

INDEPENDENT AUDITORS' REPORT

To the Governing Body of Population Services International

Report on the Financial Statements

We have audited the accompanying financial statements of Population Services International ("the Society"), which comprise the Balance Sheet as at 31st March, 2017 and the Income and Expenditure Account for the year then ended, and a summary of significant accounting policies and other explanatory information,.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Society in accordance with the Accounting Standards issued by Institute of Chartered Accountants of India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 Society'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 Society has in place an adequate internal financial control system over financial reporting and 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 Society's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements 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 Society as at 31 March 2017; and
- (ii) In the case of the Income and Expenditure Account, of the excess of expenditure over income of the Society for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters in the Notes to the financial statements:

- a) Note 20 which states that, based on the revised legal opinion received on 11 September, 2017, (original opinion dated 20 September 2008), the Society is of the view that the activities of the Society are covered under "charitable purpose" as defined under section 2(15) of the Income Tax Act, 1961 and accordingly no provision for Income tax is required to be created during the year.
- b) Note 21 with respect to receivable from Ministry of Health & Family Welfare, Department of AIDS Control (NACO) amounting to INR 88,720,568 disclosed under Note 9 - Loans and advances of the financial statements as at 31 March 2017. Management is initiating arbitration proceedings and believe such amounts are recoverable.
- c) Note 22 on unsettled advance paid against purchases amounting to INR 12,352,294 disclosed under Note 9- Loans and advances of the financial statements. The advance could not be settled due to non receipt of material within the agreement period. The Society's Management is in the process of renewing such agreement with Ministry of Health and Family Welfare (MOHFW) for which necessary documents have already been submitted on August 02, 2016. Management believes that such advances will be settled based on renewed agreement, accordingly good for recovery and so does not require any provision.

Our opinion is not qualified in respect of these matters.

Other Matter

- a) The financial statements of the Society for the year ended 31st March, 2016, were audited by another auditor. Below Emphasis of Matters were reported in the auditors report.
 - (i) Matter stated in point (a) above of EOM para was also provided as EOM in such report.



- (ii) Donation receivable amounting to INR 221,785,299 disclosed in the financial statements as at 31 March 2016. These receivables are outstanding due to non-compliance of contract terms by Ministry of Health & Family Welfare, Department of AIDS Control (NACO). Further subsequent to year end, the Society received INR 133,064,731 out of total outstanding amount of INR 221,785,299. On the basis of discussions held with NACO, the management is of the view that they will be able to recover such amount, accordingly does not require any provision.
- (iii) Advance paid for purchases amounting to INR 12,352,294. Such advance is pending settlement due to discontinuance of purchase agreement with Ministry of Health & Family Welfare (MOHFW). On the basis of discussions held with MOHFW, management of the Society is in the process of renewing the agreement with MOHFW and necessary documents pertaining to the same have already been filed on 02 August, 2016 with (MOHFW). Management accordingly believes that such receivable is good for recovery and does not require any provision.

For MSKA & Associates
(Formerly known as MZSK & Associates)
Chartered Accountants
Firm Registration No. 105047W


Amit Mitra
Partner
Membership No.094518



Place: Gurugram
Date: September 18, 2017

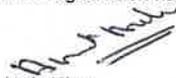
Balance Sheet as at 31 March 2017

	Note	Year ended 31 March 2017	Year ended 31 March 2016
SOURCES OF FUNDS			
Corpus fund	3	98,44,684	98,44,684
Reserves and surplus	4	20,63,08,476	34,94,87,127
		<u>21,61,53,160</u>	<u>35,93,31,811</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	14,62,20,792	14,43,94,371
Less: Accumulated depreciation and amortisation		12,17,34,247	11,19,08,898
Net block		<u>2,44,86,545</u>	<u>3,24,85,473</u>
Current assets, loans and advances			
Inventories	6	34,14,603	1,64,40,632
Cash and bank balances	7	17,78,56,002	17,49,33,174
Other current assets	8	1,48,324	23,085
Loans and advances	9	12,87,10,929	27,93,72,408
		<u>31,01,29,858</u>	<u>47,07,69,299</u>
Less: Current liabilities and provisions			
Current liabilities	10	9,08,10,579	12,03,16,525
Provisions	11	2,76,52,664	2,36,06,436
		<u>11,84,63,243</u>	<u>14,39,22,961</u>
Net Current Assets		<u>19,16,66,615</u>	<u>32,68,46,338</u>
		<u>21,61,53,160</u>	<u>35,93,31,811</u>
Significant accounting policies	2		

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

As per our report of even date attached

For **MSKA & Associates**
(Formerly Known as MZSK & Associates)
Chartered Accountants
Firm registration number : 105047W


Amit Mitra
Partner
Membership No. 094518


Place: Gurugram

Date: September 18, 2017

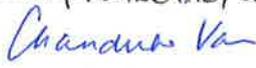
For and on behalf of the Governing Body
of Population Services International


Pritpal Marjara
Secretary

S. V. Sista
President

Place: New Delhi

Date: September 18, 2017


Chandrika Vasu
Chief Financial Officer

Place: New Delhi

Date: September 18, 2017

Place: New Delhi

Date: September 18, 2017

Income and Expenditure Account for the year ended 31 March 2017

	Note	Year ended 31 March 2017	Year ended 31 March 2016
INCOME			
Distribution receipts		2,03,75,844	14,04,36,506
Donation and grants		64,48,02,991	1,07,61,69,730
Other income	12	2,10,13,014	1,09,47,863
		<u>68,61,91,849</u>	<u>1,22,75,54,099</u>
EXPENDITURE			
Cost of goods distributed	13	1,30,26,029	9,08,10,107
Employee cost	14	21,66,20,119	29,07,39,208
Other expenses	15	58,97,36,383	75,15,91,333
Depreciation	5	99,87,969	1,39,74,347
		<u>82,93,70,500</u>	<u>1,14,71,14,995</u>
Surplus/(Deficit) of income over expenditure carried to the balance sheet		<u>(14,31,78,651)</u>	<u>8,04,39,104</u>

Significant accounting policies

2

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

As per our report of even date attached

For MSKA & Associates
(Formerly Known as MZSK & Associates)
Chartered Accountants
Firm registration number : 105047W

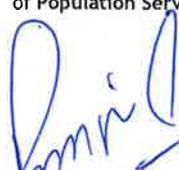

Amit Mitra
Partner
Membership No. 094518



Place: Gurugram

Date: September 18, 2017

For and on behalf of the Governing Body
of Population Services International


Pritpal Marjara
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Chandrika Vasu
Chief Financial Officer

Place: New Delhi

Date: September 18, 2017

Population Services International

(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

1. Background

Population Services International (PSI) India is an Indian non-profit and non-governmental organization established in 1980 with a mandate to assist in the fields of reproductive health, HIV/AIDS prevention, and maternal child health.

The Population Services International ("PSI") ("the Society") is registered with the Income tax department under section 10(23C)(iv) of Income tax Act, 1961 vide tax exemption certificate received vide Notification No.18/2007 dated 31 January 2007.

PSI's mission is to empower low income people to lead healthy lives through the informed use of health products and services, made accessible and affordable to them through social marketing activities. PSI has long-term commitment to the people of India and to maximizing its impact through advocacy, networking and collaboration with other organizations. PSI's activities are consistent with and complementary to those of the Government of India.

The Society is also registered under the Foreign Contribution (Regulation) Act, 2010 for carrying out social activities. The registration is valid till 31 October, 2021.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Society have been prepared under the historical cost convention, on the accrual basis of accounting in accordance with applicable accounting standards issued by the Institute of Chartered Accountants of India and the generally accepted accounting principles ("GAAP").

2.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized prospectively in current and future years. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

2.3 Revenue recognition

(a) Distribution receipts

Revenue from distribution receipts is recognized when all significant risks and rewards of the ownership are transferred to the buyer as per the terms of distribution which coincide with the dispatch of the goods. Revenue is recorded net of tax and returns, if any.

(b) Donation / Grants

Donations / grants received are recorded as income when it is reasonably certain that the ultimate collection will be made, other than grants received for a specific purpose, which are



Population Services International

(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

recognized as income to the extent of expenditure incurred during the year. Donations received in kind are not valued or accounted for in the books of account.

(c) Subsidy

Subsidy towards promotional incentives and packaging cost is recognized as income on accrual basis. Subsidy towards promotional incentives is calculated at the prevailing subsidy rate per unit of product distributed or actual promotional expenditure, whichever is lower. Subsidy towards packaging cost is calculated at the prevailing per unit subsidy rate or actual packaging costs, whichever is lower.

(d) Others

- (i) Interest income is accounted for on time proportionate basis at the applicable rate of interest.
- (ii) Dividend income is recorded when the right to receive the dividend is established.

(e) Rental Income

Rental Income is recognized on time proportionate basis over the period of the rent.

2.4 Inventories

Distributable goods are valued at Cost (inclusive of packaging cost) or net realizable value, whichever is lower. The cost of such products is determined on a First In First Out basis, and is taken at subsidized rates in case of purchases made from the Government of India.

Items such as testing kits and contraceptives purchased for the purpose of distribution to beneficiaries free of cost or at a nominal value, are valued at lower of cost or replacement cost.

2.5 Fixed assets

(a) Tangible

Fixed assets are stated at historical cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital expenditure incurred on rented properties is classified as leasehold improvements under fixed assets.

(b) Intangibles

Intangibles are stated at historical cost less accumulated amortization and represents computer software required for internal use and these are recognized as assets if it is probable that future economic benefits attributable to such assets will flow to the Society and the cost of the assets can be measured reliably.



Population Services International

(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

2.6 Depreciation and amortization

Depreciation on tangible assets is provided on written down value method at the per annum rates specified below:

Assets	Rates
Building	10%
Furniture and fixtures	15%
Computers	60%
Office equipment	25%
Electrical equipment	25%
Air conditioner	25%
Vehicles	
- Cars	20%
- Scooters	25%
Leasehold Improvements	Over the period of lease or estimated useful life, if shorter.

Individual assets costing less than Rs. 5,000 - per unit are expensed off in the year of purchase.

Intangible assets are being amortized over their effective useful life of 5 years. Depreciation on additions is provided on pro-rata basis from the month of purchase when the asset has been in use for 20 days or more. Similarly, depreciation on assets sold/ disposed off during the year is being provided up to the month of sale when the asset has been in use for 20 days or more.

2.7 Leases

Operating leases:

Lease rentals in respect of assets taken under operating lease are charged to the income and expenditure account on straight line basis over the period of lease.

2.8 Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the respective transactions. Monetary foreign currency assets and liabilities remaining unsettled at the balance sheet date are translated at the rates of exchange prevailing on that date. Gains/(losses) arising on account of realization/ settlement of foreign exchange transactions and on translation of foreign currency assets and liabilities are recognized in the Statement of Income and Expenditure.



Population Services International

(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

2.9 Retirement benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 - Employee Benefits (Revised 2005) issued by the ICAI.

(a) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognized in the balance sheet in respect of gratuity is the present value of the defined benefit/ obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the income and expenditure account in the year to which such gains or losses relate.

(b) Provident Fund

The Society makes contribution to statutory provident fund in accordance with Employees' Provident Fund and Miscellaneous Provision Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

(c) Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

The employees are entitled to ten sick leave in a year. Such leaves can be accumulated upto 45 days however encashment is not allowed. Usage of leave is allowed for employee sickness, injury, pregnancy, medical appointments and to care for an ill family member/ dependent. Management has made provision for sick leave on the basis of past trend of leave availment.

(d) Other short term benefits

Expense in respect of other short-term benefits is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

2.10 Provisions, contingent liabilities

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of



Population Services International

(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognized nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

2.11 Impairment of assets

The Society assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Society estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the income and expenditure account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the income and expenditure account.



Population Services International
(All amount are in Indian Rupees)

Notes forming part of financial statements as at 31 March 2017

	Year ended 31 March 2017	Year ended 31 March 2016
3 Corpus fund		
Opening and closing balance	<u>98,44,684</u>	<u>98,44,684</u>
4 Reserves and Surplus		
- Reserve for investments for subsidising contraceptive social marketing	5,50,000	5,50,000
- Surplus in Income and Expenditure Account		
Balance brought forward	34,89,37,127	26,84,98,023
Add: Transfer from income and expenditure account	(14,31,78,651)	8,04,39,104
	<u>20,57,58,476</u>	<u>34,89,37,127</u>
	<u>20,63,08,476</u>	<u>34,94,87,127</u>



5 Fixed assets

Particulars	Gross block			Depreciation			Net block		
	As at 1 April 2016	Additions	Sales/ Adjustments	As at 31 March 2017	As at 1 April 2016	For the year	Sales/ Adjustments	As at 31 March 2017	As at 31 March 2016
Tangible assets									
Freehold land	83,70,500	-	-	83,70,500	-	-	-	83,70,500	83,70,500
Buildings	40,40,293	-	-	40,40,293	35,76,993	46,330	-	4,16,970	4,63,300
Furniture and fixtures	1,75,72,167	38,143	-	1,76,10,310	1,25,58,724	7,58,081	-	42,93,505	50,13,443
Vehicles	68,39,433	69,700	-	69,09,133	63,35,523	1,12,399	-	4,61,211	5,03,910
Computers	6,40,12,762	17,36,278	1,78,036	6,55,71,004	5,39,14,410	68,40,413	1,51,983	49,68,164	1,00,98,352
Office equipments	2,96,21,574	1,88,800	28,464	2,97,81,910	2,31,13,198	16,43,529	10,637	50,35,820	65,08,376
Electrical equipments	61,35,380	-	-	61,35,380	58,64,998	67,595	-	2,02,787	2,70,382
Air conditioners	27,17,377	-	-	27,17,377	21,19,268	1,49,527	-	4,48,582	5,98,109
Intangible assets									
Software	50,84,885	-	-	50,84,885	44,25,784	3,70,095	-	2,89,006	6,59,101
Current year	14,43,94,371	20,32,921	2,06,500	14,62,20,792	11,19,08,898	99,87,969	1,62,620	2,44,86,545	3,24,85,473
Previous year	13,15,69,883	1,50,77,472	22,52,984	14,43,94,371	9,99,43,437	1,39,74,347	20,08,886	3,24,85,473	-



Population Services International
(All amount are In Indian Rupees)

Notes forming part of financial statements as at 31 March 2017

	Year ended 31 March 2017	Year ended 31 March 2016
6 Inventories (valued at lower of cost or net realisable value)		
Distributable goods	34,14,603	1,64,40,632
	<u>34,14,603</u>	<u>1,64,40,632</u>
7 Cash and bank balances		
Cash in hand	98,581	1,70,000
Balance with scheduled banks		
-saving accounts	17,60,04,222	17,30,09,975
-fixed deposits	17,53,199	17,53,199
	<u>17,78,56,002</u>	<u>17,49,33,174</u>
8 Other current assets		
Interest accrued on fixed deposits	1,48,324	23,085
	<u>1,48,324</u>	<u>23,085</u>
9 Loans and advances (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received		
- considered good	2,19,91,457	3,35,19,148
- considered doubtful	-	4,97,043
Donation and subsidy receivable	8,87,20,568	22,82,24,281
Security and other deposits		
- considered good	23,17,918	29,94,296
- considered doubtful	-	1,90,450
TDS receivable		
- considered good	1,56,80,986	1,46,34,685
- considered doubtful	8,62,806	-
	<u>12,95,73,735</u>	<u>28,00,59,903</u>
Less: Provision for TDS Receivable/Doubtful advances	8,62,806	6,87,495
	<u>12,87,10,929</u>	<u>27,93,72,408</u>
10 Current liabilities		
Sundry creditors		
-due to micro, small and medium enterprises (refer note 17)	-	-
-due to other than micro enterprises and small enterprises	1,74,19,187	3,60,37,916
Advance from customers	-	7,80,274
Grants / donations received in advance	2,66,70,273	5,92,29,984
Expenses payable *	3,91,05,174	1,60,43,355
Other liabilities	76,15,945	82,24,996
	<u>9,08,10,579</u>	<u>12,03,16,525</u>
* (Includes Rs 12,757,719 (previous year Rs 15,539,617) of salary payable)		
11 Provisions		
Gratuity	69,03,483	66,38,042
Compensated absences	2,07,49,181	1,69,68,394
	<u>2,76,52,664</u>	<u>2,36,06,436</u>



Population Services International

(All amount are in Indian Rupees)

Notes forming part of financial statements as at 31 March 2017

	Year ended 31 March 2017	Year ended 31 March 2016
12 Other income		
Interest on deposits		
- on fixed deposits	1,39,154	1,44,964
- saving accounts	1,96,85,240	1,05,10,241
Profit on sale of fixed assets	51,813	1,52,607
Miscellaneous income	2,39,661	37,108
Rental Income	8,97,146	1,02,943
	<u>2,10,13,014</u>	<u>1,09,47,863</u>
13 Cost of goods distributed		
Opening stock	1,64,40,632	2,53,23,887
Add: Purchase and related expenses		
- purchase of commodities	-	7,88,11,852
- shipping & handling charges	-	6,40,000
- packaging expenses	-	24,75,000
Closing stock	71,64,585	1,97,31,126
Less: Expired written off Inventory	(37,49,982)	(32,90,494)
Net Closing Stock	34,14,603	1,64,40,632
	<u>1,30,26,029</u>	<u>9,08,10,107</u>
14 Employee cost		
Salaries and wages	19,30,19,559	25,74,91,921
Contribution to provident and other funds	2,29,93,657	3,28,56,691
Staff welfare	6,06,903	3,90,596
	<u>21,66,20,119</u>	<u>29,07,39,208</u>



Population Services International

(All amount are in Indian Rupees)

Notes forming part of financial statements as at 31 March 2017

	Year ended 31 March 2017	Year ended 31 March 2016
15 Other expenses		
Marketing and communications	24,07,25,786	41,22,24,376
Travelling and conveyance	9,74,02,695	11,87,06,921
Legal and professional charges *	13,61,24,013	11,10,91,202
Training, conference and meeting expenses	2,72,32,175	3,86,48,691
Shipping, handling and Packaging expenses	48,43,449	1,29,44,952
Rent	1,08,17,268	1,23,45,749
Communication	94,67,630	1,17,48,382
Market research expenses	3,71,38,711	46,75,732
Miscellaneous expenses	86,72,904	67,26,783
Inventory Written Off	37,49,982	32,90,494
Power, electricity and Security Charges	95,03,551	98,36,333
Repair and maintenance		
- plant and machinery	9,02,919	13,14,339
- others	15,23,958	37,39,726
Printing and stationery	13,06,761	14,48,757
Sampling and testing expenses	1,10,806	22,07,519
Rates and taxes	1,36,062	4,25,568
Insurance	72,745	63,047
Loss on sale of fixed assets	-	1,44,826
Bank charges	4,967	7,936
	<u>58,97,36,383</u>	<u>75,15,91,333</u>
* Payment to Statutory Auditors (Excluding service tax)		
- Audit Fee	5,15,000	6,50,000
- Certification	-	50,000
- Out of pocket expenses	-	52,892
	<u>5,15,000</u>	<u>7,52,892</u>



Population Services International

(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

16. The Society is classified as Small and Medium Sized Enterprise (SME) of Level - II entity for the purposes of applicability of Accounting Standards as defined by the Council of the Institute of Chartered Accountants of India. Accordingly, the Society has complied with the Accounting Standards as applicable to a Small and Medium Sized Enterprise. Pursuant to the exemptions/ relaxations applicable to SME of Level - II, Accounting Standard (AS) 3 - Cash Flow Statements, AS 17 - Segment Reporting, AS 18 Related Party Disclosures and AS 24 Discontinuing Operations are not applicable to the Society for the current year. Further, certain exemptions/ relaxation from recognition, measurement and disclosure requirements in terms of Accounting Standard 19 - Leases, and Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets have been extended to the Society for the current year. Accordingly, the Society has disclosed information to the extent applicable in these financial statements pursuant to the above exemptions/ relaxations.
17. There are no Micro, Small and Medium Enterprises as defined in the Micro, Small, and Medium Enterprises Development Act, 2006, to whom the Society owes dues on account of principal amount together with interest any time during the year and accordingly no additional disclosures have been made.

18. Related party disclosures

The disclosure in respect of transactions with the Society's related parties are as follows:

- (a) Parties with whom transactions have taken place during the current period

Description of relationship	Name of the party
Key managerial personnel	Mr. Pritpal Marjara

- (b) Related party transactions

Name of the related party	Relationship	Nature of transaction	31 March 2017	31 March 2016
Mr. Pritpal Marjara	Key Management Personnel	Reimbursement of expenses	73,479	69,208
		Salaries #	-	-

being paid by PSI Washington directly.

- (c) Balances due from related party as on 31 March 2017

Name of the related party	Relationship	Nature of transaction	31 March 2017	31 March 2016
Mr. Pritpal Marjara	Key Management Personnel	Reimbursement of expenses	2,620	9,765



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(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

19. Employee Benefits:

A. Gratuity and Compensated Absences

a) Amount recognised as expense in the Income and Expenditure account:

Description	Gratuity		Compensated absences	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Current service cost	3,278,789	3,644,006	3,477,578	4,164,712
Interest cost	1,475,948	1,725,295	1,272,630	1,554,291
Expected return on plan assets	(1,010,698)	(1,392,918)	-	-
Net actuarial (gain)/ loss	(6,853)	2,708,909	1,276,435	4,940,768
Past service cost	-	-	-	-
Curtailement and settlement cost/ (gain)	-	-	-	-
Total included in "Employee cost"	3,737,186	6,685,292	6,026,643	10,659,771

b) Amount recognized in the Balance Sheet:

Description	Gratuity		Compensated absences	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Present value of defined benefit obligation ("DBO")	17,064,183	19,679,305	15,810,244	16,968,394
Fair value of plan assets	10,160,700	13,041,263	-	-
Status [surplus / (liability)]	(6,903,483)	(6,638,042)	(15,810,244)	(16,968,394)
Unrecognized Actuarial(gain)/loss	-	-	-	-
Net assets / (liability) recognized in the balance sheet	(6,903,483)	(6,638,042)	(15,810,244)	(16,968,394)

c) Reconciliation of opening and closing balances of defined benefit obligations:

Description	Gratuity		Compensated absences	
	As at 31 March 2017 INR	As at 31 March 2016 INR	As at 31 March 2017 INR	As at 31 March 2016 INR
Present value of defined benefit obligation as at beginning of the year	19,679,305	21,507,261	16,968,394	19,375,553
Current service cost	3,278,789	3,644,006	3,477,578	4,164,712
Interest cost	1,475,948	1,725,295	1,272,630	1,554,291
Actuarial (gain)/ loss recognized during the year	(249,730)	2,824,188	1,276,435	4,940,768
Benefits paid	(7,120,129)	(10,021,445)	(7,184,793)	(13,066,930)
Past service cost	-	-	-	-
Present value of defined benefit obligation as at the end of the year	17,064,183	19,679,305	15,810,244	16,968,394



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(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

d) Reconciliation of opening and closing balances of plan assets:

Description	Gratuity	
	As at 31 March 2017 INR	As at 31 March 2016 INR
Fair value of plan assets as at beginning of the year	13,041,263	16,986,807
Expected return on plan assets	767,821	1,508,197
Contribution by plan participants	3,487,954	4,709,433
Benefits paid	(6,990,970)	(10,021,445)
Settlement cost	-	-
Charges deducted	(145,368)	(141,729)
Fair value of plan assets as at the end of the year	10,160,700	13,041,263

e) Withdrawal rate:

Withdrawal rates	As at 31 March 2017	As at 31 March 2016
Ages	Withdrawal rate	Withdrawal rate
Upto 30 years	3%	3%
Upto 44 years	2%	2%
Above 44 years	1%	1%

f) Actuarial valuation of compensated absences and gratuity has been done with the following assumptions:

Description	Gratuity		Compensated absences	
	2017	2016	2017	2016
Discount rate (p.a.)	7.50%	7.50%	7.50%	8.00%
Rate of increase in compensation levels	6.00%	6.00%	6.00%	6.00%
Expected rate of return on plan assets	7.75%	8.20 %	NA	NA
Average remaining working lives of employees (years)	20.64	21.21	20.64	21.27
Retirement Age	60 Years	60 Years	60 Years	60 Years
Mortality Table	IALM (2006 - 08)	IALM (2006 - 08)	IALM (2006 - 08)	IALM (2006 - 08)

The Society made annual contribution to the Life Insurance Corporation of India (LIC) of an amount advised by the LIC. The Society was not informed by LIC of the investment made or the break-down of plan assets by investment type.



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(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

B. Provident fund

The society makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952. This is post-employment benefit and is in the nature of defined contribution plan. Contribution made by the society during the year is INR.11,101,336 (previous year INR.15,511,628).

20. The society, based on the legal opinion obtained on 11 September, 2017, (Original opinion dated 20 September 2008), is of the view that its activities are covered under the definition of "charitable purpose" as defined in section 2(15) of the Income Tax Act, 1961 and accordingly, has not created any provision for income tax in its books of account.
21. The society entered into an agreement with Ministry of Health & Family Welfare, Department of AIDS Control (NACO) during the financial year 2014-15. The Society, in line with the agreement incurred certain expenditure amounting to INR 221,785,299 in relation to human resources, trade promotion and communication activities. However, NACO did not fulfill its supply commitment of commodities, as per the contract resulting in limiting the achievement of program deliverables. On the basis of the above facts, the management of the society issued a notice as "Frustration of Contract" to NACO during 2014-15. The Society subsequently received INR 133,064,731 out of the outstanding amount of INR 221,785,299 on 02 April, 2016. Management is initiating arbitration proceedings to recover balance amount of INR 88,720,568. The management of the society believes that they have fair chance of winning the arbitration. Accordingly no provision has been made in the books of accounts.
22. The society had given advance with respect to purchases amounting to INR 28,200,824 to Ministry of Health & Family Welfare (MOHFW) on 03, November 2014 against which goods of INR 15,848,530 were received during 2015-16 and balance amount of INR 12,352,294 is outstanding as at 31 March, 2017. The society did not renew the agreement with MOHFW since 31 March 2015, with the intention of not continuing purchases from MOHFW. However, MOHFW declined to refund the due amount and is willing to provide the goods against the same. The society has decided to renew the agreement with MOHFW. The documents for the same have been filed with the Ministry on 02 August 2016. Accordingly, the management believes that the advances paid will be adjusted against future purchases made from MOHFW.
23. During the year, Management has made a provision for sick leaves on the basis of leaves availed during the year. Management believes that availment in the future years is likely to remain in line with the current availment ratio. Accordingly short term provision for the same has been made in the financial statements. Further provision for availment beyond one year is not considered to be material.
24. The Society is in the process of updating its fixed assets register. On updation of the same it will carry-out an exhaustive exercise for the physical verification of fixed assets and the consequent reconciliation with the fixed asset register. The society believes that the difference between the quantities of assets as per books/records and the actual physical quantities may not be material and hence at this stage, no adjustments is required in these financial statements.



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(All amounts are in Indian Rupees)

Notes forming part of the financial statements for the year ended 31 March 2017

25. Previous year figures have been regrouped / reclassified wherever considered necessary to make them comparable with those of the current year.

For **MSKA & Associates**
(Formerly known as MZSK & Associates)
Chartered Accountants
ICAI Firm registration no. 105047W




Amit Mitra
Partner
Membership No. 094518

Place: Gurugram
Date: September 18, 2017

For and on behalf of the Governing Body of
Population Services International


Pritpal Marjara
Secretary

Place: Delhi
Date: September 18, 2017


S. V. Sista
President

Place: Delhi
Date: September 18, 2017


Chandrika Vasu
Chief Financial Officer

Place: Delhi
Date: September 18, 2017