

**Ethos Limited**  
**Consolidated Financial Statements**

Statutory Audit for the year ended

31 March 2019

# B S R & Co. LLP

Chartered Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Members of Ethos Limited

### Report on the Audit of Consolidated Financial Statements

#### 1. Opinion

We have audited the consolidated financial statements of Ethos Limited (hereinafter referred to as the 'Holding Company') and its subsidiary (Holding Company and its subsidiary together referred to as 'the Group' or 'the entities'), which comprise the consolidated balance sheet as at 31 March 2019, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditor on separate financial statement of such subsidiary, as was audited by the other auditor, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('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 31 March 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

#### 2. Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3. Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially



misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The Board of Directors of the holding company and governing partners of the partnership firm 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 each of the entities 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated 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.

In preparing the consolidated financial statements, the respective management / Board of Directors of the entities included in the Group are responsible for assessing the ability of each of the entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entities or to cease operations, or has no realistic alternative but to do so.

The respective management/ Board of Directors of the entities included in the Group is responsible for overseeing the financial reporting process of each of the entities.

#### **5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities. For the other entity included in the consolidated financial statements, which has been audited by other auditor, such other auditor remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

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

We communicate with those charged with governance of the Holding Company and of the entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **6. Other Matters**

- (a) We did not audit the financial statements of a subsidiary (interest in which have been incorporated in these consolidated financial statements) and whose financial statements reflect total assets of Rs.367.01 lakhs as at 31 March 2019, total revenues of Rs. 871.88 lakhs and net cash flows amounting to Rs.18.21 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statement have been audited by other 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, and our report in terms of sub-section (3)



of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the audit report of the other auditor.

- (b) The comparative prior period consolidated financial statements were not audited since the Company availed the exemption of not preparing consolidated financial statements on fulfillment of certain conditions as per Rule 6 of the Companies (Accounts) Amendments Rules 2016. Also, refer note 2(a)(ii) to the consolidated financial statements.

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 matters with respect to our reliance on the work done and the report of the other auditor.

#### **7. Report on Other Legal and Regulatory Requirements**

- A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditor on separate financial statements of a subsidiary as was audited by other auditor, as noted in the 'Other Matters' paragraph, we report, 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 and the reports of the other auditors.
  - c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Ind AS specified under section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group company incorporated in India is disqualified as on 31 March 2019 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 with reference to financial statements of the Holding Company refer to our separate Report in "Annexure A".
- B. 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, in our opinion and 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 on separate financial statements of the subsidiary, as noted in the 'Other Matters' paragraph:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2019 on the consolidated financial position of the Group. Refer Note 36 to the consolidated financial statements.

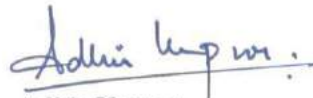


- ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2019.
- iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company or its subsidiary entity during the year ended 31 March 2019.
- iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2019.

C. With respect to the matter to be included in the Auditor's report under section 197(16):

In our opinion and according to the information and explanations given to us and based on the reports of the statutory auditor of such subsidiary entity which were not audited by us, the remuneration paid during the current year by the Holding Company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

*For B S R & Co LLP*  
*Chartered Accountants*  
Firm's Registration No. 101248W/W-100022



**Adhir Kapoor**  
Partner  
Membership No. 098297

Place: New Delhi  
Date: 04 May 2019



**Annexure A to the Independent Auditors' report on the consolidated financial statements of Ethos Limited for the period ended 31 March 2019**

**Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (Referred to in paragraph 7(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Opinion**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of Ethos Limited (hereinafter referred to as "the Holding Company") as of that date.

In our opinion, the Holding Company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

**Management's Responsibility for Internal Financial Controls**

The Holding Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note. 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 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 (hereinafter referred to as "the Act").

**Auditors' Responsibility**

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. 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 with reference to consolidated financial statements were 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient



and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

**Meaning of Internal Financial controls with Reference to Consolidated Financial Statements**

A company's internal financial controls with reference to consolidated financial statements 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 controls with reference to consolidated financial statements 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.

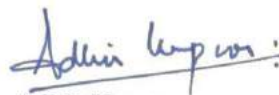
**Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*For B S R & Co. LLP*

*Chartered Accountants*

Firm's Registration No.: 101248W/W-100022



**Adhir Kapoor**

*Partner*

Membership No.: 098297

Place: New Delhi

Date: 04 May 2019

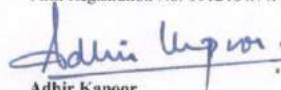


	Note	As at 31 March 2019	As at 31 March 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	2,121.77	1,646.80
Capital work-in-progress	3	440.02	64.44
Other intangible assets	4	57.45	27.44
Intangible assets under development	4	38.21	-
Financial assets			
- Loans	5	1,024.27	910.75
- Other financial assets	6	120.97	215.03
Income tax assets (net)	7	123.24	123.24
Deferred tax assets (net)	8	631.93	483.66
Other non-current assets	9	460.13	519.75
<b>Total non-current assets</b>		<b>5,017.99</b>	<b>3,991.11</b>
<b>Current assets</b>			
Inventories	10	20,556.94	17,103.29
Financial assets			
- Trade receivables	11	814.05	645.62
- Cash and cash equivalents	12	855.68	728.91
- Loans	5	405.54	367.99
- Other financial assets	6	6.71	9.51
Other current assets	13	2,225.56	2,135.75
<b>Total current assets</b>		<b>24,864.48</b>	<b>20,991.07</b>
<b>Total Assets</b>		<b>29,882.47</b>	<b>24,982.18</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	14	1,690.17	1,590.86
Other equity	15	11,698.20	7,569.87
<b>Equity attributable to owners of the Company</b>		<b>13,388.37</b>	<b>9,160.73</b>
Non controlling interest		0.00	-
<b>Total equity</b>		<b>13,388.37</b>	<b>9,160.73</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
- Borrowings	16	1,409.65	1,109.29
Provisions	17	238.62	142.24
<b>Total non-current liabilities</b>		<b>1,648.27</b>	<b>1,251.53</b>
<b>Current liabilities</b>			
Financial liabilities			
- Borrowings	16	5,304.30	4,098.84
- Trade payables	18	-	-
- total outstanding dues of micro enterprises and small enterprises		-	-
- total outstanding dues of creditors other than micro enterprises and small enterprises		6,653.36	7,723.40
- Other financial liabilities	19	1,946.95	1,678.34
Other current liabilities	20	626.65	1,003.18
Provisions	17	7.14	2.69
Current tax liabilities (net)	21	307.43	63.47
<b>Total current liabilities</b>		<b>14,845.83</b>	<b>14,569.92</b>
<b>Total liabilities</b>		<b>16,494.10</b>	<b>15,821.45</b>
<b>Total Equity and Liabilities</b>		<b>29,882.47</b>	<b>24,982.18</b>
Significant accounting policies	2		
Notes to the consolidated financial statements	3-41		

The accompanying notes form an integral part of the consolidated financial statements

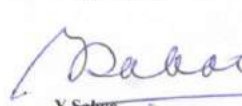

As per our report of even date attached

For **BSR & Co. LLP**  
Chartered Accountants  
Firm Registration No. 101248W/W-100022



**Adhir Kapoor**  
Partner  
Membership No. : 098297


For and on behalf of the Board of Directors of  
**Ethos Limited**

**Y. Saboo**  
Managing Director  
DIN: 00012158

**Anil Khanna**  
Director  
DIN: 00012232

  
**C. Raja Sekhar**  
Chief Financial Officer

  
**Pranav Shankar Saboo**  
Chief Executive Officer

  
**Anil Dhiman**  
Company Secretary

Particulars	Note	Year ended 31 March 2019	Year ended 31 March 2018
Revenue from operations	22	44,411.77	35,609.19
Other income	23	97.86	175.76
<b>Total Income</b>		<b>44,509.63</b>	<b>35,784.95</b>
<b>Expenses</b>			
Purchase of stock-in-trade	24	34,988.34	27,309.88
Changes in inventories of stock-in-trade	25	(3,453.65)	(204.71)
Employee benefits expense	26	3,312.52	2,268.99
Finance costs	27	765.39	658.27
Depreciation and amortization expense	28	484.51	407.36
Other expenses	29	6,229.87	4,824.44
<b>Total expenses</b>		<b>42,326.98</b>	<b>35,264.23</b>
<b>Profit before income tax</b>		<b>2,182.65</b>	<b>520.72</b>
<b>Income tax expense</b>			
- Current tax	31	1,013.61	81.39
- Current year		(29.93)	-
- Changes in estimates related to previous year		(137.88)	39.93
- Deferred tax			
<b>Total income tax expense</b>		<b>845.80</b>	<b>121.32</b>
<b>Profit for the year</b>		<b>1,336.85</b>	<b>399.40</b>
<b>Other comprehensive income/(expense)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
- Re-measurement of defined benefit (asset)/liability		(29.76)	6.77
<i>Income tax relating to items that will not be reclassified to profit or loss</i>			
- Re-measurement of defined benefit (asset)/liability		10.40	(2.36)
<b>Total other comprehensive (expense)/ income for the year (net of income tax)</b>		<b>(19.36)</b>	<b>4.41</b>
<b>Total comprehensive income for the year</b>		<b>1,317.49</b>	<b>403.81</b>
<b>Profit attributable to:</b>			
Owners of the Company		1,335.52	399.00
Non-controlling interest		1.33	0.40
<b>Profit for the year</b>		<b>1,336.85</b>	<b>399.40</b>
<b>Other comprehensive (expense) / income attributable to:</b>			
Owners of the Company		(19.34)	4.41
Non-controlling interest		(0.02)	0.00
<b>Other comprehensive (expense) / income attributable to:</b>		<b>(19.36)</b>	<b>4.41</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1,316.17	403.40
Non-controlling interest		1.32	0.40
<b>Total comprehensive income for the year</b>		<b>1,317.49</b>	<b>403.81</b>
<b>Earnings per equity share [nominal value of Rs. 10 (previous year Rs. 10)]</b>	32		
Basic (Rs.)		7.40	1.94
Diluted (Rs.)		7.40	1.94

Significant accounting policies

Notes to the consolidated financial statements

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For BSR &amp; Co. LLP

Chartered Accountants

Firm Registration No. 101248W/W-100022

Adhir Kapoor

Partner

Membership No. : 098297

For and on behalf of the Board of Directors of

Ethos Limited

Y. Saboo

Managing Director

DIN: 00012158

Anil Khanna

Director

DIN: 00012232

C. Raja Sekhar

Chief Financial Officer

Pranav Shankar Saboo

Company Secretary

Anil Dhiman

Company Secretary

**Ethos Limited**  
**Consolidated Statement of Changes in Equity for the year ended 31 March 2019**  
*(All amounts in ₹ Lakhs, except for share data and if otherwise stated)*

a. Equity share capital	Note	Total
Balance as at 01 April 2017	14	1,230.39
Changes in equity share capital during the year		270.47
Balance as at 31 March 2018		1,500.86
Changes in equity share capital during the year		99.31
Balance as at 31 March 2019		1,600.17

**b. Other Equity**

	Reserves and surplus					Total
	Compulsory convertible cumulative preference shares	Decreed capital contribution	Share application money pending allotment	Share options outstanding account	Retained earnings	
<b>Balance as at 31 March 2017</b>	1,960.01	14.51	-	74.41	(1,082.52)	5,163.27
- Profit for the year	-	-	-	-	399.40	399.40
- Other comprehensive income (net of tax)	-	-	-	-	4.41	4.41
<b>Total comprehensive income for the year</b>	-	-	-	-	403.81	403.81
- Issue of equity shares for cash	-	-	-	-	2,065.03	2,065.03
- Issue of equity shares on account of conversion of compulsory convertible cumulative preference shares	(1,210.01)	-	-	-	-	(1,210.00)
- Share options exercised	-	-	-	(7.55)	-	-
- Preference dividend on redeemable preference shares no longer payable	-	36.00	-	-	-	36.00
- Employee stock option expense	-	-	-	11.76	-	11.76
<b>As at 31 March 2018</b>	750.00	50.51	-	78.62	(678.70)	7,569.87
- Profit for the year	-	-	-	-	1,336.83	1,336.83
- Other comprehensive income (net of tax)	-	-	-	-	(19.36)	(19.36)
<b>Total comprehensive income for the year</b>	-	-	-	-	1,317.47	1,317.47
- Issue of equity shares for cash	-	-	-	-	2,800.68	2,800.68
- Share options lapsed	-	-	-	(7.82)	-	(7.82)
- Share application money	-	-	18.00	-	-	18.00
<b>As at 31 March 2019</b>	750.00	50.51	18.00	70.80	638.77	11,696.86
						1.34
						11,698.20

Significant accounting policies


Notes to the consolidated financial statements

3-41

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For BSR & Co. LLP  
*Chartered Accountants*  
  
**Anur Kapoor**  
 Partner  
 Membership No. 098297

For and on behalf of the Board of Directors of  
 Ethos Limited  
  
**Y. Saboo**  
 Managing Director  
 DIN: 00012158

  
**Anil Khanna**  
 Director  
 DIN: 00012232

  
**C. Raja Sekhar**  
 Chief Financial Officer  
 Place: New Delhi  
 Date: 04 May 2019

  
**Anil Dhanraj**  
 Company Secretary



## Ethos Limited

## Consolidated Cash Flow Statement for the year ended 31 March 2019

(Rupees in lakhs except share data, per share data and unless otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before income tax	2,182.65	520.72
Adjustments for:		
Depreciation and amortization expense	484.51	407.36
Property, plant and equipments written off (net)	-	34.39
Share based payments	-	11.76
Finance costs	765.39	658.27
Interest income	(97.86)	(93.74)
Provisions no longer required written back	(58.87)	(69.72)
Amortization of premium on forward exchange contracts	-	7.77
Unrealized foreign exchange (gain) / loss	(22.76)	53.42
Advances / deposits / Bad debts written off	38.41	55.84
<b>Operating cash flow before working capital changes</b>	<b>3,291.47</b>	<b>1,586.07</b>
(Increase) in loans	(67.35)	(136.31)
Decrease/ (increase) in other financial assets	96.85	(131.97)
(Increase) / decrease in other non-current assets	(45.05)	31.83
(Increase) in inventories	(3,453.65)	(204.71)
(Increase) in trade receivables	(168.43)	(484.21)
(Increase) in other current assets	(128.21)	(2,003.68)
Increase in provisions	71.06	28.56
(Decrease) / increase in trade payables	(988.43)	1,275.41
Increase/ (decrease) in other financial liabilities	394.57	(49.85)
(Decrease) in other current liabilities	(376.54)	(96.03)
<b>Cash (used in) / generated from operating activities</b>	<b>(1,373.71)</b>	<b>(184.89)</b>
Income tax paid (net)	(739.70)	68.69
<b>Net cash (used in) from operating activities</b>	<b>(2,113.41)</b>	<b>(116.20)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,298.09)	(1,183.63)
Proceeds from sale of property, plant and equipment	0.65	10.03
Interest received	14.16	6.07
<b>Net cash used in investing activities</b>	<b>(1,283.28)</b>	<b>(1,167.53)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity share capital (including premium)	2,910.17	2,225.50
Proceeds from non-current borrowings	384.10	1,128.88
Repayment of non-current borrowings	(203.59)	(2,397.75)
Proceeds from/repayments of current borrowings (net)	1,195.73	735.13
Interest paid	(762.95)	(585.10)
<b>Net cash flow from financing activities</b>	<b>3,523.46</b>	<b>1,106.66</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>126.77</b>	<b>(177.07)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>728.91</b>	<b>905.98</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>855.68</b>	<b>728.91</b>

## Notes:

1. Cash and cash equivalents include:

Balance with banks in current accounts	283.15	230.72
Cheques, drafts on hand	382.44	166.39
Cash on hand	101.12	98.13
Credit cards receivable	88.97	233.67
<b>Cash and cash balance at the end of the year</b>	<b>855.68</b>	<b>728.91</b>

2. The cash flow statement has been prepared in accordance with "Indirect Method" as set out in Indian Accounting Standard -7 on "Statement on Cash Flows".

3. Refer note no 2 for significant accounting policies.

4. Reconciliation of movements of liabilities to cash flows arising from financing activities

Borrowings at the beginning of the year (current and non current)	6,330.28	6,864.02
Proceeds from non-current borrowings	384.10	1,128.88
Repayment of non-current borrowings	(203.59)	(2,397.75)
Proceeds from/repayments of current borrowings (net)	1,195.73	735.13
<b>Borrowings at the end of the year (current and non current)</b>	<b>7,706.52</b>	<b>6,330.28</b>

Significant accounting policies

2

Notes to the consolidated financial statements

3-41

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For BSR &amp; Co LLP

Chartered Accountants

Firm registration no.: 101248W/W-100022

Anil Kapoor

Partner

Membership No.: 098297

For and on behalf of the Board of Directors of  
Ethos Limited

Y. Saboo

Managing Director

DIN No. 00012158

Anil Khanna

Director

DIN No. 00012232

C. Raja Sekhar

Chief Financial Officer

Pranav Shankar Saboo

Chief Executive Officer

Anil Dhimian

Company Secretary

Place: New Delhi  
Date: 04 May 2019Place: New Delhi  
Date: 04 May 2019

## **Ethos Limited**

### **Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

#### **1. Reporting entity**

Ethos Limited ('the Company' or the Parent Company), is a limited liability company domiciled in India and was incorporated on 5 November 2007. These consolidated financial statements comprise the Company and its subsidiary (referred to collectively as the "Group"). The Group's business consists of trading of watches, accessories and luxury items, marketing and support services and rendering of related after sale services.

#### **2. Significant accounting policies**

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

##### **a) Basis of preparation**

###### *i) Statement of compliance*

These consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (India Accounting Standards) Amendment Rules, 2016 notified under section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

- ii) Effective 1 April 2016, the Group had transitioned to Ind AS while the consolidated financial statements were being prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (previous GAAP) till 31 March 2017 and the transition was carried out in accordance of Ind AS 101 "First time adoption of Indian Accounting Standards". While carrying out transition, in addition to the mandatory exemptions, the Group had elected to certain exemptions which are listed as below:

- The Group had opted to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognized in the consolidated financial statements prepared under previous GAAP and use the same as deemed cost in the financial statement as at the transition date.

The consolidated financial statements of the Group for the year ended 31 March 2019 were approved by the Holding Company's Board of Directors on 4 May 2019.

During the previous year, the Group had availed the exemption of not preparing consolidated financial statements on fulfilment of certain conditions as per Rule 6 of the Companies (Accounts) Amendments Rules 2016. Accordingly, the corresponding figures in the consolidated financial statements for the year ended 31 March 2019 are unaudited. In the current year, the Group has prepared consolidated financial statements in accordance with the Ind AS as per the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (India Accounting Standards) Amendment Rules, 2016 notified under section 133 of Act and other relevant provisions of the Act.

###### *iii) Functional and presentation currency*

The functional currency of the Group is the Indian rupee. These consolidated financial statements are presented in Indian rupees. All amounts have been rounded-off to the nearest lakhs, up to two places of decimal, unless otherwise indicated.





**Ethos Limited****Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

*iv) Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities (including derivative instruments)	Fair value
Net defined benefits (assets)/liability	Fair value of the plan assets less present value of defined benefits obligations

*v) Use of estimates and judgments*

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the consolidated financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

*Judgments*

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 2(c) and 3 – Assessment of useful life of Property, plant and equipment
- Note 2(c) and 4 – Assessment of useful life of Intangible assets
- Note 2(g), 17 and 36 – Provisions and contingent liabilities
- Note 2(n) and 7 – Income taxes

*Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is included in the following notes:

- Note 35 – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 17 and 36 – Recognition and measurement of provision and contingencies, key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 2(q)(ii) – Impairment test of non-financial assets: key assumptions underlying recoverable amounts;
- Note 2(q)(i) – Impairment of financial assets
- Note 8 – Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 2(a) (vi) – Fair value measurement
- Note 35 – Shared based payments

*vi) Measurement of fair values*

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to measurement of fair values. This includes the top management division which is responsible for overseeing all significant fair value measurements,





**Ethos Limited****Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

including Level 3 fair values. The top management division regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then the top management division assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes have occurred.

Further information about the assumptions made in measuring fair values used in preparing these consolidated financial statements is included in the respective notes

**b) Basis of Consolidation**

The consolidated Ind AS financial statements comprises the financial statement of the Group, and the entities controlled by the Group including its subsidiary as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affects its returns.

Consolidated Ind AS financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated Ind AS financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated Ind AS financial statements to ensure conformity with the Group's accounting policies.

The details of the consolidated entity is as follows:

Name of subsidiaries / associates	Country of incorporation	% of holding
Cognition Digital LLP*	India	99.99%

\* The percentage of holding denotes the Share of Profits in LLP.



**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

**c) Property, plant and equipment ('PPE')**

*Recognition and measurement*

Items of PPE are measured at cost of acquisition or construction which includes capitalised finance costs less accumulated depreciation and/or accumulated impairment loss, if any.

Cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Capital work Capital work-in-progress comprises the cost of fixed assets that are not ready for their intended use at the reporting date.

Advances paid towards acquisition of PPE outstanding at each Balance sheet date, are shown under other non-current assets.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit or loss.

*Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

*Depreciation*

Depreciation is calculated on cost of items of PPE less their estimated residual values over their estimated useful lives using the straight-line method and is recognised in the statement of profit and loss.

Depreciation on items of PPE is provided as per rates corresponding to the useful life specified in Schedule II to the Companies Act, 2013 read with the notification dated 29 August 2014 of the Ministry of Corporate Affairs except for office equipments being mobile phones which are depreciated over the estimated life of two years from the date of capitalization on the basis of internal evaluation by the management basis which the management believes that this useful life best represents the period over which these asset will be used.

Leasehold improvements are depreciated under the straight line over the period of lease.

Leasehold land is amortized on a straight line basis over the period of the lease. In view of the management, these rates are indicative of the estimated economic useful lives of the fixed assets.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Depreciation on additions (disposal) is provided on a pro-rata basis i.e from (upto) the date on which asset is ready for use (disposed of).





**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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*Derecognition*

A property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

**d) Other intangible assets**

*Acquired Intangible*

Intangible assets that are acquired by the Group are measured initially at cost. Cost of an item of Intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in statement of profit or loss as incurred.

*Amortisation*

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation expense in statement of profit and loss. The estimated useful life of Computer Software (ERP) is 6 years.

Amortisation method, useful life and residual values are reviewed at the end of each financial year and adjusted if appropriate.

*Derecognition*

Intangible assets is derecognised on disposal or when no future economic benefits are expected from its use and disposal.

**e) Inventories**

Inventories which comprises traded goods which are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurring in acquiring the inventories, and other costs incurred in bringing them to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

**f) Employee benefits**

*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., salaries and wages, short term compensated absences and bonus etc., if the Group has a present legal or constructive





**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

*Share-based payment transactions*

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

The Group has elected to apply Ind AS 102 Share based payment to equity instruments that vested after the date of transition to Ind AS pursuant to the exemption under Ind AS 101.

*Post-employment benefits*

-Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. The Group makes specified monthly contributions towards employee provident fund and employee state insurance scheme ('ESI') to Government administered scheme which is a defined contribution plan. The Group's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

-Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Gratuity is a defined benefit plan. The administration of the gratuity scheme has been entrusted to the Life Insurance Corporation of India ('LIC'). The Group's net obligation in respect of gratuity is calculated separately by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability i.e. Gratuity, which comprise actuarial gains and losses are recognised in Other Comprehensive Income (OCI). The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then- net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit or Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the statement of profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.



**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

*Other long term employee benefits*

Compensated absences

The Group's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. Such obligation such as those related to compensate absences is measured on the basis of an annual independent actuarial valuation using the projected unit cost credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when, as a result of past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**g) Provisions (other than for employee benefits)**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future losses are not provided for.

**h) Financial guarantee contracts**

Financial guarantee contracts are recognised as a deemed equity contribution if no premium was paid when guarantee is received. Deemed equity contribution is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

**i) Contingent liabilities and contingent assets**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are recognized when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed where an inflow of economic benefits is probable.





**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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**j) Commitments**

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting date.

**k) Revenue**

The Group earns revenue primarily from trading of watches, accessories and luxury items, marketing and support services and rendering of related after sale services.

Effective 1 April 2018, the Group has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Group has adopted Ind AS 115 using the cumulative effect method, applied to contracts that were not completed as of 1 April 2018. In accordance with the cumulative effect method, the comparatives have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 2 "Significant Accounting Policies," in the Group's 2018 Annual Report for the policies in effect for revenue prior to 1 April 2018. The effect on adoption of Ind AS 115 was insignificant.

Revenue is recognized upon transfer of control of promised products sold or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. To recognize revenues, we apply the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied.

At contract inception, the Group assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Group applies judgement to determine whether each product or services promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised product or services are combined and accounted as a single performance obligation. The Group allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method. Stand-alone selling prices are determined based on sale prices for the components when it is regularly sold separately, in cases where the Group is unable to determine the stand-alone selling price the Group uses third-party prices for similar deliverables or the Group uses expected cost plus margin approach in estimating the stand-alone selling price.

For performance obligations where control is transferred over time, revenues are recognized by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the promised products or services to be provided.



**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

The method for recognizing revenues and costs depends on the nature of the products sold and services rendered:

*Sale of goods*

Revenue on sale of goods are recognized when the customer obtains control of the specified asset.

*Customer loyalty programmes*

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of initial sale is allocated between the award credits and the other components of the sale. The amount allocated to award credits is deferred and is recognised as revenue when the award credits are redeemed and the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the award credits will be redeemed.

*Sale of services*

Revenue from services rendered is recognised in profit or loss when the services are rendered and the related costs are incurred.

**l) Recognition of interest income or expense**

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**m) Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Group in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as a part of cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**n) Income taxes**

Income tax comprises current and deferred tax. It is recognised in statement of profit or loss except to the extent that it relates to a business combination or an item recognised directly in equity or in other comprehensive income.





**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

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*Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefits will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities.

**o) Leases**

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease based on the substance of the lease arrangement.

*Finance leases*

Assets leased by the Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group are classified as finance leases. A finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*Operating leases*



**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payment are structure to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**p) Financial instruments**

*i. Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

*ii. Classification and subsequent measurement*

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- fair value through other comprehensive income (FVOCI) – equity investment;
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

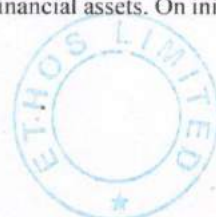
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
  - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On the recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may





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irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets: Subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Any gain or loss on de-recognition is recognised in
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit or loss.

*Financial liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL, if it is classified as held for trading; or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

*iii. De-recognition**Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

*Financial liabilities*

**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

*iv. Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

*v. Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liability when the fair value is negative.

**q) Impairment**

*i. Impairment of financial asset*

The Group recognises loss allowances for expected credit loss on financial assets measured at amortised cost. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that the financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the breach of contract such as a default or being past due for 90 days or more;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organisation; or
- the disappearance of active market for a security because of financial difficulties.

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).





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In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

*Measurement of expected credit losses*

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. difference between the cash flow due to the Group in accordance with the contract and the cash flow that the Group expects to receive).

*Presentation of allowance for expected credit losses in the balance sheet*

Loss allowance for financial assets measured at the amortised cost is deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtors do not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

*ii) Impairment of non-financial assets*

The Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine if there is indication of any impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash flows are grouped together into cash generating units (CGUs). Each CGU represents the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the CGU (or the asset).

The Group's corporate assets (e.g., central office building for providing support to various CGUs) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.



**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

**r) Foreign currency transactions**

*Initial recognition*

Transactions in foreign currencies are translated into the functional currency of the Group at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

*Measurement at the reporting date*

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences on restatement/settlement of all monetary items are recognised in profit or loss.

**s) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segments and assess their performance.

**t) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, demand deposits held with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**u) Cash flow statement**

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

**v) Earnings per share**

Basic earnings/ (loss) per share are calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings/ (loss) per share, the net profit or loss for the period 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. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.





**Ethos Limited**

**Notes to the consolidated financial statements for the year ended 31 March 2019**

(Rupees in lakhs except share data, per share data and unless otherwise stated)

**w) Standards issued but not yet effective**

*Ind AS 116, Leases*

The Group is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the consolidated financial statements in the period of initial application is not reasonably estimable as at present.

*Leases in which the Group is a lessee*

Under the new standard, the Group is required to recognise the assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the preliminary assessment, the operating leases like liaison offices, warehouse and residential accommodation are short term leases and accordingly are exempted from the above recognition criteria. Accordingly, no significant impact is expected for the Group's operating leases.

No significant impact is expected for the Group's finance leases.

*Leases in which the Group is a lessor*

Based on the information currently available, there are no contracts in which the Group is a lessor.

*Transition*

The Group plans to apply Ind AS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting Ind AS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

**Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and Uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Group does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on



**Ethos Limited****Notes to the consolidated financial statements for the year ended 31 March 2019**

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behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Group does not expect any significant impact of the amendment on its financial statements.

**Ind AS 109 – Prepayment Features with Negative Compensation**

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Ethos Limited does not expect this amendment to have any impact on its financial statements.

**Ind AS 19 – Plan Amendment, Curtailment or Settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Ethos Limited does not expect this amendment to have any significant impact on its financial statements.







# **Ethos Limited**

## **Notes to the consolidated financial statements for the year ended 31 March 2019**

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

### **3 Property, plant and equipment and capital work-in-progress**

#### **Reconciliation of Gross carrying amount**

	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Vehicles	Total	Capital work-in-progress	Total
<b>Gross carrying amount</b>								
Balance as at 01 April 2017	465.86	98.92	649.54	57.94	22.83	1,295.09	22.71	1,317.80
Additions	577.21	2.21	307.90	51.54	197.18	1,136.04	363.04	1,499.08
Disposals	(17.19)	-	(43.05)	(3.47)	(21.57)	(85.28)	(322.21)	(407.49)
<b>Balance as at 31 March 2018</b>	<b>1,025.88</b>	<b>101.13</b>	<b>914.39</b>	<b>106.01</b>	<b>198.44</b>	<b>2,345.85</b>	<b>64.44</b>	<b>2,410.29</b>
Balance as at 01 April 2018	1,025.88	101.13	914.39	106.01	198.44	2,345.85	64.44	2,410.29
Additions	471.87	57.05	318.52	58.19	42.36	947.99	634.53	1,582.52
Disposals	-	-	-	(1.29)	-	(1.29)	(258.95)	(260.24)
<b>Balance as at 31 March 2019</b>	<b>1,497.75</b>	<b>158.18</b>	<b>1,232.91</b>	<b>162.91</b>	<b>240.80</b>	<b>3,292.55</b>	<b>440.02</b>	<b>3,732.57</b>

#### **Accumulated Depreciation**

Balance as at 01 April 2017	186.01	2.72	113.72	37.14	6.57	346.16	-	346.16
Depreciation for the year	224.10	5.83	121.33	29.90	13.02	394.18	-	394.18
Accumulated depreciation on disposals	(16.56)	-	(14.01)	(2.30)	(8.42)	(41.29)	-	(41.29)
<b>Balance as at 31 March 2018</b>	<b>393.55</b>	<b>8.55</b>	<b>221.04</b>	<b>64.74</b>	<b>11.17</b>	<b>699.05</b>	<b>-</b>	<b>699.05</b>
Balance as at 01 April 2018	393.55	8.55	221.04	64.74	11.17	699.05	-	699.05
Depreciation for the year	267.50	7.13	135.95	36.97	24.81	472.36	-	472.36
Accumulated depreciation on disposals	-	-	-	(0.64)	-	(0.64)	-	(0.64)
<b>Balance as at 31 March 2019</b>	<b>661.05</b>	<b>15.68</b>	<b>356.99</b>	<b>101.07</b>	<b>35.98</b>	<b>1,170.77</b>	<b>-</b>	<b>1,170.77</b>

#### **Carrying amounts (net)**

At 31 March 2018	632.33	92.58	693.35	41.27	187.27	1,646.80	64.44	1,711.24
At 31 March 2019	836.70	142.50	875.92	61.84	204.82	2,121.77	440.02	2,561.79

#### **Notes:**

- Refer note 16 for information on property, plant and equipment pledged as security by the Group.
- Refer note 36 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

### **4 Other intangible assets**

#### **Reconciliation of Gross carrying amount**

	Computer Software	Intangible assets under development	Total
<b>Gross carrying amount</b>			
Balance as at 01 April 2017	56.28	-	56.28
Additions / acquired	-	-	-
Disposals	(0.69)	-	(0.69)
<b>Balance as at 31 March 2018</b>	<b>55.59</b>	<b>-</b>	<b>55.59</b>
Balance as at 01 April 2018	55.59	-	55.59
Additions / acquired	42.16	38.21	80.37
Disposals	-	-	-
<b>Balance as at 31 March 2019</b>	<b>97.75</b>	<b>38.21</b>	<b>135.96</b>

#### **Amortisation**

Balance as at 01 April 2017	15.23	-	15.23
Amortisation for the year	13.18	-	13.18
Disposals	(0.26)	-	(0.26)
<b>Balance as at 31 March 2018</b>	<b>28.15</b>	<b>-</b>	<b>28.15</b>
Balance as at 01 April 2018	28.15	-	28.15
Amortisation for the year	12.15	-	12.15
Disposals	-	-	-
<b>Balance as at 31 March 2019</b>	<b>40.30</b>	<b>-</b>	<b>40.30</b>

#### **Carrying amounts (net)**

At 31 March 2018	27.44	-	27.44
At 31 March 2019	57.45	38.21	95.66



**Ethos Limited**
**Notes to the consolidated financial statements for the year ended 31 March 2019**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

5. Loans*	As at 31 March 2019		As at 31 March 2018	
	Current	Non-current	Current	Non-current
<i>(unsecured, considered good unless otherwise stated)</i>				
Security deposits	-	6.77	-	6.77
- from related parties (refer note no. 37)	-	-	-	-
- from others	393.93	1,010.27	364.76	901.26
Loan to employees	11.61	7.23	3.23	2.72
	<u>405.54</u>	<u>1,024.27</u>	<u>367.99</u>	<u>910.75</u>

\*The Group's exposure to credit and currency risk, and loss allowances related to other non current financial assets are disclosed in note 33.

6. Other financial assets	As at 31 March 2019		As at 31 March 2018	
	Current	Non-current	Current	Non-current
Deposits with original maturity of more than 12 months #	-	120.97	-	215.03
Derivative financial instruments	-	-	2.80	-
Interest accrued but not due on fixed deposits	6.71	-	6.71	-
	<u>6.71</u>	<u>120.97</u>	<u>9.51</u>	<u>215.03</u>

# These deposits include restricted bank deposits amounting to Rs. 113.96 (31 March 2018: Rs 215.03) on account of deposits pledged as security for bank guarantees.

7. Income tax assets (net)	As at 31 March 2019		As at 31 March 2018	
Advance income tax and tax deducted at source	123.24		123.24	
(net of provision for income-tax Rs. 1,166.89 (31 March 2018: Rs. 204.27))	<u>123.24</u>		<u>123.24</u>	

8. Deferred tax assets (net)	As at 31 March 2019		As at 31 March 2018	
Significant components of the Company's net deferred tax are as follows:				
Deferred tax assets	631.93		483.66	
Deferred tax liabilities	-		-	
Net deferred tax assets	<u>631.93</u>		<u>483.66</u>	

**2017-2018**

Deferred tax assets

*Deferred tax assets on*

Property, plant and equipments and Intangible assets

Provision for employee benefits

Provision - others

Others

Tax losses carried forward

Net deferred tax asset

Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing Balance
217.26	90.38	-	307.64
39.49	13.57	(2.36)	50.70
68.06	13.46	-	81.52
43.79	-	-	43.79
157.34	(157.34)	-	-
<u>525.95</u>	<u>(39.93)</u>	<u>(2.36)</u>	<u>483.66</u>

**2018-2019**

Deferred tax assets:

*Deferred tax assets on*

Property, plant and equipments and Intangible assets

Provision for employee benefits

Provision - others

Others

Net deferred tax asset

Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing Balance
307.64	36.59	-	344.23
50.70	23.68	10.40	84.78
81.52	121.40	-	202.92
43.79	(43.79)	-	-
<u>483.66</u>	<u>137.88</u>	<u>10.40</u>	<u>631.93</u>





**Ethos Limited****Notes to the consolidated financial statements for the year ended 31 March 2019***(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

	As at 31 March 2019	As at 31 March 2018
<b>9. Other non-current assets</b> <i>(Unsecured, considered good unless otherwise stated)</i>		
Capital advances		
- to others	79.57	184.24
Advances other than capital advances		
- Prepaid expenses	162.00	116.95
- CENVAT credit receivable	48.56	48.56
- Claim receivable (refer note 36)	170.00	170.00
	<u>460.13</u>	<u>519.75</u>
<b>10. Inventories</b> <i>(At lower of cost and net realisable value)</i>	As at 31 March 2019	As at 31 March 2018
Stock-in-trade [including goods-in-transit Rs. 214.66 (31 March 2018: Rs. 386.66)]	20,556.94	17,103.29
	<u>20,556.94</u>	<u>17,103.29</u>
<b>11. Trade receivables</b> <i>(Unsecured, considered good unless otherwise stated)</i>	As at 31 March 2019	As at 31 March 2018
Trade receivables #		
- Related parties (refer to note 37)	417.77	515.75
- Others	396.28	129.87
	<u>814.05</u>	<u>645.62</u>
# The Group's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note 33.		
<b>12. Cash and cash equivalents</b>	As at 31 March 2019	As at 31 March 2018
Balances with banks in		
- current accounts *	283.15	230.72
Cheques, drafts on hand	382.44	166.39
Cash on hand	101.12	98.13
Others	-	-
- credit cards receivable	88.97	233.67
	<u>855.68</u>	<u>728.91</u>
* includes Rs. 18.00 (31 March 2018 : Rs Nil) being the amount of equity shares pending allotment.		
<b>Information pursuant to G.S.R. 308 (E) dated 30 March 2017 issued by Ministry of corporate affairs:</b>		
The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2019.		
<b>13. Other current assets</b> <i>(Unsecured, considered good unless otherwise stated)</i>	As at 31 March 2019	As at 31 March 2018
Prepaid expenses	82.88	81.96
Advances for supply of goods and services	360.74	200.95
Advances to employees	64.56	29.47
GST credit receivable	1,641.24	1,766.30
Duty drawback recoverable	-	48.81
Deposit under protest	75.50	-
Other advances	0.64	8.26
	<u>2,225.56</u>	<u>2,135.75</u>



14. Equity share capital

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
<i>Authorised</i>				
Equity shares of Rs. 10 each	30,700,000*	3,070.00	30,700,000*	3,070.00
14% cumulative compulsorily convertible preference shares of Rs. 130 each	576,924	750.00	576,924	750.00
12% cumulative compulsorily convertible preference shares of Rs. 110 each	1,200,000	1,320.00	1,200,000	1,320.00
12% non cumulative redeemable preference shares of Rs. 100 each	1,000,000	1,000.00	1,000,000	1,000.00
	<b>33,476,924</b>	<b>6,140.00</b>	<b>33,476,924</b>	<b>6,140.00</b>
<i>Issued, subscribed and fully paid up**</i>				
Equity shares of Rs. 10 each	(i) 16,901,713	1,690.17	15,908,564	1,590.86
14% cumulative compulsorily convertible preference shares of Rs. 130 each #	(ii) 576,923	750.00	576,923	750.00
	<b>17,478,636</b>	<b>2,440.17</b>	<b>16,485,487</b>	<b>2,340.86</b>

\* includes 16,950,000 shares pursuant to transfer of authorised share capital from Rs. 1,695 preference shares to equivalent number of equity shares of face value of Rs. 10 each

# classified as "other equity" in the statement of changes in equity.

a) *Rights, preference and restriction attached to shares*

(i) The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The voting rights of an equity shareholder on show of hand or through proxy shall be in proportion to his share of the paid up capital of the Company. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors (except for interim dividend) is subject to approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company the holders of equity shares will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(ii) The preference shareholders do not hold any voting rights. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Where dividend on cumulative preference shares is not declared for a financial year the entitlement thereto is carried forward whereas in the case of non-cumulative preference shares the entitlement for that year lapses. In the event of liquidation of the Company the holders of preference shares will be entitled to receive the amount of their preference capital contribution before distribution of the remaining assets to the equity shareholders.

Conversion terms of 576,923 14% cumulative compulsorily convertible preference shares of Rs 130 each fully paid up is 5 (Five years from the date of allotment in equal number of equity shares of face value of Rs 10 each at a premium of Rs 120 (and any cumulative dividend remaining unpaid) at the end of 5 (Five) years. Accordingly, these preference shares will be converted in various tranches commencing 6 November 2019.

The holder of 248,373 14% cumulative compulsorily convertible preference shares of Rs 130 each has "tag along and put option rights". Tag along rights shall trigger in the event of promoter selling a substantial portion (more than 10% of combined shareholding of the promoter) of his shares in the Company to any person before the expiry of the term. At such an instance the preference shares shall automatically be converted into equity shares. The holder shall have the right to cause the promoter to ensure that the proposed transferee purchases all or part of its shares on a pro rata basis at the same terms and price as offered to the promoter. The holder shall also have the put option right which provides a window period of 12 months from the end of term for exercising the option to either cause the promoter to buy back, purchase and / or ensure any third party to purchase all its shares. The holder also has ROFR (right of first refusal) wherein at the event when the Company issues new shares in favour of any shareholder, the Company shall first offer such number of shares to the holder such that its shareholding in the Company prior to such transaction is maintained after the completion of such transaction.

The holder of 115,462 14% cumulative compulsorily convertible preference shares of Rs 130 each has "tag along and put option rights". Tag along rights shall trigger in the event of promoter selling a substantial portion (more than 10% of combined shareholding of the promoter) of his shares in the Company to any person before the expiry of the term. At such an instance the preference shares shall automatically be converted into equity shares. The holder shall have the right to cause the promoter to ensure that the proposed transferee purchases all or part of its shares on a pro rata basis at the same terms and price as offered to the promoter. The holder shall also have the put option right which provides a window period of 18 months from the end of term for exercising the option to either cause the promoter to buy back, purchase and / or ensure any third party to purchase all its shares.

The holder of 272,728 12% cumulative compulsorily convertible preference shares (converted into equity shares on 25 November 2017) having face value of Rs. 110 per share has a put option which provides a window period of 18 months from the end of term i.e. 26 November 2017 for exercising the option to either cause the promoter to buy back, purchase and / or ensure any third party to purchase all its shares.

(iii) *Employee Stock option*:- Terms attached to stock options granted to employees of the company and its holding company are described in note 35 regarding employee share based payments.

b) *Reconciliation of number of shares outstanding at the beginning and end of the reporting year*

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
i) Equity shares of Rs. 10 each fully paid up				
At the beginning of the year	15,908,564	1,590.86	13,203,895	1,320.39
Add: issued during the year	993,149	99.31	1,583,409	158.34
Add: issued pursuant to conversion of 12% cumulative compulsorily convertible preference shares	-	-	1,100,010	110.00
Add: issued on exercise of employee stock options	-	-	21,250	2.13
At the end of the year	<b>16,901,713</b>	<b>1,690.17</b>	<b>15,908,564</b>	<b>1,590.86</b>
ii) 14% cumulative compulsorily convertible preference shares of Rs. 130 each fully				
At the beginning of the year	576,923	750.00	576,923	750.00
At the end of the year	<b>576,923</b>	<b>750.00</b>	<b>576,923</b>	<b>750.00</b>
iii) 12% cumulative compulsorily convertible preference shares of Rs. 110 each fully				
At the beginning of the year	-	-	1,100,010	1,210.01
Add: redeemed during the year	-	-	(1,100,010)	(1,210.01)
At the end of the year	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





## c) Shares held by ultimate holding company, holding company and/or their subsidiaries/associates

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
<i>Equity shares of Rs. 10 each fully paid up</i>				
-KDDL Limited (holding company and ultimate holding company)	10,394,740	1,039.47	10,223,508	1,022.35
-Mahen Distribution Limited (fellow subsidiary)	2,293,150	229.32	2,293,150	229.32
<i>14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up</i>				
-KDDL Limited (holding company and ultimate holding company)	19,230	25.00	19,230	25.00

## d) Details of shareholders holding more than 5% shares of a class of shares

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	% holding in the class	Number of shares	% holding in the class
<i>Equity shares of Rs. 10 each fully paid up held by</i>				
-KDDL Limited	10,394,740	61.50	10,223,508	64.26
-Mahen Distribution Limited	2,293,150	13.57	2,293,150	14.41
-Mr. Mukul Mahavir Agrawal	900,976	5.33	810,067	5.09
<i>14% cumulative compulsory convertible preference shares of Rs. 130 each fully</i>				
-Sixth Sense India Opportunities - I	248,373	43.05	248,373	43.05
-Mr. Nikhil Vora	115,462	20.00	115,462	20.00
-Mr. R.K. Saboo	46,155	8.00	46,155	8.00
-Dream Digital Technology Private Limited	7,693	1.33	7,693	1.33
-Mrs. Anuradha Saboo	42,308	7.33	42,308	7.33

## e) Bonus shares, shares buyback and issue of shares without consideration being received in cash (during five years immediately preceding 31 March 2019)

During the five years immediately preceding 31 March 2019 (the period), neither any bonus shares have been issued nor any shares have been bought back. In addition, during the period, no shares have been issued for consideration other than cash except as follows:

- The Company during the previous year ended 31 March 2018 converted 1,100,010 12% cumulative compulsory convertible preference shares of face value of Rs. 110 into 1,100,010 equity shares of Rs. 10 each at a premium of Rs. 100 each. Further, 21,250 equity shares of Rs. 10 each had been issued under employee stock option plans for which only exercise price had been received in cash.
- The Company had during the year ended 31 March 2015 redeemed 69,228 12% cumulative optionally convertible preference shares of Rs. 65 each. Out of these 49,998 shares were redeemed by way of payment and balance shares were converted into 19,230 equity shares of Rs. 10 each at a premium of Rs. 55 each.
- The Company had during the year ended 31 March 2015 issued 76,924, 14% cumulative compulsorily convertible preference shares of Rs. 130 each for consideration other than cash.
- During the year ended 31 March 2016, 56,000 equity shares of Rs. 10 each had been issued under employee stock option plans for which only exercise price had been received in cash.
- During the previous year ended 31 March 2018, 1,100,010 12% cumulative compulsory convertible preference shares of Rs. 110 each were converted into 1,100,010 equity shares of Rs. 10 each at a premium of Rs. 100 per share.

## f) Employee stock option plan

Terms attached to stock options granted to employees of the Company are described in note 35 (iv) regarding share based payments.

## g) Shares reserved for issue under options and contracts

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
Under Ethos Employee Stock option Scheme-2013 : 350,000 equity shares of Rs. 10 each, at an exercise price of Rs. 120 per share (Refer note 35 (iv))	154,250	15.43	171,750	17.18
For 14% compulsorily convertible preference shares: 576,923 equity shares of Rs. 10 each	576,923	57.69	576,923	57.69



## 15. Other equity

(also refer to Statement of Changes in Equity)

## (i) Compulsory convertible cumulative preference shares

Terms attached to the compulsory convertible cumulative preference shares are described in note 16(a)(ii) Equity share capital.

## (ii) Deemed capital contribution

a) Includes 14.51 towards fair value of guarantees given by the parent company in the earlier years.

b) Includes 50.00 towards interest accrued on 12% cumulative redeemable preference shares, classified as finance cost, which is no longer payable at the time of redemption.

## (iii) Share application money pending allotment

Share application money pending allotment represents monies received against shares to be issued under the employee stock option plan formulated by the Company as at the year end.

## (iv) Share options outstanding account

The fair value of the equity settled share based payment transactions with employees is recognised in Statement of Profit and Loss with corresponding credit to share option outstanding account.

## (v) Capital reserve

Accumulated capital surplus not available for distribution and is expected to remain invested permanently.

## (vi) Securities premium

Securities premium represents the excess consideration received by the Company over the face value of the shares issued to shareholders. This will be utilised in accordance with the applicable provisions of the Companies Act, 2013.

## (vii) Retained earnings

Retained earnings represents the profits that the Company has earned till date, less any dividends, or other distributions paid to shareholders.

16. Borrowings	Note	As at 31 March 2019	As at 31 March 2018
<b>i) Non-current borrowings</b>			
Term-loans			
From banks (secured)	(a)	157.60	151.06
From others (secured)	(b)	294.18	334.31
Deposits			
Inter corporate deposits			
From related parties (unsecured) (refer to note 37)	(c)	517.00	517.00
From others (unsecured)	(d)	200.00	300.00
Deposits from shareholders (unsecured)	(e)	1,233.44	859.07
Other loans			
Loan from relatives of directors (refer note 37)	(f)	-	70.00
Total non-current borrowings (including current maturities)		2,402.22	2,231.44
Less: Current maturities of non-current borrowings (refer to note 19)		(992.57)	(1,122.15)
		1,409.65	1,109.29





## Notes:

- a) Vehicle loans amounting to Rs 157.60 (31 March 2018 : Rs 151.06 lakhs) are secured against hypothecation of the specified vehicle purchased from proceeds of the said loan. The rate of interest on vehicle loans varies from 8.23% to 11.76% per annum (31 March 2018 : 8.23% to 11.76%). The above loans are repayable in monthly installments within a period of next two to five years as per repayment schedule.
- b) The loans from others include loan taken from Indiabulls Housing Finance Limited. The same is secured by exclusive mortgage and charge on personal property of the director and relatives of the director of the Group. These limits are also guaranteed by KDDL Limited, the director of the Group and relatives of the director. The rate of interest varies from 11% to 14.50% per annum. The original Loan of Rs 450 lakhs taken in March 2014 will be repaid in 120 monthly instalments along with interest. The loan outstanding as on 31 March 2019 is Rs. 294.18 (31 March 2018 : Rs 334.31) which will be repaid as per repayment schedule.
- c) Inter corporate deposit from related parties carry an interest rate ranging between 8.50% to 16% (31 March 2018 : 10% to 16%) per annum and the same is repayable within 3-36 months (31 March 2018 within 3-36 months).
- d) Inter corporate deposit from others carry an interest rate ranging between 13.5% to 14% (31 March 2018 : 13.5% to 14%) per annum and the same are repayable as per the repayment schedule within twenty four months.
- e) Deposits from Shareholders carry interest rate ranging between 8% to 12.5% (31 March 2018 : 8% to 12.5%) per annum and carries a maturity period from 6 to 36 months from the respective date of deposits.
- f) Unsecured loans from relative of directors carry an interest rate of Rs. Nil (31 March 2018 : 12.5%) per annum.

ii) Current borrowings	As at	
	31 March 2019	31 March 2018
Loan repayable on demand		
- From banks (secured)*	(g) 5,230.31	3,357.12
Other Loans		
-Buyer's credit (secured)	(h) -	677.46
-Deposits from shareholders (unsecured)	(i) 73.99	64.26
	<u>5,304.30</u>	<u>4,098.84</u>

\* includes Rs. Nil (31 March 2018 : Rs 1500.00) being the amount unutilized out of equity shares issued towards preferential allotment.

## Notes

- g) Loan repayable on demand from IDBI Bank Limited amounting to Rs. 2386.7 lakhs (31 March 2018 : Rs. 1,024.6 lakhs) are repayable on demand and are secured by first pari passu charge on all the current assets of the Company both present and future and second pari passu charge on the fixed assets of the Company both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable fixed assets of the tool room unit (Eigen) of KDDL Limited at Bangalore. These limits are guaranteed by KDDL Limited, personal guarantees of director of the Company and relative of the director. The rate of interest as on 31 March 2019 varies from 11.25% to 12% (31 March 2018 : 11.25 % to 11.50%) per annum.
- Loan repayable on demand from The Jammu & Kashmir Bank Limited amounting to Rs. 874.9 lakhs (31 March 2018 : Rs. 798.9 lakhs) are repayable on demand and are secured by first pari passu charge on the stock and receivables of the Company. These limits are also secured by exclusive first charge on assets of Ornapac unit at Chandigarh of KDDL Limited. This is further secured by the first and exclusive charge over land and building, machinery and office equipment of the Parwanoo unit of KDDL Limited. These loans are also guaranteed by KDDL Limited and personal guarantees of the director of the Company. The rate of interest as on 31 March 2019 varies from 11.40% to 12.40% (31 March 2018 : 11.40 % to 12.40%) per annum.
- Loan repayable on demand from Bank of Maharashtra amounting to Rs. 1968.7 lakhs (31 March 2018 : Rs. 1,533.6 lakhs) are repayable on demand and are secured by first pari passu charge by way of hypothecation on entire current assets of the company. These limits are also secured by 360,000 shares of KDDL Limited held by Sh. Y. Saboo, Managing Director of the company and second pari passu charge on entire fixed assets of the Company. Further, these limits are also guaranteed by KDDL Limited, personal guarantee of director of the Company and relative of the director. The rate of interest as on 31 March 2019 is 11.50% (31 March 2018 : 11.50 %) per annum.
- h) Buyers credit from IDBI Bank Limited amounting to Rs. Nil (31 March 2018 : Rs. 677.46 lakhs) are repayable on demand and are secured by first pari passu charge on all the current assets of the Company both present and future and second pari passu charge on the fixed assets of the Company both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable fixed assets of the tool room unit (Eigen) of KDDL Limited at Bangalore. These limits are guaranteed by KDDL Limited, personal guarantees of director of the Company and relative of the director. The rate of interest as on 31 March 2019 is Nil (31 March 2018 : 11.85 % per annum).
- i) The fixed rate of interest on deposit from shareholders for maturity period of 1 year in the current year is in the range of 9.50% to 10% per annum (31 March 2018 : 10.00% to 10.50% per annum).



**Ethos Limited**
**Notes to the consolidated financial statements for the year ended 31 March 2019**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

17. Provisions	Note	As at 31 March 2019		As at 31 March 2018	
		Current	Non-current	Current	Non-current
<i>Provision for employee benefits</i>					
Provision for gratuity	35	3.12	110.23	-	61.55
Provision for compensated absences	35	4.02	128.39	2.69	80.69
		<u>7.14</u>	<u>238.62</u>	<u>2.69</u>	<u>142.24</u>

18. Trade payables**	As at 31 March 2019		As at 31 March 2018	
- Micro, small and medium enterprises #		-		-
- Trade payables to related parties (Refer to note 37)		338.54		686.69
- Other trade payables		6,314.82		7,036.71
		<u>6,653.36</u>		<u>7,723.40</u>

# There are no micro, small and medium enterprises, to whom the Group owes dues, which are outstanding for more than 45 days as at the end of the year. The information as required to be disclosed in relation to micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Group.

Particulars	As at 31 March 2019	As at 31 March 2018
(a) The principal amount remaining unpaid to any supplier at the end of the year	-	-
(b) The interest due on principal amount remaining unpaid to any supplier as at the end of year	-	-
(c) The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"); along with the amount of payment made to the supplier beyond the appointed day during the year	-	-
(e) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED act	-	-
(f) The amount of interest accrued and remaining unpaid at the end of year	-	-
(g) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expense under the MSMED Act	-	-

\*\* The Group's exposure to currency and liquidity risk related to trade payables is disclosed in note 33.

19. Other financial liabilities	As at 31 March 2019		As at 31 March 2018	
Current maturities of non-current borrowings (refer note 16)		992.57		1,122.15
Capital creditors		105.69		104.52
Salaries, wages and bonus and other employee payable		738.56		343.99
Interest accrued but not due on borrowings		110.13		107.68
		<u>1,946.95</u>		<u>1,678.34</u>

20. Other current liabilities	As at 31 March 2019		As at 31 March 2018	
Deferred revenue		222.57		181.71
Statutory dues		116.49		94.00
Advances from customers		287.59		727.48
		<u>626.65</u>		<u>1,003.19</u>

21. Current tax liabilities (net)	As at 31 March 2019		As at 31 March 2018	
Provision for income tax (net of advance tax Rs. 733.33; 31 March 2018 Rs. 17.92)		307.43		63.47
		<u>307.43</u>		<u>63.47</u>





**Ethos Limited**
**Notes to the consolidated financial statements for the year ended 31 March 2019**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*
**22. Revenue from operations**

	Year ended 31 March 2019	Year ended 31 March 2018
Sale of products (net of applicable tax)	43,744.10	35,367.87
Sale of services	547.16	168.13
Other operating revenues	120.51	73.19
	<u>44,411.77</u>	<u>35,609.19</u>

**23. Other income**

	Year ended 31 March 2019	Year ended 31 March 2018
Interest income under the effective interest rate method on:-		
-fixed deposits	13.13	11.36
-security deposits at amortised cost	83.71	82.39
Miscellaneous	1.02	82.01
	<u>97.86</u>	<u>175.76</u>

**24. Purchase of stock-in-trade**

	Year ended 31 March 2019	Year ended 31 March 2018
Purchases during the year	34,988.34	27,309.88
	<u>34,988.34</u>	<u>27,309.88</u>

**25. Changes in inventories of stock-in-trade**

	Year ended 31 March 2019	Year ended 31 March 2018
Opening inventory	17,103.29	16,898.58
Less: closing inventory	(20,556.94)	(17,103.29)
(Increase) in inventory	<u>(3,453.65)</u>	<u>(204.71)</u>

**26. Employee benefits expense**

	Year ended 31 March 2019	Year ended 31 March 2018
Salaries, wages and bonus	3,023.45	2,033.50
Contribution to provident and other funds	142.48	114.09
Share based payments	-	11.76
Staff welfare expenses	146.59	109.64
	<u>3,312.52</u>	<u>2,268.99</u>

**27. Finance costs**

	Year ended 31 March 2019	Year ended 31 March 2018
Interest expense on financial liabilities measured at amortised cost	712.15	618.91
Dividend on redeemable preference shares classified as financial liability measured at amortised cost	-	14.40
Other borrowing cost	53.24	24.96
	<u>765.39</u>	<u>658.27</u>

**28. Depreciation and amortisation expense**

	Note	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation of property, plant and equipment	3	472.36	394.18
Amortisation of other intangible assets	4	12.15	13.18
		<u>484.51</u>	<u>407.36</u>

**29. Other expenses**

	Year ended 31 March 2019	Year ended 31 March 2018
Power and fuel	123.06	104.50
Service cost expense	51.43	71.40
Insurance	35.74	42.77
Rent (net of reimbursements) (refer note 40)	3,068.20	2,420.46
Rates and taxes	66.26	12.36
Repair and maintenance	130.97	99.80
Foreign exchange loss (net)	134.61	196.59
Travelling and conveyance	296.08	215.12
Advertisement and sales promotion (refer note 37)	1,277.74	717.62
Directors sitting fees	33.27	16.97
Printing and stationery	17.69	14.13
Recruitment expenses	17.56	24.03
Telephone and telex	70.28	65.96
Postage and telegram	188.20	155.37
Legal and professional fees (refer note 30)	251.91	192.15
Bank charges	341.33	292.76
Bad debts	21.53	-
Advances / deposits written off	16.88	55.84
Loss on sale of Fixed assets	0.12	-
Property, plant and equipments written off (net)	-	34.39
Miscellaneous expenses	87.01	92.22
	<u>6,229.87</u>	<u>4,824.44</u>



**Ethos Limited**
**Notes to the consolidated financial statements for the year ended 31 March 2019**
*(All amounts in ₹ lakhs, except for share data and if otherwise stated)*

	Year ended 31 March 2019	Year ended 31 March 2018
<b>30. Payment to auditors</b>		
As auditor		
Statutory audit	12.50	12.00
Limited review of special purpose quarterly results	6.75	6.75
In other capacity		
Certification work	3.40	3.30
Other services	2.25	-
Reimbursement of expenses	1.85	0.88
	<u>26.75</u>	<u>22.93</u>

	Year ended 31 March 2019	Year ended 31 March 2018
<b>31. Tax expense</b>		
<i>a) Income tax recognised in statement of profit and loss</i>		
<b>Current tax</b>		
Current year	1,013.61	81.39
Changes in estimates related to prior years	(29.93)	-
	<u>983.68</u>	<u>81.39</u>
<b>Deferred tax</b>		
Attributable to-		
Origination and reversal of temporary differences	(137.88)	39.93
	<u>(137.88)</u>	<u>39.93</u>
Total tax expense recognised in the current year	<u>845.80</u>	<u>121.32</u>

The above tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 31 March 2019	Year ended 31 March 2018
<b>Profit before tax</b>		
Tax at the Indian tax rate of 34.94% (previous year 34.94%)	762.62	181.94
Effect of expenses that are not deductible in determining taxable profit	51.08	9.01
Effect of tax (benefit) / expense pertaining to prior years	29.93	(63.10)
Others	2.17	(6.53)
<b>Income tax expenses recognised in statement of profit and loss</b>	<u>845.80</u>	<u>121.32</u>

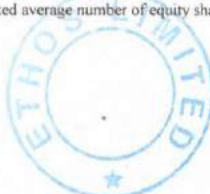
The tax rate used for the current year reconciliation above is the corporate tax rate of 34.94% (previous year 34.94%) payable by corporate entities in India on taxable profits under the Indian tax law.

*b) Income tax expense recognised in other comprehensive income*

	Year ended 31 March 2019	Year ended 31 March 2018
<b>Deferred tax assets/(liabilities)</b>		
<i>Arising on income and expenses recognised in other comprehensive income</i>		
-Remeasurement of defined benefit obligation	10.40	(2.36)
<b>Total income tax recognised in other comprehensive income</b>	<u>10.40</u>	<u>(2.36)</u>
<i>Bifurcation of the income tax recognised in other comprehensive income into:-</i>		
Items that will not be reclassified to profit or loss	10.40	(2.36)
Items that may be reclassified to profit or loss	-	-
	<u>10.40</u>	<u>(2.36)</u>

	Year ended 31 March 2019	Year ended 31 March 2018
<b>32. Earning per share</b>		
<b>A. Basic earnings per share</b>		
i Profit / (loss) for basic earning per share of Rs. 10 each		
Profit / (loss) for the year	1,336.85	399.40
Less : dividend on convertible preference shares, net of tax	126.58	126.58
	<u>1,210.27</u>	<u>272.82</u>
ii Weighted average number of equity shares for (basic)		
Opening Balance	13,203,895	13,203,895
Effect of fresh issue of shares	3,157,568	867,611
	<u>16,361,463</u>	<u>14,071,506</u>
<b>Basic Earnings per share (face value of Rs 10 each)</b>	<u>7.40</u>	<u>1.94</u>
<b>B. Diluted earnings per share</b>		
i Profit / (loss) for diluted earning per share of Rs. 10 each	1,336.85	399.40
ii Weighted average number of equity shares for diluted		
Opening Balance*	13,203,895	13,203,895
Effect of fresh issue of shares*	3,734,491	1,945,820
	<u>16,938,386</u>	<u>15,149,715</u>
<b>Diluted earnings per share (face value of Rs 10 each)</b>	<u>7.40</u>	<u>1.94</u>

\* For the year ended 31 March 2019, 154,250 options and 576,923 convertible preference shares (31 March 2018: 171,750 options and 576,923 convertible preference shares) were excluded from calculation of diluted weighted average number of equity shares as their effect would have been anti-dilutive.





# **Ethos Limited**

Notes to the consolidated financial statements for the year ended 31 March 2019  
(all amounts in £ lakhs, except for share data and if otherwise stated)

## **33. Financial instruments - fair values and risk management**

### **I. Accounting classification and fair values**

The following table shows the carrying amounts and fair value of financial assets and financial liabilities including their level in the fair value hierarchy:

Financial instruments by category and fair values	Note	Level of hierarchy	As at 31 March 2019		As at 31 March 2018			
			FVTPL	Amortised cost	FVOCI	FVTPL	Amortised cost	FVOCI
Financial assets								
Non-current								
Loans	(b)	3	-	1,024.27	-	-	910.75	-
Other financial assets	(b)	3	-	120.97	-	-	215.03	-
Current								
Trade receivables	(a)	3	-	814.05	-	-	645.62	-
Cash and cash equivalents	(a)	3	-	855.68	-	-	728.91	-
Loans	(b)	3	-	405.54	-	-	367.99	-
Other financial assets	(d)	2	-	6.71	-	2.80	9.51	-
Total Financial Assets			-	3,227.22	-	2.80	2,877.81	-
Financial liabilities								
Non-current								
Borrowings (including current maturities)	(c)	3	-	2,402.22	-	-	2,231.44	-
Current								
Borrowings	(c)	3	-	5,304.30	-	-	4,098.84	-
Trade payables	(a)	3	-	6,653.36	-	-	7,723.40	-
Other financial liabilities	(a), (d)	2	-	954.38	-	-	556.20	-
Total Financial liabilities			-	15,314.26	-	-	14,609.87	-

#### **Note:**

- Fair valuation of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instruments.
- Fair value of non-current financial assets has not been disclosed as there is no significant differences between carrying value and fair value.
- The fair value of borrowings is based upon a discounted cash flow analysis that used the aggregate cash flows from principal and finance costs over the life of the debt and current market interest rates.
- The fair value of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The model incorporate various inputs include the credit quality of counter-parties and foreign exchange forward rates.
- The investment in subsidiary is measured at cost less impairment losses.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2019 and 31 March 2018.



## Ethos Limited

Notes to the consolidated financial statements for the year ended 31 March 2019

(All amounts in ₹ lakhs, except for share data and if otherwise stated)

### II. Financial risk management

#### (i) Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to effect changes in market conditions and Group's activities. The Group, through its training and management standards and procedures, aims to maintain discipline and constructive control environment in which all employees understand their roles and obligations.

The Group's audit committee oversees how management monitors compliance with Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risk faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to audit committee.

The Group has exposure to the following risks arising from financial instruments:

- Credit risk (see (ii));
- Liquidity risk (see (iii)); and
- Market risk (see (iv))

#### (ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit risk exposure and arises principally from the Group's receivable from customers and loans.

##### *Trade receivables and Loans*

The Group's retail business is pre-dominantly on cash and carry basis which is largely through credit-card collections. The credit risk on such collections is minimal, since they are primarily owned by customers' card issuing banks. The Group has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is managed by the Group by credit worthiness checks. The Group also carries credit risk on lease deposits with landlords for store properties taken on leases, for which agreements are signed and property possessions timely taken for store operations. The risk relating to refunds after store shut down is managed through successful negotiations or appropriate legal actions, where necessary.

The Group's experience of delinquencies and customer disputes have been minimal. Further, Trade and other receivables consist of a large number of customers, across geographies within India, hence, the Group is not exposed to concentration risks.

##### *Cash and cash equivalents*

The Group holds cash and cash equivalents of Rs. 855.68 lakhs at 31 March 2019 (31 March 2018: Rs. 728.91). The cash and cash equivalents are held with scheduled banks.

#### (iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to manage liquidity is to have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed circumstances, without incurring unacceptable losses or risking damage to the Group's reputation.

Management manages the liquidity risk by monitoring cash flow forecasts on a periodic basis and maturity profiles of financial assets and liabilities. This monitoring takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities. The Group will continue to consider various borrowings of leasing options to maximize liquidity and supplement cash requirements as necessary.





*Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments. \*

**31 March 2019**

31 March 2019	Contractual cash flow			
	Total	Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities				
-Borrowings(including current maturities)	7,706.52	6,296.87	1,409.65	-
-Trade payables	6,653.36	6,653.36	-	-
-Capital creditors	105.69	105.69	-	-
-Salaries, wages and bonus payable	738.56	738.56	-	-
-Interest accrued but not due on borrowings	110.13	110.13	-	-
	<b>15,314.26</b>	<b>13,904.61</b>	<b>1,409.65</b>	<b>-</b>

**31 March 2018**

31 March 2018	Contractual cash flow			
	Total	Less than 1 year	1-5 years	More than 5 years
Non derivative financial liabilities				
-Borrowings(including current maturities)	6,330.27	5,221.09	1,109.18	-
-Trade payables	7,723.40	7,723.40	-	-
-Capital creditors	104.52	104.52	-	-
-Salaries, wages and bonus payable	343.99	343.99	-	-
-Interest accrued but not due on borrowings	107.68	107.68	-	-
	<b>14,609.86</b>	<b>13,500.68</b>	<b>1,109.18</b>	<b>-</b>

**(iv) Market Risk****a) Product price risk**

In a potentially inflationary economy, the Group expects periodical price increases across its retail product lines. Product price increases which are not in line with the levels of customers' discretionary spends, may affect the business/retail sales volumes. Since the Group operates in luxury category, the demand is reasonably inelastic to changes in price. However, the Group continually monitor and compares prices of its products in other developed markets as its customers tend to compare prices across markets. In the event that prices deviate significantly unfavorably from the markets, the Group negotiates with its principals for change of prices. The Group also manages the risk by offering judicious product discounts to retail customers to sustain volumes. The Group negotiates with its vendors for purchase price rebates such that the rebates substantially absorb the product discounts offered to the retail customers. This helps the Group protect itself from significant product margin losses.



## b) Interest rate risk

The Group is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Group are principally denominated in rupees with a mix of fixed and floating rates of interest. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The exposure of the Group's borrowing to interest rate changes as reported to the management at the end of the reporting period are as follows

	As at 31 March 2019	As at 31 March 2018
Fixed rate borrowings	2,476.21	2,973.16
Floating rate borrowings	5,230.31	3,357.12
	<b>7,706.52</b>	<b>6,330.28</b>

## Interest rate sensitivity analysis

A reasonably possible change of 0.50 % in interest rates at the reporting date would have affected the profit or loss by the amounts shown below. This analysis has been determined based on the exposure to interest rates for floating rate liabilities assuming the amount of liability outstanding on the year-end was outstanding for the whole year.

	Profit / (Loss) before tax	
	Strengthening	Weakening
For the year ended 31 March 2019		
Interest rate (0.5% movement)	(26.15)	26.15
For the year ended 31 March 2018		
Interest rate (0.5% movement)	(16.79)	16.79

## c) Currency risk

The Group is exposed to currency risk to the extent that there is mismatch between the currencies in which purchases are denominated and the functional currency of the Group. The currencies in the which the Group is exposed to risk are CHF, USD, EUR, SGD. The Group evaluates this risk on a regular basis and appropriate risk mitigating steps are taken, including but not limited, entering into forward contracts.

## Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows :

	CHF	USD	SGD	EUR
31 March 2019				
Trade payables	1,595.25	18.38	5.86	28.80
Net exposure of recognised financial liability	1,595.25	18.38	5.86	28.80
31 March 2018				
Trade payables	2,160.69	731.60	71.48	32.12
Less: Forward contract outstanding		(687.89)	-	-
Net exposure of recognised financial liability	2,160.69	43.71	71.48	32.12

## Sensitivity analysis

A reasonably possible strengthening (weakening) of CHF, USD, SGD, EUR against INR (₹) at the end of the year, would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact on forecast purchases

	Profit / (Loss) (before tax)		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
31 March 2019				
CHF (1% movement)	(15.95)	15.95	(10.38)	10.38
SGD (1% movement)	(0.06)	0.06	(0.04)	0.04
EUR (1% movement)	(0.29)	0.29	(0.19)	0.19
USD (1% movement)	(0.18)	0.18	(0.12)	0.12
31 March 2018				
CHF (1% movement)	(21.61)	21.61	(14.06)	14.06
SGD (1% movement)	(0.32)	0.32	(0.21)	0.21
EUR (1% movement)	(0.71)	0.71	(0.47)	0.47
USD (1% movement)	(7.32)	7.32	(4.76)	4.76

CHF: Swiss Franc USD: US Dollar, SGD: Singapore Dollar, EUR: Euro.

## 34. Capital Management

## (i) Risk management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management monitors the return on capital. The Group monitors capital using a ratio of 'adjusted net debt' to 'total equity'. For this purpose, adjusted net debt is defined as total borrowings net of cash and cash equivalents and other bank balances. Equity comprises all components of equity (as shown in the Balance Sheet).

The Group's adjusted net debt to equity ratio was as follows.

	31 March 2019	31 March 2018
Total liabilities	16,494.10	15,821.45
Less: cash and cash equivalents	(855.68)	(728.91)
Adjusted net debt	15,638.42	15,092.54
Total equity	13,388.37	9,160.73
Adjusted net debt to equity ratio	1.17	1.65

## (ii) Dividends not recognized at the end of reporting period

Cumulative preference dividend not recognised on 12% cumulative  
Compulsory convertible preference shares, 14% cumulative compulsory  
Convertible preference shares including dividend distribution taxes

Total

	31 March 2019	31 March 2018
	553.12	426.54
	<b>553.12</b>	<b>426.54</b>





## 35 Employee benefits

## I. Assets and liabilities relating to employee benefits

	As at 31 March 2019	As at 31 March 2018
<i>Non-current</i>		
Liability for gratuity	110.23	61.55
Liability for compensated absences	128.39	80.69
	<u>238.62</u>	<u>142.24</u>
<i>Current</i>		
Liability for gratuity	3.12	-
Liability for compensated absences	4.02	2.69
	<u>7.14</u>	<u>2.69</u>
	<u>245.76</u>	<u>144.93</u>

For details about the related employee benefit expenses, refer to note no. 37.

## II. Defined benefit plan - Gratuity

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The Group made annual contributions to the LIC of India of an amount advised by the LIC.

The above defined benefit plan exposes the Group to following risks:

*Interest rate risk:*

The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

*Salary inflation risk:*

Higher than expected increases in salary will increase the defined benefit obligation.

*Demographic risk:*

This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The Group has not changed the processes used to manage its risks from previous periods. The funds are managed by specialised team of Life Insurance Corporation of India.

a) *Funding*

Gratuity is a funded benefit plan for qualifying employees. 100% of the plan assets are managed by LIC. The assets managed are highly liquid in nature and the Group does not expect any significant liquidity risks.

The expected contribution to defined benefit plan in 2019-2020 is insignificant.

b) *Reconciliation of present value of defined benefit obligation*

	As at 31 March 2019	As at 31 March 2018
Balance at the beginning of the year	99.87	98.39
Benefits paid	(11.47)	(16.98)
Current service cost	22.80	21.22
Interest cost	7.49	7.87
Actuarial (gains) / losses on experience adjustments recognised in other comprehensive income	28.52	(10.64)
<b>Balance at the end of the year</b>	<b>147.21</b>	<b>99.87</b>

c) *Reconciliation of the present value of plan assets*

	As at 31 March 2019	As at 31 March 2018
Balance at the beginning of the year	38.32	49.94
Contributions paid into the plan	5.38	5.23
Interest Income	2.87	4.00
Benefits paid	(11.47)	(16.98)
Return on plan assets recognised in other comprehensive income	(1.23)	(3.87)
<b>Balance at the end of the year</b>	<b>33.87</b>	<b>38.32</b>

d) *Expense recognised in profit or loss*

	Year ended 31 March 2019	Year ended 31 March 2018
Current service cost	22.80	21.22
Interest Income	(2.87)	(4.00)
Interest cost	7.49	7.87
	<u>27.42</u>	<u>25.09</u>

e) *Remeasurements recognised in other comprehensive income*

	Year ended 31 March 2019	Year ended 31 March 2018
Actuarial (gain) / loss on defined benefit obligation	28.52	(10.64)
Return on plan assets less / (greater) than discount rate	1.23	3.87
	<u>29.75</u>	<u>(6.77)</u>

f) *Plan assets*

100% of the plan assets are managed by LIC

g) *Actuarial assumptions*

	As at 31 March 2019	As at 31 March 2018
Discount rate (per annum)	7.50% p.a.	8.00% p.a.
Future salary growth rate (per annum)	5.00% p.a.	5.00% p.a.
Retirement age	58 years	58 years

Assumptions regarding future mortality are based on Indian Assured Lives Mortality (IALM) (2006-08) rates.



**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	As at 31 March 2019		As at 31 March 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(19.82)	16.69	(13.18)	11.94
Future salary growth rate (1% movement)	19.92	(17.05)	13.31	(12.23)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methods (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

**h) Expected benefit payments**

Undiscounted amount of expected benefit payments for next 10 years are as follows:

	As at 31 March 2019	As at 31 March 2018
Within 1 year	4.51	3.19
1-2 year	4.15	3.71
2-3 year	4.33	5.09
3-4 year	4.19	4.81
4-5 year	4.11	6.08
5-10 years	70.22	48.17

**III. Defined contribution plans**

The Group makes contribution, determined as a percentage of employee salaries, in respect of qualifying employees towards Provident fund, which is a defined contribution plan. The Group has no obligation other than to make the specified contributions. The Group has recognised Rs. 106.10 (previous year Rs. 80.60) during the year as expense towards contribution to these plans.

**IV. Share based payments****a) Description of share-based payment arrangement**

As at 31 March 2019, the Group has the following share-based payment arrangements.

**b) Employee Stock Option Scheme (equity-settled)**

In the Extraordinary General Meeting held on 10.03.2014, the shareholders approved the issue of options not exceeding 3,50,000 options under the Scheme titled "Ethos Employee Stock Option Plan - 2013".

The ESOP allows the issue of options to eligible employees of the Group. Each option comprises one underlying equity share.

As per the Scheme, the Compensation Committee grants the options to the employees deemed eligible. The exercise price of each option shall be equal to the "Market Price" as defined in the Scheme. The options granted vest as follows: Options may be exercised within 3 years of vesting.

1. 50% of the options granted to the selected employee shall vest on 1st October 2017 in case there is continuation of his service till the date of vesting.

2. 50% on the first day of the financial year subsequent to the achievement of billing of Rs. 50,000 lakhs in any financial year by the Group, subject to the continuation of service till the date of vesting. However there shall remain a gap of minimum one year between the date of grant and the date of vesting under this clause. The compensation committee shall declare such date as and when it is triggered.

The Group has in its Compensation Committee meeting on 04.08.2014 granted outstanding 3,500 options to employee of the holding Group. The above options have been issued by the Compensation Committee in accordance with the terms & conditions of the "Ethos Employee Stock Option Plan - 2013".

**c) Reconciliation of outstanding share option**

Particulars	During the year ended 31 March 2019		During the year ended 31 March 2018	
	Options (numbers)	Weighted average exercise price per option (Rs.)	Options (numbers)	Weighted average exercise price per option (Rs.)
<b>Ethos Employee Stock Option Scheme - 2013</b>				
Option outstanding at the beginning of the year	171,750	120	228,000	120
Granted during the year	-	-	-	-
Vested during the year	-	-	-	-
Exercised during the year	-	-	21,250	120
Lapsed during the year	17,500	120	35,000	-
Options outstanding at the end of the year	154,250	120	171,750	120
Options available for grant at the end of year	-	-	-	-
Options exercisable at the end of the year	-	-	-	-
No. of shares arising out of the options outstanding	154,250	120	171,750	120
<b>Ethos Employee Stock Option Scheme - 2013</b>				
Option outstanding at the beginning of the year	3,500	120	3,500	120
Granted during the year	-	-	-	-
Vested during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Options outstanding at the end of the year	3,500	120	3,500	120
Options available for grant at the end of year	-	-	-	-
Options exercisable at the end of the year	-	-	-	-
No. of shares arising out of the options outstanding	3,500	120	3,500	120

The options outstanding as at 31 March 2019 have an exercise price of Rs. 120 (31 March 2018 : Rs. 120) and a weighted average remaining contractual life in the range of 1.16 to 1.56 years (31 March 2018 : 2.16 to 2.56 years).

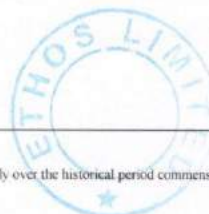
**d) Expense recognized in statement of profit and loss**

Particulars	As at 31 March 2019	As at 31 March 2018
Expense arising from equity-settled share based payment transaction (including options lapsed during the year)	(7.81)	11.76

**e) The fair value of the options has been determined under the Black-Scholes model and the inputs used in the measurement of the grant-date fair**

Assumptions	As at 31 March 2019	As at 31 March 2018
Fair value at grant date	35.54/56.08	35.54/56.08
Share price at grant date	120.00	120.00
Exercise price	120.00	120.00
Risk Free Interest Rate-KRL1/KRL2/Ethos	7.60%/7.60%	7.60%/7.60%
Expected Life (years) -KRL1/KRL2/Ethos	4.56/4.16	4.56/4.16
Expected Annual Volatility of Shares	40%-60%	40%-60%
Expected dividend yield (in %)	1.58%	1.58%

\*Expected volatility has been based on an evaluation of the historical volatility of the Group's share price, particularly over the historical period commensurate with the expected term.





**ETHOS LIMITED**

Notes to the consolidated financial statements for the year ended 31 March 2019  
(All amounts are in Indian Rupees, except for share data, and if otherwise stated)

**36. Contingent liabilities, commitments and other matters**  
(to the extent not provided for)

**i) Claims against the Group not acknowledged as debts, under dispute**

	As at 31 March 2019	As at 31 March 2018
a) Income Tax matters	15.53	-
b) Civil and Consumer matters	-	0.54
c) Value Added Tax matters	1,000.71	-
	<b>1,016.24</b>	<b>0.54</b>
ii) <i>Arrears of fixed cumulative dividend on 12% cumulative compulsory convertible preference shares, 14% cumulative compulsory convertible preference shares including dividend distribution taxes</i>	553.12	426.54
iii) <i>Commitments</i>		
-Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	188.96	66.31
-amount payable under non- cancellable leases	7,241.79	7,112.58
	<b>7,430.75</b>	<b>7,178.89</b>
iv) During the year 2011-2012, pursuant to the visit of the officers of Directorate general of Central excise intelligence (DGCEI) in the premises of the Group on 18 August 2011, the Group had reversed the input service tax credit of Rs. 170 lakhs in its service tax return which was availed by the Group in previous years. The above amount was reversed as per the opinion of the officials of DGCEI. The Group, on the basis of legal opinion obtained, is of the view that the Group is entitled to this input service tax credit. Since, the amount was reversed under protest and without prejudice to the legal rights of the Group, the Group has shown the above amount of Rs. 170 lakhs reversed as claim receivable under the head "Long term loans and advances". During the financial year 2012-13, the Group had received a notice from DGCEI whereby, the Group had been called upon to show cause as to why service tax amounting to Rs. 6.63 lakhs which had been short paid and CENVAT credit amounting to Rs. 242.77 lakhs wrongly availed should not be demanded and recovered. The Group had filed the reply to the show cause notice with the Commissioner-Central Excise and Service Tax, Chandigarh. The authority has confirmed the demand except Rs. 6.63 lakhs. Further, the authority has imposed a penalty of Rs. 242.77 lakhs. Being aggrieved against the order of Commissioner- Central Excise and Service Tax, the Group has preferred appeal with CESTAT and the matter is sub-judice with CESTAT, Chandigarh. Due to the pending adjudication of the appeal, liability on this account has not been provided in the accounts.		
v) In addition, the Group is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Group's management does not expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect on the Group's results of operations or financial condition.		
vi) Pursuant to recent judgement by the Hon'ble Supreme Court dated 28 February 2019, it was held that basic wages, for the purpose of provident fund, to include special allowances which are common for all employees. However, there is uncertainty with respect to the applicability of the judgement and period from which the same applies. Owing to the aforesaid uncertainty and pending clarification from the authorities in this regard, the Group has not recognised any provision for the periods prior to 28 February 2019. Further, management also believes that the impact of the same on the Group will not be material.		

**37. Related parties**
**I. Related parties and nature of related party relationship, where control exists:**

Description of Relationship	Name of the Party
Ultimate Holding Company	KDDL Limited (KDDL)

**II. Other related parties with whom transactions have taken place:**

Description of Relationship	Name of the Party
Fellow Subsidiaries	Mahen Distribution Limited Pylania SA
Entities over which significant influence is exercised by the Key Management Personnel	Saboo Coatings Private Limited VBL Innovations Private Limited Vardhan Properties & Investment Limited
Entities over which significant influence is exercised by relative of the Key Management Personnel	Dream Digital Technology Private Limited (DDTPL)* Saboo Ventures LLP Saboo Housing Projects LLP
Key Management Personnel and relatives	Mr. Y. Saboo (Managing director) Mr. Pranav Saboo (CEO) <b>Relatives of Managing director</b> Mr. R. K. Saboo Mrs. Anuradha Saboo Mrs. Usha Saboo  <b>Key Management Personnel</b> Mr. C. Raja Sekhar Mr. Anil Dhumani
Directors	Mr. Anil Khanna Mr. N. Subramanian Mr. Sundeep Kumar Mrs. Neelima Tripathi Mr. Dilpreet Singh Mr. Mohaimin Altaf Mr. Rajat Kakar
Relatives of Director	Mrs. Alka Khanna (Wife of Mr. Anil Khanna) Mrs. Poonam Prakash (Sister of Mr. Anil Khanna) Mr. Apoorv Tripathi (Son of Mrs. Neelima Tripathi)

\* DDTPL was a public limited company till 01 June 2016. With effect from 02 June 2016, DDTPL is now a private limited company.



## III. Transactions with related parties

Nature of transactions	As at 31 March 2019	As at 31 March 2018
a) Purchase of goods	1,593.39	1,129.38
- KDDL Limited	-	0.24
- Pylania SA	1,593.39	1,129.14
b) Sales of goods	77.43	1,028.89
- Saboo Coatings Limited	-	0.08
- KDDL Limited	6.70	9.04
- Mahen Distribution Limited	-	1,009.28
- Saboo Ventures LLP	58.07	2.07
- Mr. R. K. Saboo	12.66	8.00
- Mr. Y. Saboo	-	0.09
- Mr. Pranav Saboo	-	0.33
c) Employee benefits	242.94	69.61
Short-term employee benefits		
- Mrs. Anuradha Saboo	6.36	6.02
- Mr. Raja Sekhar	92.53	55.08
- Mr. Anil Dhiman	8.85	8.51
- Mr. Pranav Saboo	135.20	-
d) Interest expenses	71.12	52.39
- Mr. R. K. Saboo	8.37	8.75
- Vardhan Properties & Investment Limited	1.00	17.10
- Dream Digital Technology Private Limited	12.25	9.76
- Mr. Y. Saboo	3.76	2.49
- Saboo Ventures LLP	40.00	14.14
- Saboo Housing Projects LLP	0.70	0.15
- Mr. Anil Khanna	2.18	-
- Mrs. Aika Khanna	0.67	-
- Mrs. Poonam Prakash	0.86	-
- Mrs. Usha Devi Saboo	1.34	-
e) Rent expense	14.50	13.26
- KDDL Limited	7.57	13.26
- Mr. Y. Saboo	6.93	-
f) Rent Received	15.00	26.29
- KDDL Limited	-	17.70
- Dream Digital Technology Private Limited	-	0.14
- Mahen Distribution Limited	15.00	8.45
g) Publicity and advertisement	30.13	71.48
- Dream Digital Technology Private Limited	-	65.48
- KDDL Limited	6.00	6.00
- Pylania SA	24.13	-
h) Reimbursement of expenses incurred on behalf of Ethos Limited	184.23	15.39
- KDDL Limited	184.23	12.51
- Dream Digital Technology Private Limited	-	2.88
i) Reimbursement received for expenses	24.97	8.64
- KDDL Limited	-	5.73
- Dream Digital Technology Private Limited *	-	1.94
- Mahen Distribution Limited	0.58	0.97
- Pylania SA	24.39	-
j) Sale of Property, plant and equipment	0.21	-
- KDDL Limited	0.21	-
k) Purchase of Property, plant and equipment	46.31	-
- KDDL Limited	41.90	-
- Pylania SA	4.41	-
l) Consultancy fees paid	2.64	-
- Apoorv P. Tripathi (Advocate)	2.64	-
m) Director Fees	33.27	16.80
-Mr. Y. Saboo	4.50	3.75
-Mr. Anil Khanna	8.78	4.90
-Mr. N. Subramanian	8.25	4.30
-Mr. Rajat Kakar	-	1.65
-Mr. Sundeep Kumar	3.86	1.10
-Mrs. Neelima Tripathi	0.97	1.10
-Mr. Dilpreet Singh	3.86	-
-Mr. Mohaimin Altaf	3.05	-





**ETHOS LIMITED**

Notes to the consolidated financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees, except for share data, and if otherwise stated)

Nature of transactions	As at	As at
	31 March 2019	31 March 2018
n) Loan taken	-	1,067.00
- Mr. R K Saboo	-	-
- Vardhan Properties & Investment Limited	-	510.00
- Dream Digital Technology Private Limited	-	50.00
- Mr. Y Saboo	-	100.00
- Saboo Ventures LLP	-	400.00
- Saboo Housing Projects LLP	-	7.00
o) Loan paid	70.00	650.00
- Vardhan Properties & Investment Limited	-	600.00
- Mr. Y Saboo	-	50.00
- Mr. R K Saboo	70.00	-
p) 12% Cumulative redeemable preference shares redeemed	-	300.00
- KDDL Limited	-	300.00
q) Interest on 12% redeemable preference shares	-	14.40
- KDDL Limited	-	14.40
r) Financial guarantee expenses	0.75	0.50
- KDDL Limited	0.75	0.50
s) Equity shares issued / converted	17.12	196.83
- KDDL Limited	17.12	171.98
- Mr. Y Saboo	-	10.59
- Mr. Anil Khanna	-	0.63
- Mr. R K Saboo	-	9.09
- Mrs. Anuradha Saboo	-	2.27
- Mr. N. Subramanian	-	2.27
* Including fresh equity shares allotted & 12% cumulative convertible preference shares 136,363		
t) Share premium received	482.87	2,428.67
- KDDL Limited	482.87	2,178.02
- Mr. R K Saboo	-	90.91
- Mr. Y Saboo	-	107.40
- Mrs. Anuradha Saboo	-	22.73
- Mr. Anil Khanna	-	6.88
- Mr. N. Subramanian	-	22.73
* Including premium on equity shares allotted & on conversion of 12% cumulative convertible preference shares		
<b>IV. Outstanding balances as at year end</b>		
Particulars	As at	As at
	31 March 2019	31 March 2018
Payables	338.54	686.69
- Dream Digital Technology Private Limited	-	12.38
- KDDL Limited	228.95	41.64
- Pylania SA	100.71	632.67
- Saboo Ventures LLP	8.88	-
Receivables / Advances	417.77	515.75
- Mahen Distribution Limited	417.77	515.75
Security deposit given	6.77	6.77
- KDDL Limited	6.77	6.77



**ETHOS LIMITED**

Notes to the consolidated financial statements for the year ended 31 March 2019

(All amounts are in Indian Rupees, except for share data, and if otherwise stated)

Particulars	As at 31 March 2019	As at 31 March 2018
12% Cumulative compulsory convertible preference shares	<b>201.00</b>	<b>201.00</b>
- KDDL Limited	25.00	25.00
- VBL Innovations Private Limited	26.00	26.00
- Dream Digital Technology Private Limited	10.00	10.00
- Mr. R K Saboo	60.00	60.00
- Mr. Y Saboo	25.00	25.00
- Mrs. A Saboo	55.00	55.00
Equity Share Capital	<b>1,336.76</b>	<b>1,319.64</b>
- Mahen Distribution Limited	229.32	229.32
- KDDL Limited	1,039.47	1,022.35
- Mr. Y Saboo	12.51	12.51
- Mr. C. Raja Sekhar	1.06	1.06
- Mr. R K Saboo	9.09	9.09
- Mrs. A Saboo	2.27	2.27
- Saboo Ventures LLP	32.27	32.27
- Vardhan Properties & Investment Limited	5.00	5.00
- Mr. N. Subramanian	5.14	5.14
- Mr. Anil Khanna	0.63	0.63
Unsecured loans	<b>634.15</b>	<b>637.00</b>
- Dream Digital Technology Private Limited	100.00	100.00
- Vardhan Properties & Investment Limited	10.00	10.00
- Mr. R K Saboo	-	70.00
- Mr. Y Saboo	-	50.00
- Saboo Ventures LLP	400.00	400.00
- Saboo Housing Projects LLP	7.00	7.00
- Mr. Anil Khanna	20.00	-
- Mrs. Alka Khanna	5.61	-
- Mrs. Poonam Prakash	6.54	-
- Mrs. Usha Devi Saboo	85.00	-
Deemed capital contribution	<b>50.51</b>	<b>50.51</b>
- KDDL Limited - 12% cumulative redeemable preference shares	36.00	36.00
- KDDL Limited - financial guarantee	14.51	14.51
Employee benefits	<b>71.50</b>	-
Short-term employee benefits		
- Mr. Raja Sekhar	21.50	-
- Mr. Pranav Saboo	50.00	-
Guarantees taken by the company	<b>17,131.72</b>	<b>17,292.24</b>
- KDDL Limited	5,929.18	5,969.31
- Mr. R K Saboo	4,979.18	5,019.31
- Mr. Y Saboo	5,929.18	5,969.31
- Mrs. Usha Saboo	294.18	334.31

**V. Terms and conditions**

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions and within the ordinary course of business.





## 38. Segment information

## Operating segments

## Basis for segmentation

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chairman and Managing Director to make decisions about resources to be allocated to the segments and assess their performance.

The Group has two reportable segments, as described below, which are the Group's strategic business units. These business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the business units, the Group's Chairman and Managing Director reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments.

Reportable segments	Operations
Watch and accessories	Trading of watches and accessories
Marketing and other support services	IT based business solutions

## Information about reportable segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (before tax), as included in the internal management reports that are reviewed by the Group's Chairman and Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Year ended 31 March 2019			
	Watch and watch accessories	Marketing support and other services	Total
Segment revenue:			
- External revenues	44,237.46	174.31	44,411.77
- Inter-segment revenue	-	697.57	697.57
<b>Total segment revenue</b>	<b>44,237.46</b>	<b>871.88</b>	<b>45,109.34</b>
<b>Segment profit (loss) before income tax</b>	<b>1,845.66</b>	<b>336.99</b>	<b>2,182.65</b>
Segment profit (loss) before income tax includes:			
- Interest revenue	96.84	-	96.84
- Interest expense	759.67	5.72	765.39
- Depreciation and amortisation	477.33	7.18	484.51
- Share of profit (loss) of equity accounted investees	-	-	-
<b>Segment assets</b>	<b>29,060.55</b>	<b>189.97</b>	<b>29,250.52</b>
Segment assets include:			
- Capital expenditure during the year	1,270.50	27.59	1,298.09
<b>Segment liabilities</b>	<b>28,565.83</b>	<b>106.96</b>	<b>28,672.79</b>
Year ended 31 March 2018			
	Watch and watch accessories	Marketing support and other services	Total
Segment revenue:			
- External revenues	35,609.19	-	35,609.19
- Inter-segment revenue	-	-	-
<b>Total segment revenue</b>	<b>35,609.19</b>	<b>-</b>	<b>35,609.19</b>
<b>Segment profit (loss) before income tax</b>	<b>520.95</b>	<b>(0.23)</b>	<b>520.72</b>
Segment profit (loss) before income tax includes:			
- Interest revenue	96.84	-	96.84
- Interest expense	658.27	-	658.27
- Depreciation and amortisation	407.36	-	407.36
<b>Segment assets</b>	<b>24,308.78</b>	<b>42.94</b>	<b>24,351.72</b>
Segment assets include:			
- Capital expenditure during the year	1,183.63	-	1,183.63
<b>Segment liabilities</b>	<b>9,490.94</b>	<b>0.23</b>	<b>9,491.17</b>

## 39. Additional information- Reconciling Gross Sales (including billing under consignment arrangement and Sales tax / Goods and services tax) with net sales:

	As at 31 March 2019	As at 31 March 2018
Sales (gross including Sales tax / Goods and services tax)	51,531.13	42,021.47
Less: Sales tax / GST	(7,239.87)	(6,485.47)
<b>Net sales</b>	<b>44,291.26</b>	<b>35,536.00</b>

The Company's sales model comprises of outright sales of purchased goods to customers as well as items placed on a consignment basis with the Company, though billed by the Company. As a revenue recognition policy, consignment sales are not part of the Company's sales in the Statement of Profit and Loss since only the related commission income forms part of the other operating income.

## 40. The Company has taken a number of showrooms, warehouses under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clauses in some of the cases. Lease term ranges from 6 months to 9 years. Lease payments (gross of reimbursements) charged during the year to the Statement of Profit and Loss aggregate (excluding taxes as applicable) Rs. 3,237.11 (previous year ended 31 March 2018: Rs. 2,553.75) [including Rs. 175.54 towards cancellable lease (previous year Rs. 264.44)]

	As at 31 March 2019	As at 31 March 2018
<b>Future minimum lease payments due</b>		
Within one year	2,034.26	1,839.25
Later than one year and not later than five years	4,449.96	4,229.60
More than 5 years	757.57	1,043.72
<b>Total</b>	<b>7,241.79</b>	<b>7,112.57</b>



**ETHOS LIMITED**  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(All amounts are in Indian Rupees, except for share data, and if otherwise stated)

41 Additional information pursuant to paragraph 2 of Division II of Schedule III to the Companies Act 2013 - General instructions for the preparation of consolidated financial statements of Division II of Schedule III.

As at 31 March 2019

Name of the entity in the Group	Net Assets		Share in profit/ (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit/ (loss)	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
<b>Parent</b>								
Ethos Limited	100.00%	13,171.28	83.74%	1,119.51	100.00%	(19.36)	77.42%	1,100.15
<b>Subsidiaries</b>								
<b>Indian</b>								
Cognition Digital LLP	1.97%	260.04	16.26%	217.35	0.00%	-	22.01%	217.35
Elimination	-1.97%	(260.04)	0.00%	-	0.00%	-	6.54%	-
<b>Total</b>	<b>100.00%</b>	<b>13,171.28</b>	<b>100.00%</b>	<b>1,336.86</b>	<b>100.00%</b>	<b>(19.36)</b>	<b>100.00%</b>	<b>1,317.50</b>

As at 31 March 2018

Name of the entity in the Group	Net Assets		Share in profit/ (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit/ (loss)	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
<b>Parent</b>								
Ethos Limited	100.00%	9,160.96	100.00%	399.63	4.39%	4.41	100.06%	404.04
<b>Subsidiaries</b>								
<b>Indian</b>								
Cognition Digital LLP	0.47%	42.71	-0.06%	(0.23)	24.81%	-	-0.06%	(0.23)
Eliminations	-0.47%	(42.94)	0.00%	-	-	-	0.00%	-
<b>Total</b>	<b>100.00%</b>	<b>9,160.73</b>	<b>100.00%</b>	<b>399.40</b>	<b>100.00%</b>	<b>4.41</b>	<b>100.00%</b>	<b>403.81</b>

As per our report of even date attached

For **B S R & Co. LLP**  
Chartered Accountants  
Firm Registration No. 101248W/W-100022

*Adhir Kapoor*  
Adhir Kapoor  
Partner  
Membership No. : 098297

For and on behalf of the Board of Directors of Ethos Limited

*Y. Subbarao*  
Y. Subbarao  
Managing Director  
DIN 00012158

*Anil Khanna*  
Anil Khanna  
Director  
DIN 00012232

*C. Raja Sekhara*  
C. Raja Sekhara  
Chief Executive Officer

*Anil Duggan*  
Anil Duggan  
Company Secretary

Place New Delhi  
Date 04 May 2019

Place New Delhi  
Date 04 May 2019