumulated losses is not applicable to the Company as the Company is in existence for a period of less than five years.
- 4 In our opinion and according to the information and explanations given to us the Company is having an adequate internal control system commensurate with the size and the nature of its business, for the purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. On the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct any major weaknesses in the aforesaid internal control system. 9 Based on the records examined by us and according to the information and explanations given to us, the Company has not borrowed any money from financial institution or bank or debenture holders as at the Balance Sheet date.
- 5 In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company. 10 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 6 On facts, the requirements of Para 3(vi) requiring maintenance of cost records are not applicable in case of the Company. 11 Based on the records examined by us and according to the information and explanations given to us, during the year, the Company has not taken any term loans.
- 7 (a) According to the records of the Company and information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident fund, Investor education and protection fund, Employees' state insurance, Income tax, Sales tax, Wealth tax and 12 During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted accounting practices and according to the information and explanations given to us, no frauds by the Company or on the Company were noticed or reported during the year, nor have we been informed of any such instances during the year.

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration Number 105102W

Padmini Khare Kaicker
Partner
Membership Number 044784

Place: Mumbai
Date: April 16, 2015

Balance Sheet

as at March 31, 2015

HDFC Pension Management Company Limited

Particulars	Note	(₹ '000)	
		As at March 31, 2015	As at March 31, 2014
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	4	280,000	280,000
Reserves and surplus	5	(5,396)	(5,600)
SUB -TOTAL		274,604	274,400
NON-CURRENT LIABILITIES			
Long-term borrowings		-	-
Other long-term liabilities		-	-
Long-term provisions		-	-
CURRENT LIABILITIES			
Short-term borrowings		-	-
Trade payables		-	-
Other current liabilities	6	4,380	3,632
Short-term provisions	7	944	491
TOTAL		279,928	278,523
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
(i) Tangible assets	8	1,649	2,324
(ii) Intangible assets	9	4,063	5,989
(iii) Capital work in progress		-	-
Non-current investments	10	250,019	146,322
Deferred tax assets (net)		-	-
Long-term loans and advances	11	2,407	1,583
Other non-current assets	12	1,167	-
CURRENT ASSETS			
Current investments	13	14,990	62,299
Trade receivables	14	10	32
Cash and bank balances	15	215	51,308
Short-term loans and advances	16	15	54
Other current assets	17	5,393	8,612
TOTAL		279,928	278,523
See accompanying notes forming part of the financial statements			

In terms of our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No.105102W

Padmini Khare Kaicker
(Partner)
Membership No.044784

Place : Mumbai
Date: April 16, 2015

For and on behalf of the Board of Directors
HDFC Pension Management Company Limited

Amitabh Chaudhry
(Director)

Sumit Shukla
(Chief Executive Officer)

Vibha Padalkar
(Director)

Nagesh Pai
(Company Secretary)

Statement of Profit and Loss

for the year ended March 31, 2015

HDFC Pension Management Company Limited

(₹ '000)			
Particulars	Note	For the year ended March 31, 2015	For the year ended March 31, 2014
INCOME			
Revenue from operations - Investment management fees		103	32
Other income	18	23,744	20,297
TOTAL REVENUE		23,847	20,329
EXPENSES			
Employee benefit expenses	19	17,306	13,302
Establishment expenses	20	1,096	1,855
Other expenses	21	2,544	2,483
Depreciation and amortisation	22	2,650	2,287
TOTAL EXPENSES		23,596	19,927
Profit before exceptional and extraordinary items and tax		251	402
Exceptional items		-	-
Profit before extraordinary items and tax		251	402
Extraordinary items		-	-
Profit before tax		251	402
Tax expense		48	77
Profit for the year from continuing operations		203	325
Profit/(loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(loss) for the year from discontinuing operations (after tax)		-	-
PROFIT FOR THE YEAR		203	325
Earnings per equity share (face value ₹ 10 each)	23		
Basic (₹)		0.01	0.01
Diluted (₹)		0.01	0.01
See accompanying notes forming part of the financial statements			

In terms of our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No.105102W

Padmini Khare Kaicker
(Partner)
Membership No.044784

Place : Mumbai
Date: April 16, 2015

For and on behalf of the Board of Directors
HDFC Pension Management Company Limited

Amitabh Chaudhry
(Director)

Sumit Shukla
(Chief Executive Officer)

Vibha Padalkar
(Director)

Nagesh Pai
(Company Secretary)

Cash Flow Statement

for the year ended March 31, 2015

HDFC Pension Management Company Limited

(₹ '000)

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	251	402
Adjustments for:		
Depreciation and amortisation	2,650	2,287
Interest income on investments	(21,680)	(7,083)
Profit on sale of investments	(908)	(6,414)
Profit on sale of fixed assets	-	(4)
Unrealised gain/loss and amortisation of discount on investments	(1,153)	(6,796)
Movement in working capital		
(Increase)/Decrease in trade receivable, loans and advances & other current assets	1,133	(3,632)
Increase/(Decrease) in other current liabilities & short-term provisions	1,168	1,579
Income taxes received as refund/(paid) - net	24	(38)
NET CASH FROM OPERATING ACTIVITIES	(18,515)	(19,699)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(49)	(10,600)
Proceeds from sale of fixed assets	-	4
Purchase of investments	(104,550)	(335,851)
Sale of investments	101,909	102,621
Interest income received on investments	22,922	407
NET CASH FROM INVESTING ACTIVITIES	20,232	(243,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	274,200
NET CASH USED IN FINANCING ACTIVITIES	-	274,200
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,717	11,082
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	13,488	2,406
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	15,205	13,488
See accompanying notes forming part of the financial statements		
Components of cash and cash equivalents at end of the year:		
Bank Balances-Current Accounts (Refer note number 15)	215	308
Money market instruments (Refer note number 13) *	14,990	13,180
Total cash and cash equivalents	15,205	13,488
Reconciliation of cash and cash equivalents with cash and bank balances as per Balance Sheet:		
Cash and cash equivalents	15,205	13,488
Money market instruments (Refer note number 13) *	(14,990)	(13,180)
Bank deposit with maturity of less than 12 months (Refer note number 15)	-	51,000
Cash and bank balances as per Balance Sheet	215	51,308

* Money market instruments are at cost

In terms of our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No.105102W

Padmini Khare Kaicker
(Partner)
Membership No.044784

Place : Mumbai
Date : April 16, 2015

For and on behalf of the Board of Directors
HDFC Pension Management Company Limited

Amitabh Chaudhry
(Director)

Sumit Shukla
(Chief Executive Officer)

Vibha Padalkar
(Director)

Nagesh Pai
(Company Secretary)

Notes

forming part of the financial statements

1 Corporate information

HDFC Pension Management Company Limited ('the Company') (formerly known as HDFC Life Pension Fund Management Company Limited) is a wholly owned subsidiary of HDFC Standard Life Insurance Company Limited (or 'HDFC Life'). The Company is a public limited company domiciled in India and incorporated under the provisions of the erstwhile Companies Act, 1956. The Company was incorporated on June 20, 2011 with Registration Number U66020MH2011PLC218824 with the specific purpose of managing pension fund business. The Company was granted licence to undertake pension management under the National Pension System by the Pension Fund Regulatory and Development Authority ('PFRDA') on April 23, 2013.

2 Background

In January 2014, a Request for Proposal ('RFP') was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ('the Sponsor') submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, challenging the said rejection. The Hon'ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA's rejection of the Sponsor's bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor's technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor's bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon'ble Supreme Court of India challenging the above said Order dated December 18, 2014. The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating *inter alia* that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme

Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

3 Significant accounting policies

3.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with generally accepted accounting principles in India ('Indian GAAP'). Pursuant to Section 133 of Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by the Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing accounting standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under section 211 (3C) [Companies (Accounting Standards) Rules, 2006, as amended]. The accounting policies and practices which are material in determining the results of operations for the year are consistent with those adopted in the financial statements for the previous financial year except where changes are required as per new rules and regulations or new pronouncements made by the regulatory authorities.

3.2 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in India ('Indian GAAP') requires that the Company's management makes estimates and assumptions that affect the reported amounts of income and expenses for the year, reported balances of assets and liabilities and disclosures relating to contingent liabilities as on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances upto and as of the date of the financial statements. Actual results could differ from the estimates. Any revision to the accounting estimates is recognised prospectively.

3.3 Revenue recognition

Investment management fees

Investment management fees are recognised on an accrual basis in accordance with the terms of the "Investment Management Agreement" (IMA) entered into with the National Pension System (NPS) Trust. The investment management fees are presented net of service tax in the Statement of Profit and Loss.

Notes

forming part of the financial statements

Other income

Interest income on debt investments is recognised on an accrual basis. Amortisation of premium or accretion of discount on long term debt investments is recognised over the period of maturity/holding of the investments on a straight line basis.

Amortisation of premium or accretion of discount on money market instruments, zero coupon bonds and current debt investments is recognised over the period of maturity/holding on a straight line basis, subject to the change in value of investments due to market movements.

Dividend income is recognised on the “ex-dividend” date in case of listed equity shares and in case of unlisted equity shares when right to receive dividend is established.

Profit or loss on sale of debt investments, including money market instruments, is calculated as the difference between the net sale proceeds and the weighted average amortised cost.

Profit or loss on sale of equity shares/mutual fund units is calculated as the difference between the net sale proceeds and the weighted average cost.

3.4 Investments

Investments that are by nature readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long term investments and disclosed as non-current investments. Current investments are valued at lower of cost or fair value, which is calculated for each individual investment. Long term investments are valued at cost, subject to amortisation of premium or accretion of discount, over the period of maturity/holding, on a straight line basis. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

3.5 Fixed assets and Depreciation /Amortisation

The fixed assets are stated at cost less accumulated depreciation/amortisation and impairment if any. Cost includes the purchase price and any cost directly attributable to bring the asset to its working condition for its intended use. Fixed assets individually costing less than ₹ 5,000, are fully depreciated in the month of purchase. Subsequent expenditure incurred on existing fixed assets is expensed out except where such expenditure increases the future economic benefits from the existing assets.

Any additions to the original fixed assets are depreciated over the remaining useful life of the original asset.

Depreciation/amortisation is charged on pro-rata basis from the month in which the asset is put to use and in case of assets sold, up to the previous month of sale.

Advances paid towards the acquisition of fixed assets as at the Balance Sheet date and cost of fixed assets not ready for its intended use as at such date is disclosed as capital work in progress.

Tangible fixed assets

Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets estimated by the Management.

Useful lives of the tangible assets are as follows:

Asset class	Useful life used by the Company (in years)
Information technology equipment-End user devices [^]	3
Information technology equipment- Non end user devices*	4
Furniture & Fixtures*	5
Office Equipment	5

[^] For this class of asset, the management based on internal technical evaluation reassessed the useful lives. Accordingly the useful life of this class of asset has been changed from the previous estimates of 4 years to 3 years.

* For these class of assets, based on internal assessment and internal technical evaluation carried out by the management, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Leasehold improvements are amortised over the lock in period of the leased premises subject to a maximum of five years.

Intangible assets

Intangible assets comprising of computer software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition for its intended use, less accumulated amortisation and impairment if any. These are amortised over the useful life of the software subject to maximum of four years.

Any expenditure for support & maintenance of the computer software is charged to the Statement of Profit and Loss.

Notes

forming part of the financial statements

3.6 Impairment of assets

The Company's management periodically assesses, using internal and external sources, whether there is any indication that an asset may be impaired. If any such indication of impairment exists, the recoverable amount of such asset is estimated. An impairment loss is recognised in the Statement of Profit and Loss where the carrying value of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use, which is the present value of future cash flows expected to arise from the continuing use of the asset and its ultimate disposal. When there is an indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

3.7 Employee benefits

a) Short term employee benefits:

All employee benefits payable within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries and bonuses, short term compensated absences and contribution towards Employee Deposit Linked Insurance are recognised in the period in which the employee renders the related service.

b) Post employment benefits

Defined contribution plan:

The Company's Provident Fund Scheme is a defined contribution plan. The contributions paid/payable towards the fund are charged to the Statement of Profit and Loss during the year in which the employee renders the related service.

Defined benefit plan:

The Company's Gratuity plan is an unfunded defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on the actuarial valuation at the Balance Sheet date using the projected unit credit method. Provision for gratuity is accounted for taking into consideration the actuarial valuation of plan obligation as at the Balance Sheet date.

c) Other long term employee benefits

The obligation for long term employee benefits such as long term compensated absences, are accounted for based on actuarial valuation determined using the projected unit credit method.

Actuarial gains/losses, if any, from experience adjustments and changes in actuarial assumptions, for all such employee benefit plans are recognised in the Statement of Profit and Loss, in the year in which they arise.

3.8 Leases

Finance leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Operating leases

Leases, where lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Rental payments under operating leases including committed increase in rentals are recognised as an expense, on a straight line basis, over the non cancellable lease period.

3.9 Taxation

a) Direct tax

i) Provision for current tax

Provision for income tax is made in accordance with the provisions of the Income Tax Act, 1961 as applicable to the company carrying on pension business.

Where Company has provided for tax liability based on Minimum Alternate Tax (MAT) provisions, MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period.

ii) Deferred tax

In accordance with the requirements of Accounting Standard (AS) - 22, "Accounting for Taxes on Income", deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient taxable income will be available against which such deferred tax asset can be realised. With respect to carry forward of losses/unabsorbed depreciation under the Income Tax regulations, deferred tax asset is recognised only to the extent that there is a virtual certainty supported by convincing evidence that future taxable income will be available against which the deferred tax asset can be realised.

b) Indirect tax

The Company claims credit of service tax on input services, which is set off against service tax on output services.

Notes

forming part of the financial statements

3.10 Provisions, contingent liabilities and contingent assets

Provisions are recognised in respect of present obligations that arise as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingent liabilities are disclosed in respect of ;

- a) possible obligations that arise from past events, the existence or otherwise of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company or
- b) present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither accounted nor disclosed.

3.11 Earnings per equity share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders

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

3.12 Cash flow statement

Cash flows are reported using the indirect method as explained in Accounting Standard (AS) - 3, "Cash Flow Statements", whereby profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are separately presented.

3.13 Cash and cash equivalents (for cash flow statement purposes)

Cash comprises cash, cheques in hand and bank balances and cash equivalents comprise of highly liquid mutual funds and highly liquid investments that are readily convertible into measurable amounts of cash and which are subject to insignificant risk of change in value.

Notes

forming part of the financial statements

4 Share capital

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Limited. Details of outstanding share capital are as given below:

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Authorised capital		
30,000,000 Equity shares of ₹ 10 each	300,000	300,000
(Previous year 30,000,000 Equity shares of ₹ 10 each)		
TOTAL	300,000	300,000
Issued, subscribed and fully paid-up capital		
28,000,000 Equity shares of ₹ 10 each	280,000	280,000
(Previous year 28,000,000 Equity shares of ₹ 10 each)		
TOTAL	280,000	280,000

The Company has only one class of shares referred to as equity shares having face value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share.

The holders of equity shares are entitled to dividend, if any, proposed by the Board of Directors and approved by shareholders in the Annual General Meeting.

Reconciliation of number of shares outstanding at the beginning and at the end of the year, is as given below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of shares held	₹ '000	Number of shares held	₹ '000
Equity shares outstanding as at the beginning of the year	28,000,000	280,000	580,000	5,800
Equity shares issued during the year	-	-	27,420,000	274,200
Equity shares outstanding as at the end of year	28,000,000	280,000	28,000,000	280,000

Details of each shareholder, holding more than 5 percent shares in the Company are as given below:

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number of shares held	Percentage of holding	Number of shares held	Percentage of holding
HDFC Standard Life Insurance Company Ltd. along with its nominees	28,000,000	100%	28,000,000	100%

5 Reserves and surplus

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Profit & Loss account		
Opening balance	(5,600)	(5,925)
Add: Net Profit during the year as per the Statement of Profit and Loss	204	325
Closing balance	(5,396)	(5,600)

6 Other current liabilities

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Payable to holding company	53	-
Payable for statutory dues	238	44
Payable for expenses	4,089	3,588
TOTAL	4,380	3,632

7 Short-term provisions

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Provision for employee benefits	911	491
Provision for taxation (net of advance tax)	33	-
TOTAL	944	491

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8 Tangible assets

Particulars	Cost/Gross Block			Depreciation			Net Block		
	As at April 01, 2014	Additions	Deductions	As at March 31, 2015	As at April 01, 2014	For the year ended March 31, 2015	On Sales/ Adjustments	As at March 31, 2015	As at March 31, 2014
Land	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-
Computer hardware - Non end user devices	2,500	-	-	2,500	463	625	-	1,088	2,037
Computer hardware - End user devices	94	49	-	143	32	43	-	75	62
Furniture and fixtures	111	-	-	111	22	22	-	44	89
Office equipment	144	-	-	144	29	29	-	58	115
Leasehold improvements	26	-	-	26	5	5	-	10	21
Total	2,875	49	-	2,924	551	724	-	1,275	2,324
Capital work in progress	-	-	-	-	-	-	-	-	-
Grand Total	2,875	49	-	2,924	551	724	-	1,275	2,324
Previous year	-	2,881	5	2,876	-	556	5	1,649	2,324

9 Intangible assets

Particulars	Cost/Gross Block			Depreciation			Net Block		
	As at April 01, 2014	Additions	Deductions	As at March 31, 2015	As at April 01, 2014	For the year ended March 31, 2015	On Sales/ Adjustments	As at March 31, 2015	As at March 31, 2014
Intangibles (Computer software)	7,720	-	-	7,720	1,731	1,926	-	3,657	5,989
Previous year	-	7,720	-	7,720	-	1,731	-	1,731	5,989

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10 Non-current investments

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Investments in Government Securities	151,899	98,477
Investments in Non Convertible Debentures (NCD) - Infrastructure Bonds - Power Finance Corporation Limited - 50 units (Previous year 50 units)	48,120	47,845
Investments in Non Convertible Debentures (NCD) - Private Corporate Bonds - LIC Housing Finance Company Limited - 50 units (Previous year Nil)	50,000	-
TOTAL	250,019	146,322
Aggregate value of quoted investments	250,019	146,322
Market value of quoted investments	269,755	144,805

11 Long-term loans and advances

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Loans	-	-
Others		
Unutilised service tax input credit	2,407	1,545
Advance tax paid - Tax deducted at source (net of provision for tax)	-	38
TOTAL	2,407	1,583

12 Other non-current assets

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Bank Deposits with maturity of more than 12 months (Refer note no. 29)	1,124	-
Interest accrued on Fixed deposit	43	-
TOTAL	1,167	-

13 Current investments

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Investments in Certificate of Deposits - valued at lower of cost or market value		
(a) Quoted	-	-
(b) Unquoted: Nil (Previous year Corporation bank - 500 units of ₹ 98235.80 each)	-	49,119
Investment in Mutual Funds - valued at lower of cost or market value		
(a) Quoted	-	-
(b) Unquoted - ICICI Prudential Liquid - Direct Plan-Growth 74195.159 units (Previous year 70205.321 units) of ₹ 202.0348 each	14,990	13,180
TOTAL	14,990	62,299
Aggregate value of quoted investments	14,990	62,299
Market value of quoted investments	15,359	62,433

14 Trade receivables

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
(a) Outstanding for a period exceeding six months from the date they are due for payment		
- Unsecured, considered good	-	-
(b) Others		
- Unsecured, considered good	10	32
TOTAL	10	32

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15 Cash and bank balances

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Cash on hand	-	-
Balances with banks:		
-In current accounts	215	308
Other bank balances		
-Deposits with maturity of less than 12 months	-	51,000
-Deposits with maturity of more than 12 months	1,124	-
Sub-Total	1,339	51,308
Amount disclosed under other non-current assets (Refer note no.12)	(1,124)	-
TOTAL	215	51,308

16 Short-term loans and advances

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Loans	-	-
Others		
Prepaid expenses	15	54
TOTAL	15	54

17 Other current assets

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Receivable from holding company	-	1,932
Interest accrued on investments	5,391	6,676
Receivable from pension schemes (service tax)	2	4
TOTAL	5,393	8,612

18 Other income

Particulars	(₹ '000)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Investment income on current investments		
Interest income	1,796	4,660
Amortisation of discount on investments	952	6,997
Profit on sale of investments	908	6,414
Unrealised gain/(loss) on investments	201	(201)
Investment income on long-term investments		
Interest income	19,884	2,423
Profit on sale of fixed assets	-	4
Interest on income tax refund	3	-
TOTAL	23,744	20,297

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19 Employee benefit expenses

Particulars	(₹ '000)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Salaries and bonuses	16,530	12,908
Contributions to Provident fund and National Pension Scheme	776	393
TOTAL	17,306	13,301

20 Establishment expenses

Particulars	(₹ '000)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Rent	571	547
PFRDA licence fees	500	1,000
Other expenses	25	308
TOTAL	1,096	1,855

21 Other expenses

Particulars	(₹ '000)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Auditor's remuneration	100	97
Directors sitting fees	280	170
General office expenses	48	151
Legal & professional charges	1,237	821
Information technology support expenses	535	375
Marketing expenses	31	200
Miscellaneous expenses	199	310
Travel expenses	114	359
TOTAL	2,544	2,483

22 Depreciation and amortisation

Particulars	(₹ '000)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Depreciation on tangible assets	724	556
Amortisation of intangible assets	1,926	1,731
TOTAL	2,650	2,287

23 Earnings per share

Particulars	(₹)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Net Profit as per the Statement of Profit and Loss (₹ '000)	203	325
Weighted average number of equity shares for Basic earnings per share	28,000,000	26,292,822
Basic earnings per share (₹)	0.01	0.01
Weighted average number of equity shares for Diluted earnings per share	28,000,000	26,292,822
Diluted earnings per share (₹)	0.01	0.01
Nominal value of share (₹)	10.00	10.00

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24 Tax provision

Direct tax

i) Provision for current tax

The Company has made a provision for Minimum Alternate Tax (MAT) u/s 115JB of the Income Tax Act, 1961 of ₹ 48 thousands (Previous year ₹ 77 thousands) in the Statement of Profit and loss for the year ended March 31, 2015 in accordance with the rules and regulations there under, as applicable to the Company.

In the absence of convincing evidence with respect to its utilisation, MAT credit entitlement for the year has not been recognised.

ii) Deferred tax

With reference to the accounting policy on deferred tax, in view of lack of virtual certainty supported by convincing

evidence in the business, that future taxable income will be available against which the deferred tax asset can be realised, the Company has concluded that it would not be prudent to recognise deferred tax asset during the year.

25 Leases

In accordance with the Accounting Standard (AS) - 19, "Leases", the following disclosures are made in respect of operating leases:

The Company has taken motor vehicles on operating lease for a term of upto 5 years. In respect of the operating leases, the lease rentals debited to the Statement of Profit and Loss are ₹ 176 thousands (Previous year ₹ 108 thousands). The minimum future lease rentals payable for specified duration in respect of such leases, are as given below:

Particulars	(₹ '000)	
	As at March 31, 2015	As at March 31, 2014
Not later than 1 year	144	144
Later than 1 year but not later than 5 years	36	180

The lease terms do not contain any exceptional/restrictive covenants which will have significant detrimental impact on the Company's financials nor are there any options given to the Company to purchase the motor vehicles.

26 Related party disclosures as per Accounting Standard 18

A) Related parties and nature of relationship:

Name of related party	Nature of relationship
Housing Development Finance Corporation Limited	Ultimate Holding Company
HDFC Standard Life Insurance Company Limited	Holding Company
HDFC Asset Management Company Limited	Fellow Subsidiary
HDFC Developers Limited	Fellow Subsidiary
HDFC Holdings Limited	Fellow Subsidiary
HDFC Trustee Company Limited	Fellow Subsidiary
HDFC Realty Limited	Fellow Subsidiary
HDFC Investments Limited	Fellow Subsidiary
HDFC ERGO General Insurance Company Limited	Fellow Subsidiary
GRUH Finance Limited	Fellow Subsidiary
HDFC Sales Private Limited	Fellow Subsidiary
HDFC Venture Capital Limited	Fellow Subsidiary
HDFC Ventures Trustee Company Limited	Fellow Subsidiary
HDFC Property Ventures Limited	Fellow Subsidiary
Credila Financial Services Private Limited	Fellow Subsidiary
Griha Investments (Subsidiary of HDFC Holdings Ltd.)	Fellow Subsidiary
HDFC Education and Development Services Private Limited	Fellow Subsidiary

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Name of related party	Nature of relationship
Griha Investments Pte Ltd., Singapore (Subsidiary of HDFC Investments Ltd.)	Fellow Subsidiary
H.T. Parekh Foundation	Fellow Subsidiary
Grandeur Properties Pvt. Ltd.	Fellow Subsidiary
Winchester Properties Pvt. Ltd.	Fellow Subsidiary
Windermere Properties Pvt. Ltd.	Fellow Subsidiary
Haddock Properties Pvt. Ltd.	Fellow Subsidiary
Pentagram Properties Pvt. Ltd.	Fellow Subsidiary
Mr. Sumit Shukla	Key Management Personnel

B) The following are the transactions between the Company and its related parties:

(₹ '000)					
Particulars	Description	Total value of transactions for the year ended March 31, 2015	Receivable/ (payable) at March 31, 2015	Total value of transactions for the year ended March 31, 2014	Receivable/ (payable) at March 31, 2014
HDFC Standard Life Insurance Company Ltd.	Share Capital received	-	-	274,200	-
	Cost of resource utilisation	4,998	-	3,795	-
	Purchase of Fixed assets	49	-	-	-
	Receivable/(payable) for expenses	-	(53)	-	1,932
Mr. Sumit Shukla	Managerial remuneration	7,462	-	5,567	-
	Reimbursements paid for expenses	132	-	414	-

27 Employee benefit obligations

The Company has recognised ₹ 395 thousands (Previous year ₹ 264 thousands) in the Statement of Profit and Loss for the year under defined contribution plans.

Provident Fund contributions are being deposited with the Regional Provident Fund Commissioner (RPF).

Defined benefit plan

i) Gratuity:

a) General description of defined plan

Gratuity: This is an unfunded defined benefit plan. The plan provides for lumpsum payment to vested employees either at retirement, or on death while in employment or on termination of employment. The benefit vests after five years of continuous service.

b) The following tables set out the status of the Gratuity plan as at March 31, 2015:

The Company has recognised following amounts in the Balance Sheet:

(₹ '000)		
Particulars	As at March 31, 2015	As at March 31, 2014
Present value of defined benefit obligations at the end of the year	295	90
Fair value of plan assets at the end of the year	-	-
Liability recognised in Balance Sheet	295	90

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The Company has recognised following amounts in the Statement of Profit and Loss for the year:

Particulars	(₹ '000)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Current service cost	75	90
Interest cost	8	-
Expected return on plan assets	-	-
Actuarial (gains)/losses	122	-
Total of above included in "Employee benefit expenses" in the Statement of Profit and Loss	205	90

Reconciliation of opening and closing balances of present value of the defined benefit obligations:

Particulars	(₹ '000)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Present value of defined benefit obligations at the beginning of the year	90	-
Current service cost	75	90
Interest cost	8	-
Actuarial (gains)/losses	122	-
Benefits paid	-	-
Present value of defined benefit obligations at the end of the year	295	90

The amounts of the present value of the obligation and experience adjustments arising on plan liabilities for the current year and comparative previous year are as given below:

Gratuity (Unfunded plan)	(₹ '000)	
	FY 2015	FY 2014
Defined benefit commitments	295	90
Plan assets	NA	NA
Unfunded liability transferred from Group Company	NA	NA
(Surplus)/Deficit	NA	NA
Experience adjustments on plan commitments - (Gain)/Loss	77	-
Experience adjustments on plan assets - Gain/(Loss)	NA	NA

ii) Principal assumptions for actuarial valuation as at the Balance Sheet date:

Particulars	For the year ended	
	March 31, 2015	March 31, 2014
Discount rate	7.92%	9.33%
Salary growth	8% for the first year and 7.50% for future years	8% for the first year and 7.50% for future years
Attrition rate	3.50%	3.50%
Mortality table	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

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28 Segment Reporting

The segment reporting disclosure as required by Accounting Standard (AS) - 17, "Segment Reporting", is not applicable, since the Company has a single reportable business segment of providing pension fund management services as per the PFRDA Regulations.

29 Encumbrances on assets

The assets of the Company are free from any encumbrance at March 31, 2015, except for fixed deposits of ₹ 1,124 thousands (Previous year ₹ 1,000 thousands) which has been deposited with HDFC Bank Limited, as a security towards guarantee issued by the bank on behalf of the Company in favour of the PFRDA (Refer Note 30 on Contingent liabilities below).

30 Contingent liabilities

Particulars	(₹'000)	
	As at March 31, 2015	As at March 31, 2014
Bank guarantee given on behalf of Company:		
Issued in favour of the PFRDA	1,124	1,000

31 There are no dues payable to vendors covered by the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2015 (Previous year ₹ Nil).

32 Previous year comparatives

Previous year amounts have been regrouped and reclassified wherever necessary to conform to current year's presentation.



HDFC PENSION MANAGEMENT COMPANY LTD.

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