

B S R & Co. LLP

**Ethos Limited**

**Statutory Audit for the year ended**

**31 March 2017**

# B S R & Co. LLP

Chartered Accountants

First Floor, SCO 22 - 23  
Sector - 8C, Madhya Marg  
Chandigarh - 160 019, India

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## **Independent Auditor's Report To the Members of Ethos Limited**

### **1. Report on the Financial Statements**

We have audited the accompanying financial statements of Ethos Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information ("financial statements").

### **2. Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **3. Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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



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

#### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017, and its loss and its cash flows for the year ended on that date.

#### 5. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the 'Annexure A', a Statement of the matters specified in paragraphs 3 and 4 of the Order.
- (ii) As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of the written representations received from the directors as on 31 March 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B'; and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer to Note 27 of the financial statements;
    - (ii) The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses; and
    - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

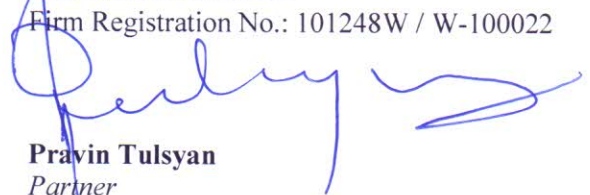


- (iv) The Company has provided requisite disclosures with regard to the holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures performed by us and relying on the management representation we report that the disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management. Also refer to note 38 to the financial statements.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm Registration No.: 101248W / W-100022



**Pravin Tulsyan**

*Partner*

Membership No: 108044

Place: Mumbai  
Date: 26 May 2017



**Annexure A referred to in paragraph 5(i) of the Independent Auditors' Report to the Members of Ethos Limited on the financial statements for the year ended 31 March 2017, we report that"**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the Company has physically verified its movable fixed assets during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) According to the information and explanations given to us, the Company does not have any immovable property. Accordingly, para 3(i)(c) of the order is not applicable.
- (ii) According to the information and explanation given to us, the inventories, except goods-in-transit, has been physically verified by the management during the year. The discrepancies noticed on such verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Thus, paragraphs 3(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 of the Act, to the extent applicable. The Company has not made any investments and hence the provisions of section 186 of the Act is not applicable to the Company.
- (v) In our opinion and according to the information and explanations given to us, the Company has complied with the provision of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under where applicable, the directives issued by the Reserve bank of India as applicable with regard to deposits accepted from the public. As informed to us, there have been no proceedings before the Company Law Board or National Company Law Tribunal and Reserve Bank of India or any court or any other tribunal in this matter and no order has been passed by any of the aforesaid authorities in this regard.
- (vi) The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Act for the activities performed by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax, Service tax, duty of Customs, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities, except for Service tax and Professional tax where there has been a slight delay in a few cases. As explained to us, the Company did not have any dues on account of duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax,





Service tax, duty of Customs, cess and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Sales tax, Value added tax, Income tax, service tax, cess and duty of Customs which have not been deposited with the appropriate authorities on account of any dispute except as mentioned below:

Name of the Statue	Nature of the Dues	Amount Disputed Rs.#	Amount deposited Rs.	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	732,754	732,754	Assessment Year 2012-13	Income tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2,608,650	-	Assessment Year 2013-14	Commissioner of Income tax (Appeals)
Income Tax Act, 1961	Income Tax	4,795,720	719,358	Assessment Year 2014-15	Commissioner of Income tax (Appeals)
Finance Act, 1994	CENVAT credit (including penalty)	48,553,342	17,000,000*	Financial Year 2008-09 to 2010-11	Customs, Excise and Service Tax Appellate Tribunal

# amounts as per demand order including interest and penalty, whichever indicated in the order

\* paid under protest by utilising the balance in CENVAT credit.

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans and borrowings from banks and financial institution. Further, according to the information and explanations given to us, the Company has neither issued any debentures nor taken any loans or borrowings from government during the year or outstanding as at 31 March 2017.
- (ix) According to the information and explanations given to us, the term loan taken by the Company has been applied for the purposes for which it was raised. As informed to us, the Company has not raised any moneys by way of initial public offer (including debt instruments) or further public offer.
- (x) According to the information and explanations given to us, no fraud on or by the Company by its officers or employees has been noticed or reported during the course of audit for the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with the provision of section 197 read with Schedule V of the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company and thus paragraph 3 (xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

- (xiv) According to the information and explanations given to us, the Company has duly complied with the requirements of section 42 of the Act, in respect of preferential allotment of shares made during the year. The Company has neither made any private placement of shares nor issued any fully or partly convertible debentures during the year. However, proceeds from issue of equity shares amounting to Rs.29,999,865 which has been received during the year, remaining unutilized as at 31 March 2017 and is included in balances with banks in current accounts. Also refer to note 16 to the financial statements. Further, the amount received during the year have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with him during the year. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For B S R & Co. LLP

Chartered Accountants

Firm registration no.: 101248W / W-100022

  
**Pravin Tulsyan**

Partner

Membership No:108044

Place: Mumbai

Date: 26 May 2017



**Annexure B referred to in paragraph 5(ii)(f) to the Independent Auditor's report of even date on the Financial Statements of Ethos Limited being Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Ethos Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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 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 Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

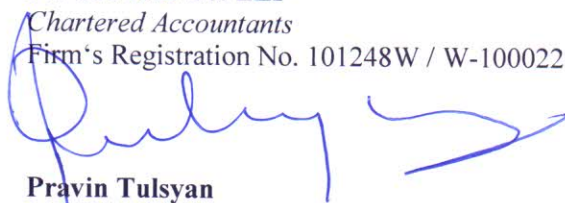
### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

*For B S R & Co. LLP*

*Chartered Accountants*

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



**Pravin Tulsyan**

*Partner*

Membership No.:108044

Place: Mumbai  
Date: 26 May 2017



**ETHOS LIMITED****Balance Sheet as at 31 March 2017***(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

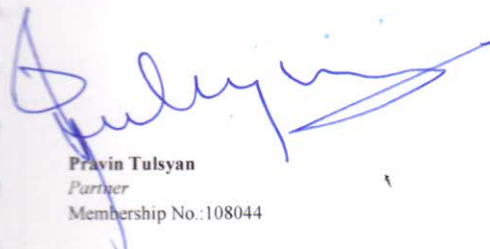
	Note	As at 31 March 2017	As at 31 March 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	358,040,040	319,569,100
Reserves and surplus	4	<u>288,521,583</u>	<u>251,803,352</u>
		646,561,623	571,372,452
<b>Non-current liabilities</b>			
Long-term borrowings	5	106,869,726	102,731,009
Long-term provisions	6	<u>12,017,805</u>	<u>7,769,706</u>
		118,887,531	110,500,715
<b>Current liabilities</b>			
Short-term borrowings	7	506,326,443	540,609,932
Trade payables	8	-	-
Total outstanding dues of micro enterprises and small enterprises		646,429,391	687,322,160
Other current liabilities	9	185,823,330	162,160,417
Short-term provisions	6	<u>9,928,995</u>	<u>9,281,788</u>
		1,348,508,159	1,399,374,297
<b>TOTAL</b>		<b><u>2,113,957,313</u></b>	<b><u>2,081,247,464</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	10		
Tangible assets		94,893,430	118,216,619
Intangible assets		4,105,827	5,438,921
Capital work-in-progress		<u>2,270,389</u>	<u>3,870,156</u>
		101,269,646	127,525,696
Deferred tax assets (net)	11	-	-
Long-term loans and advances	12	146,470,366	129,286,872
Other non-current assets	13	<u>481,150</u>	<u>8,172,994</u>
		248,221,162	264,985,562
<b>Current assets</b>			
Inventories	14	1,667,539,340	1,637,868,381
Trade receivables	15	50,994,752	55,543,239
Cash and bank balances	16	98,730,346	63,899,615
Short-term loans and advances	17	47,461,846	57,980,827
Other current assets	18	<u>1,009,867</u>	<u>969,840</u>
		1,865,736,151	1,816,261,902
<b>TOTAL</b>		<b><u>2,113,957,313</u></b>	<b><u>2,081,247,464</u></b>
<b>Significant accounting policies</b>	2		

The notes referred to above form an integral part of these financial statements.  
As per our report of even date attached

For **BSR & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W/ W-100022

  
**Pravin Tulsyan**  
 Partner

Membership No.: 108044


 Place: **Mumbai**  
 Dated: 26 May 2017

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

  
**Y. Saboo**  
 Managing Director  
 DIN No. 00012158

  
**C. Raj Sekhar**  
 Chief Financial Officer

 Place: Chandigarh  
 Dated: 26 May 2017

  
**Anil Khanna**  
 Director  
 DIN No. 00012232

  
**Anil Dhanan**  
 Company Secretary



**ETHOS LIMITED****Statement of Profit and Loss for the year ended 31 March 2017***(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

	Note	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Revenue from operations</b>	19		
Sale of products		3,239,531,434	3,258,097,827
Sale of services		17,583,310	13,406,351
Other operating revenues		16,047,313	15,208,314
		<u>3,273,162,057</u>	<u>3,286,712,492</u>
Other income	20	2,514,118	1,176,804
<b>Total revenue</b>		<u><b>3,275,676,175</b></u>	<u><b>3,287,889,296</b></u>
<b>Expenses</b>			
Purchase of stock-in-trade	21	2,567,626,682	2,676,937,690
Changes in inventories of stock-in-trade	22	(29,670,959)	(171,575,236)
Employee benefits expense	23	203,595,996	201,739,624
Finance costs	24	79,145,437	82,474,732
Depreciation and amortisation expense	10	37,904,319	37,817,066
Other expenses	25	491,910,662	506,778,488
<b>Total expenses</b>		<u><b>3,350,512,137</b></u>	<u><b>3,334,172,364</b></u>
<b>(Loss)/Profit before tax for the year</b>		<b>(74,835,962)</b>	<b>(46,283,068)</b>
<b>Tax expenses</b>			
Current tax		-	-
Deferred tax	11	-	13,178,014
Tax expense for earlier years		-	5,419
<b>(Loss)/Profit after tax for the year</b>		<u><b>(74,835,962)</b></u>	<u><b>(59,466,501)</b></u>
<b>(Loss)/Earning per equity share</b>			
Basic (Par value of Rs.10 each)	26	(8.45)	(7.54)
Diluted (Par value of Rs.10 each)	26	(8.45)	(7.54)
<b>Significant accounting policies</b>	2		

The notes referred to above form an integral part of these financial statements.  
As per our report of even date attached

For **BSR & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W/ W-100022

**Pravin Tulsyan**

Partner

Membership No.:108044

Place: Mumbai

Dated: 26 May 2017

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

  
**Anil Dhiman**

Company Secretary

Place: Chandigarh

Dated: 26 May 2017

**ETHOS LIMITED**
**Cash Flow Statement for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (Loss) before taxes	(74,835,962)	(46,283,068)
Adjustments for:		
Depreciation and amortisation expense	37,904,319	37,817,066
Advances / deposits written off	-	1,654,333
Fixed assets written off (Net)	6,750,574	3,070,740
Finance costs	79,145,437	82,474,732
Liabilities / provisions no longer required, written back	(3,731,723)	(12,772,033)
Amortisation of premium on forward exchange contracts	5,032,604	4,625,643
Amortisation of Employee stock option scheme	25,439	25,509
Interest income	(860,091)	(1,058,172)
Unrealised foreign exchange gain	(3,271,209)	2,087,604
<b>Operating profit before working capital changes</b>	<b>46,159,388</b>	<b>71,642,354</b>
Adjustments for:		
(Increase) in inventories	(29,670,959)	(171,575,236)
Decrease/(increase) in trade and other receivables	4,548,487	(21,591,792)
(Increase) in long term loans and advances	(1,924,466)	(301,961)
Decrease in short term loans and advances	14,092	4,948,955
Decrease/(increase) in other non-current assets	6,850,980	(6,878,189)
(Increase) / decrease in other current assets	(69,903)	143,455
(Decrease) in trade payables	(33,013,624)	(3,272,761)
Increase in other current liabilities	40,128,163	18,206,093
Increase in short-term provisions	647,207	634,290
Increase in long-term provisions	4,248,099	957,259
<b>Cash generated from/(used in) operating activities before taxes</b>	<b>37,917,463</b>	<b>(107,087,533)</b>
Direct Taxes paid / (refunds) (net)	3,041,201	23,030,480
<b>Net cash generated from/(used in) operating activities</b>	<b>34,876,262</b>	<b>(130,118,013)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets, including capital advances and capital work in progress	(26,363,314)	(33,029,007)
Proceeds from sale of fixed assets	480,525	-
Interest received	889,967	1,067,365
Bank deposits (having original maturity of more than three months)	9,999,516	(8,497,793)
Security deposits for leased / licenced stores	300,990	3,361,267
<b>Net cash (used in) financing activities</b>	<b>(14,692,315)</b>	<b>(37,098,168)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity share capital (including share premium)	119,999,694	115,628,490
Proceeds from issue of preference share capital	30,000,000	-
Proceeds from deposits from shareholder's	23,135,000	37,281,000
Proceeds from long term borrowings from others	20,000,000	117,000,000
Repayment of long term borrowings to banks	(18,312,454)	(24,157,630)
Repayment of long term borrowings to others	(40,000,000)	(70,000,000)
Decrease in short term borrowings (net)	(32,334,274)	76,470,987
Finance costs paid	(78,682,530)	(82,829,271)
<b>Net cash generated from financing activities</b>	<b>23,805,436</b>	<b>169,393,576</b>
<b>Increase in cash and cash equivalents (A+B+C)</b>	<b>43,989,383</b>	<b>2,177,395</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>46,609,011</b>	<b>44,431,616</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>90,598,394</b>	<b>46,609,011</b>

**Notes:**
**1 Components of cash and cash equivalents include:**

	As at 31 March 2017	As at 31 March 2016
Cash in hand	8,653,786	23,205,836
Cheques in hand	4,377,331	2,631,078
Credit cards receivable	6,249,003	10,207,511
Balance with banks		
Current accounts	71,318,274	10,564,586
<b>Cash and cash equivalents at the end of the year</b>	<b>90,598,394</b>	<b>46,609,011</b>

2 The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standards-3 on Cash Flow Statement specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

The notes referred to above form an integral part of these financial statements.  
As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/ W-100022

Pravin Tulsyan

Partner

Membership No. 108044

Place Mumbai

Dated: 26 May 2017

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

Y. Saboo

Managing Director

DIN No 00012158

C. Raja Sekhar

Chief Financial Officer

Place Chandigarh

Dated: 26 May 2017

Anil Khanna

Director

DIN No 00012232

Anil Dhillon

Company Secretary



## **ETHOS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2017**

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

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#### **1. Company overview**

Ethos Limited ('Ethos' or 'the Company'), a subsidiary of KDDL Limited, is a limited liability company incorporated on 5 November 2007 under the provisions of the Companies Act, 1956. The Company's business consists of trading of watches, accessories and luxury items and rendering of related after sale services.

#### **2. Significant Accounting Policies**

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

These financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, in accordance with the Indian Generally Accepted Accounting Principles (GAAP) and comply with the Accounting Standards referred to in section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the relevant provisions of the Companies Act, 2013, pronouncements of the Institute of Chartered Accountants of India and other accounting principles generally accepted in India, to the extent applicable, as adopted consistently by the Company. 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. The financial statements for the year ended 31 March 2017 have been prepared as per the requirements of Schedule III of the Companies Act, 2013.

The financial statements are presented in Indian rupees.

##### **b) Use of estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles in India (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 financial statements... Examples of such estimates are estimated useful life of assets, provision for doubtful debts, retirement benefits, etc. Actual results could differ from those estimates and are recognised in the year in which the results are known or materialize. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### **c) Current-non-current classification**

All assets and liabilities are classified into current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.



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## ETHOS LIMITED

Notes to the financial statements for the year ended 31 March 2017

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

### Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

### Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of the products and time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

#### d) Fixed assets and depreciation

##### *Tangible fixed assets and depreciation*

Tangible Fixed assets are carried at cost of acquisition less accumulated depreciation/amortisation and accumulated impairment loss, if any. Cost comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs incurred to bring the assets to their location and working condition and includes all expenses incurred up to the date of launching new stores to the extent they are attributable to the new stores. Advances paid towards acquisition of tangible fixed assets outstanding at each Balance Sheet date, are shown under long-term loans and advances and cost of assets not ready for intended use before the year end, are shown as capital work-in-progress.

Subsequent expenditure related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

Depreciation on tangible assets is provided using the straight line method as per the rates corresponding to the useful life specified in Schedule II to the Companies Act, 2013 read with the





## **ETHOS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2017**

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

notification dated 29 August 2014 of the Ministry of Corporate Affairs except for office equipment being mobile phones which are depreciated over the estimated life of two years from the date of capitalization

Depreciation on additions is provided on a pro-rata basis from the date of acquisition/ installation. Depreciation on sale/ deduction from tangible fixed assets is provided for upto the date of sale/ adjustment, as the case may be.

A tangible fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal. Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and are shown under 'Other current assets'. Losses arising from retirement or gains or losses arising from disposal of tangible fixed assets which are carried at cost are recognized in the Statement of Profit and Loss.

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

#### ***Intangible fixed assets and amortisation***

Intangible fixed assets comprise computer software purchased and are stated at acquisition cost less accumulated amortisation and impairment loss, if any. The cost of an item of intangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs of bringing the asset to its working condition for its intended use. Advances paid towards acquisition of intangible fixed assets outstanding at each Balance Sheet date, are shown under long-term loans and advances.

Intangible assets (software) are amortized over the estimated life of six years from the date of capitalization.

An intangible asset 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 an intangible 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.

#### **e) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date in accordance with Accounting Standard – 28 on 'Impairment of Assets', to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. For the purpose of impairment testing, assets are grouped together into smallest group of assets (Cash Generating Unit or CGU) that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the CGU.

Impairment losses are recognised in the Statement of Profit and Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment





**ETHOS LIMITED****Notes to the financial statements for the year ended 31 March 2017****(All amounts are in Indian Rupees, except for share data, and if otherwise stated)**

loss is reversed 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.

**f) Inventories**

Inventories comprise traded goods which are valued at the lower of cost or net realisable value. Cost of inventories includes all costs incurred in bringing the inventories to their present location and condition. In determining the cost, the weighted average cost method is used.

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

**g) Employee Benefits**

The Company's obligations towards various employee benefits have been recognised as follows:

*Short term employee benefits*

All employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus, etc., are recognised in the Statement of Profit and Loss in the period in which the employee renders the related service.

*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 has no obligation to pay any further amounts. The Company 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 Company'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:*

Gratuity is a defined benefit plan. The administration of the gratuity scheme has been entrusted to the Life Insurance Corporation of India ('LIC'). Contributions are made by the Company to the LIC based on actuarial valuation of obligation conducted by the LIC. Such contributions paid during the year have been charged to the Statement of Profit and Loss on accrual basis. The Company also carries out an actuarial valuation conducted by an independent actuary as at 31 March every year for Company as a whole. Any incremental value of obligation, as compared with the obligation determined by the LIC is charged to the Statement of Profit and Loss.

*Actuarial valuation*

The present value of obligations under such defined benefit plan is determined based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation.





**ETHOS LIMITED****Notes to the financial statements for the year ended 31 March 2017****(All amounts are in Indian Rupees, except for share data, and if otherwise stated)**

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating the terms of related obligations. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

*Other long term employee benefits*

Compensated absences

Benefits under the Company's compensated absences constitute other long term employee benefits, recognised as an expense in the Statement of Profit and Loss for the period in which the employee has rendered services. Estimated liability on account of these benefits is actuarially determined based on the projected unit credit method, using the yield on government bonds, as on the date of the balance sheet, as the discounting rate. Actuarial gains and losses are charged to the Statement of Profit and Loss.

**h) Revenue recognition**

Revenue from sale of goods is recognised when property in the goods or on transfer of all significant risks and rewards of ownership to the buyer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection. The amount recognised as revenue is exclusive of sales tax/value added taxes (VAT) and is net of returns, trade discounts.

Commission from sale of goods, received on consignment basis, is recognised on accrual basis.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

**i) Foreign currency transactions**

Foreign exchange transactions are recorded using the exchange rate prevailing on the date of the transaction. Exchange differences arising on transactions settled during the year are recognised in the Statement of Profit and Loss of the year. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the exchange rates on that date and the resultant exchange differences are recognised in the Statement of Profit and Loss.

The premium or discount on a forward exchange contract taken to hedge foreign currency risk of an existing asset / liability is recognised over the period of contract. The amount is recognised in the Statement of Profit and Loss.

**j) 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. 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, except where the results would be anti- dilutive. 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 financial statements for the year ended 31 March 2017****(All amounts are in Indian Rupees, except for share data, and if otherwise stated)****k) Operating Leases**

Assets acquired under leases other than finance leases are classified as operating leases. Lease rentals in respect of assets taken on operating lease are charged on a straight-line basis to the Statement of Profit and Loss except for those where other systematic basis is available. The Company's business consists of trading of watches, accessories and luxury items and rendering of related after sales services. Such activities are carried out largely through premises taken under operating lease / leave and license arrangements. Such arrangements normally call for security deposits, refundable at the end of the term of arrangement. The Company considers such deposits as a part of investing activities, being deposited for long term real estate/leased premises and which are refundable

**l) Taxes on Income**

Income tax expense comprises current tax (that is amount of tax for the year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing difference between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset is recognised using the tax rates that have been enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each balance sheet date to reassess realisation. However, where there are carried forward losses or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

**m) Other Provisions, Contingent Liabilities and contingent assets**

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis. Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred and the amount can be estimated reliably.

Club Echo points, accrued to the customer as a part of the loyalty programme is provided for based on the management's past experience.

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 are neither recognised nor disclosed in the financial statements





**ETHOS LIMITED****Notes to the financial statements for the year ended 31 March 2017****(All amounts are in Indian Rupees, except for share data, and if otherwise stated)**

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The company does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, asset and related income is recognised in the financial statements of the period in which the change occurs.

**n) Cash and cash equivalents:**

Cash and cash equivalents include cash in hand, balance with bank in current accounts, cheques in hand and credit card receivables.

**o) Employee Stock Option plan:**

The Stock options granted to the employees under the stock options schemes are accounted at intrinsic value as per the guidance note on Employee share based payments issued by the Institute of Chartered Accountants of India. Accordingly, the excess of market price, determined as per the guidance note, of equity shares over the exercise price of the options is recognised as deferred stock compensation expense and is charged to statement of profit and loss on a straight line basis over the vesting period of the options. The amortised portion of the cost is shown under shareholders' funds.



**ETHOS LIMITED**
**Notes to financial statements for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

	As at 31 March 2017		As at 31 March 2016	
3. Share capital	Number of shares	Amount	Number of shares	Amount
<i>Authorised</i>				
Equity shares of Rs. 10 each	13,750,000	137,500,000	13,050,000	130,500,000
12% cumulative optionally convertible preference shares of Rs. 65 each	300,000	19,500,000	300,000	19,500,000
12% cumulative compulsory convertible preference shares of Rs. 110 each	1,200,000	132,000,000	1,200,000	132,000,000
14% cumulative compulsory convertible preference shares of Rs. 130 each	576,924	75,000,120	576,924	75,000,120
12% cumulative redeemable preference shares of Rs. 100 each	1,000,000	100,000,000	-	-
12% non-cumulative redeemable preference shares of Rs. 100 each	1,500,000	150,000,000	-	-
		<b>614,000,120</b>		<b>357,000,120</b>
<i>Issued subscribed and fully paid up</i>				
Equity shares of Rs.10 each fully paid up	13,203,895	132,038,950	12,356,801	123,568,010
12% cumulative compulsory convertible preference shares of Rs. 110 each fully paid up	1,100,010	121,001,100	1,100,010	121,001,100
14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up	576,923	74,999,990	576,923	74,999,990
12% cumulative redeemable preference shares of Rs. 100 each fully paid up	300,000	30,000,000	-	-
		<b>358,040,040</b>		<b>319,569,100</b>

(a) *Right preferences and restrictions attached to equity shares*

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.

(b) *Right preferences and restrictions attached to preference shares*

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 1,100,010 12% cumulative compulsorily convertible preference shares of Rs 110 each fully paid up is 3 (three) years from the date of allotment in equal number of equity shares of face value of Rs 10 each at a premium of Rs 100 (and any cumulative dividend remaining unpaid) at the end of 3 (three) years. During the previous year, the Company in a Board meeting and with the consent of shareholders has extended the date of conversion of 12% cumulative compulsory convertible preference shares of Rs.110 each by two years from the date of original maturities. Accordingly, these preference shares will be converted in various tranches commencing 26 July 2017.

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.

3,00,000 12% cumulative redeemable preference share of Rs.100 each fully paid up will be redeemed on 23 August 2017 i.e. one year from the date of allotment.

(c) *Reconciliation of shares outstanding*

	As at 31 March 2017		As at 31 March 2016	
	Number of shares	Amount	Number of shares	Amount
i) Equity shares of Rs. 10 each fully paid up				
At the beginning of the year	12,356,801	123,568,010	11,531,371	115,313,710
Add: issued during the year	847,094	8,470,940	769,430	7,694,300
Add: issued on exercise of employee stock options	-	-	56,000	560,000
At the end of the year	<b>13,203,895</b>	<b>132,038,950</b>	<b>12,356,801</b>	<b>123,568,010</b>
ii) 12% cumulative compulsory convertible preference shares of Rs. 110 each fully paid up				
At the beginning of the year	1,100,010	121,001,100	1,100,010	121,001,100
Add: issued during the year	-	-	-	-
At the end of the year	<b>1,100,010</b>	<b>121,001,100</b>	<b>1,100,010</b>	<b>121,001,100</b>
iii) 14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up				
At the beginning of the year	576,923	74,999,990	576,923	74,999,990
Add: issued during the year	-	-	-	-
At the end of the year	<b>576,923</b>	<b>74,999,990</b>	<b>576,923</b>	<b>74,999,990</b>
iv) 12% cumulative redeemable preference shares of Rs. 100 each fully paid up				
At the beginning of the year	-	-	-	-
Add: issued during the year	300,000	30,000,000	-	-
At the end of the year	<b>300,000</b>	<b>30,000,000</b>	<b>-</b>	<b>-</b>





**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

- (d) During the five years immediately preceeding 31 March 2017 ('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 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.

- (e) Shares held by ultimate holding company, holding company and their subsidiaries, associates

	As at 31 March 2017		As at 31 March 2016	
	Number of shares	Amount	Number of shares	Amount
Equity shares of Rs. 10 each fully paid up				
KDDL Limited (holding company and ultimate holding company)	8,503,736	85,037,360	7,656,642	76,566,420
Mahen Distribution Limited (fellow subsidiary)	2,293,150	22,931,500	2,293,150	22,931,500
12% cumulative compulsory convertible preference shares of Rs. 110 each fully paid up				
KDDL Limited (holding company and ultimate holding company)	136,363	14,999,930	136,363	14,999,930
14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up				
KDDL Limited (holding company and ultimate holding company)	19,230	2,499,900	19,230	2,499,900
12% cumulative redeemable preference shares of Rs. 100 each fully paid up				
KDDL Limited (holding company and ultimate holding company)	300,000	30,000,000	-	-

- (f) Particulars of shareholders holding more than 5% shares of the Company

	As at 31 March 2017		As at 31 March 2016	
	Number of shares	% holding	Number of shares	% holding
Equity shares of Rs. 10 each fully paid up held by				
KDDL Limited	8,503,736	64.4	7,656,642	62.0
Mahen Distribution Limited	2,293,150	17.4	2,293,150	18.6
Mr. Mukul Mahavir Agrawal	810,067	6.1	810,067	6.6
12% cumulative compulsory convertible preference shares of Rs. 110 each fully paid up held by				
Pulkit Sekhsaria	272,728	24.8	272,728	24.8
KDDL Limited	136,363	12.4	136,363	12.4
Ganga Properties Private Limited	100,000	9.1	100,000	9.1
Mr. R.K. Saboo	90,910	8.3	90,910	8.3
Mr. Yashovardhan Saboo	90,900	8.3	90,900	8.3
Mehak Finpro (India) Private Limited	90,910	8.3	90,910	8.3
Saboo Coatings Private Limited	90,909	8.3	90,909	8.3
Ritu Prashant Khemka	90,909	8.3	90,909	8.3
14% cumulative compulsory convertible preference shares of Rs. 130 each fully paid up held by				
Sixth Sense India Opportunities - I	248,373	43.1	248,373	43.1
Mr. Nikhil Vora	115,462	20.0	115,462	20.0
Mr. R.K. Saboo	46,155	8.0	46,155	8.0
Dream Digital Technology Private Limited (Dream) *	38,462	6.7	38,462	6.7
12% cumulative redeemable preference shares of Rs. 100 each fully paid up				
KDDL Limited	300,000	100.0	-	-

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

- (g) Employee stock options

Terms attached to stock options granted to employees of the company and its holding company are described in note 30 regarding employee share based payments.

#### 4. Reserves and surplus

	As at 31 March 2017	As at 31 March 2016
<i>Share premium account</i>		
At the commencement of the year	307,990,008	200,615,818
Add: premium received during the year	111,528,754	107,374,190
At the end of the year	<b>419,518,762</b>	<b>307,990,008</b>
<i>Capital reserve</i>		
At the commencement and end of the year	166,670	166,670
<i>Employee stock options outstanding account</i>		
At the commencement of the year	42,236	16,727
Expense for the year	25,439	25,509
	<b>67,675</b>	<b>42,236</b>
<i>(Deficit) Surplus in Statement of Profit and Loss</i>		
At the commencement of the year	(56,395,562)	3,070,939
Add (Loss)/profit for the year	(74,835,962)	(59,466,501)
Net (deficit)/surplus in the Statement of Profit and Loss	<b>(131,231,524)</b>	<b>(56,395,562)</b>
	<b>288,521,583</b>	<b>251,803,352</b>



**ETHOS LIMITED**
**Notes to financial statements for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

5. Long- term borrowings	Foot notes	Non-current portion		Current portion	
		As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
<i>Secured</i>					
Term loans					
-from bank	(i)	-	-	-	12,816,981
-from others	(ii)	33,742,408	37,364,165	3,621,757	4,906,182
Vehicle loans					
-from banks	(iii)	67,318	295,904	228,590	589,292
		33,809,726	37,660,069	3,850,347	18,312,455
<i>Unsecured</i>					
Inter corporate deposits					
-from related parties	(iv)	-	14,999,940	14,999,940	-
-from others	(v)	20,000,000	10,000,000	10,000,000	40,000,000
Loan from relatives of directors (refer note 28)	(vi)	-	7,000,000	7,000,000	-
Deposits from Shareholders	(vii)	53,060,000	33,071,000	7,356,000	4,210,000
		73,060,000	65,070,940	39,355,940	44,210,000
Less: amount shown under the head 'other current liabilities'- Refer to Note-9		-	-	43,206,287	62,522,455
		106,869,726	102,731,009	-	-

*Foot notes:*

- (i) Term Loans from bank (The Jammu & Kashmir Bank Limited) was secured by first charge on entire fixed assets both present and future of the Company. These limits was also secured by first charge on fixed assets of Ormapac unit at Chandigarh of KDDL Limited. This was further secured by the first and exclusive charge over land and building plant and machinery and office equipment of the Parwanoo unit of KDDL Limited excluding the assets purchased after 1 April 2005. This loan was also guaranteed by the Holding Company (KDDL Limited) and the director of the Company. The loan was repayable in 60 monthly installments of Rs. 1,583,000 each immediately from 11 November 2011. The rate of interest was 12.25% per annum and outstanding amount as on 31 March 2016 was repaid in 9 installments during the year.
- (ii) 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 Company. These limits are also guaranteed by the holding company, the director of the Company and relatives of the director. The rate of interest on the term loan is 12.75% per annum. The original Loan of Rs 45 million taken in March 2014 will be repaid in 120 monthly instalments and Rs 5 million taken in March 2014 will be repaid in 36 monthly instalments along with the interest. The loan outstanding as on 31 March 2017 is Rs.37.20 million(previous year Rs. 40.24 million) and Rs.0.16 million (previous year Rs. 2.03 million) respectively which will be repaid as per repayment schedule.
- (iii) Vehicle loans are secured against hypothecation of the specified vehicle purchased from proceeds of the said loan. The rate of interest on vehicle loans varies from 10.01% to 11.76% per annum. The above loans are repayable in monthly installments within a period of next two years (previous year three years) as per repayment schedule.
- (iv) Inter corporate deposit from related parties carry an interest rate ranging between 14% to 16% (previous year 14% to 16%) per annum and the same is repayable within 12 months (previous year after 12 months).
- (v) Inter corporate deposit from others carry an interest rate ranging between 12% to 14% (previous year 14% to 17%) per annum and the same are repayable as per the repayment schedule within one- two years (previous year one-two years).
- (vi) Unsecured loans from relative of directors carry an interest rate of 12.5% (previous year 12.5%) per annum and is repayable after 12 months.
- (vii) Deposits from Shareholders carry interest rate ranging between 10.5% to 12.5% (previous year 11% to 12.5%) per annum and carries a maturity period from 12 to 36 months from the respective date of deposits.
- (viii) There are no default in the repayment of any of the above loans taken by Company and interest due on them.

6. Provisions	Long Term		Short Term	
	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
<i>Provision for Employee Benefit</i>				
Compensated absences	7,172,755	6,421,675	296,638	221,920
Gratuity (refer note 29)	4,845,050	1,348,031	-	-
<i>Others</i>				
Club Echo points provision*	-	-	9,632,357	9,059,868
	<b>12,017,805</b>	<b>7,769,706</b>	<b>9,928,995</b>	<b>9,281,788</b>

Additional disclosures relating to certain provisions (as per AS 29-Provisions, Contingent liabilities and Contingent assets)

Particulars	Club Echo provision	
	As at 31 March 2017	As at 31 March 2016
At the commencement of the year	9,059,868	8,264,277
Add: provision created during the year	8,800,289	8,170,686
Less: amount utilised/reversed during the year	8,227,800	7,375,095
At the end of the year	<b>9,632,357</b>	<b>9,059,868</b>

\* Club Echo points provision represents provision accrued as part of customer loyalty program and is provided for on the basis of managements past experience





**ETHOS LIMITED**
**Notes to financial statements for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

7. Short-term borrowings	Foot notes	As at 31 March 2017	As at 31 March 2016
<i>Secured</i>			
Loans repayable on demand			
Cash credit and overdraft facilities from banks			
- IDBI Bank Limited	(i)	190,978,751	168,095,724
- The Jammu & Kashmir Bank Limited	(ii)	73,997,087	87,614,275
- The Bank of Maharashtra Limited	(iii)	194,618,975	206,395,371
Buyers' credit (IDBI Bank Limited)	(i)	46,731,630	38,504,562
Loan from others	(iv)	-	40,000,000
		<b>506,326,443</b>	<b>540,609,932</b>

*Foot notes:*

- (i) The cash credit, overdraft facilities and buyers' credit from IDBI Bank Limited 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 the Holding Company (KDDL Limited), personal guarantees of director of the Company and relative of the director. The rate of interest on cash credit and overdraft facilities as on 31 March 2017 is 11.85% (previous year 13%) per annum.
- (ii) The cash credit and overdraft facilities from The Jammu & Kashmir Bank Limited 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, plant and machinery and office equipment of the Parwanoo unit of KDDL Limited. These loans are also guaranteed by the Holding Company and personal guarantees of the director of the Company. The rate of Interest as on 31 March 2017 is 12.20% (previous year 12.25%) per annum.
- (iii) The cash credit and overdraft facilities from Bank of Maharashtra 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 holding company 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 the Holding Company, personal guarantee of director of the Company and relative of the director. The rate of interest as on 31 March 2017 is 11.50% (previous year 13.20%) per annum.
- (iv) The loan from others represent loan taken from Maverick Financial Services Pvt. Ltd. and the same is secured by shares and securities of holding company held by Sh. Y. Saboo, Managing Director of the Company. These limits are also secured by the personal guarantee of director of the Company. The rate of interest was 15% per annum and the same was repaid in the current year (previous year repayable within 12 months)

8. Trade payables	As at 31 March 2017	As at 31 March 2016
Due to micro and small enterprises*	-	-
Other than micro and small enterprises		
- To related parties	67,465,500	18,900,095
- Others	578,963,891	668,422,065
	<b>646,429,391</b>	<b>687,322,160</b>

\*The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of amounts payable to such enterprises as at the period/ year end has been made in the financial statements based on information available with the company as under :

Particulars	As at 31 March 2017	As at 31 March 2016
(a) The principal amount remaining unpaid to any supplier at the end of each accounting year;	-	-
(b) The interest due thereon remaining unpaid to any supplier at the end of each accounting year;	-	-
(c) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act");	-	-
(d) The amount of the payment made to the supplier beyond the appointed day during each accounting 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 this act;	-	-
(f) The amount of interest accrued and remaining unpaid at the end of each accounting 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;	-	-

9. Other current liabilities	As at 31 March 2017	As at 31 March 2016
Current maturities of long term debts (refer note 5)	43,206,287	62,522,455
Interest accrued but not due on borrowings	4,755,469	1,774,898
Creditors for fixed assets	2,207,555	2,644,970
Payable towards forward contracts	2,821,710	1,656,455
Advances from customers	56,177,733	19,887,278
Statutory liabilities	39,367,487	35,444,388
Payable to employees	37,287,089	38,229,973
	<b>185,823,330</b>	<b>162,160,417</b>



Notes to financial statements for the year ended 31 March 2017  
(All amounts are in Indian Rupees, except for share data, and if otherwise stated)

10. Fixed assets

Particulars	Gross block			Depreciation / Amortization			Net block
	As at 31 March 2016	Additions	Disposals/ Adjustment	As at 31 March 2017	Charge for the year	Disposals/ Adjustment	As at 31 March 2017
<b>Tangibles assets</b>							
Leasehold improvements	118,398,070	8,950,070	14,577,374	112,770,766	20,277,162	7,826,801	84,785,723
Plant and equipments	22,722,933	956,215	23,679,148	23,679,148	272,249		14,059,400
Furniture and fixtures	102,076,896	8,481,378	110,558,274	110,558,274	11,372,350	56,976,235	53,582,039
Vehicles	6,114,282	1,010,857	1,010,857	5,103,425	728,872	595,077	1,626,710
Office equipments	7,812,788	1,902,022	89,880	9,624,930	3,731,142	25,134	2,079,890
<b>Sub total (A)</b>	<b>257,124,969</b>	<b>20,289,685</b>	<b>15,678,111</b>	<b>261,736,543</b>	<b>36,381,775</b>	<b>8,447,012</b>	<b>94,893,430</b>
<b>Intangible assets</b>							
Software	17,046,361	189,450	-	17,235,811	1,522,544	-	13,129,984
<b>Sub total (B)</b>	<b>17,046,361</b>	<b>189,450</b>	<b>-</b>	<b>17,235,811</b>	<b>1,522,544</b>	<b>-</b>	<b>4,105,827</b>
<b>Total (A)+(B)</b>	<b>274,171,330</b>	<b>20,479,135</b>	<b>15,678,111</b>	<b>278,972,354</b>	<b>37,904,319</b>	<b>8,447,012</b>	<b>98,999,257</b>

As at 31 March 2016

Particulars	Gross block			Depreciation / Amortization			Net block
	As at 31 March 2015	Additions	Disposals/ Adjustment	As at 31 March 2016	Charge for the year	Disposals/ Adjustment	As at 31 March 2016
<b>Tangibles assets</b>							
Leasehold improvements	112,346,016	16,749,310	10,697,256	118,398,070	19,975,882	7,574,614	72,335,362
Plant and equipments	21,173,575	2,259,459	710,101	22,722,933	2,733,038	506,130	13,787,151
Furniture and fixtures	91,760,754	13,995,007	3,678,865	102,076,896	11,113,273	1,645,944	45,603,885
Vehicles	6,114,282	-	1,265,818	6,114,282	871,522	3,342,920	2,771,362
Office equipments	6,946,371	2,132,235	7,812,788	7,812,788	1,464,636	790,913	3,973,756
<b>Sub total (C)</b>	<b>238,340,998</b>	<b>35,136,011</b>	<b>16,352,040</b>	<b>257,124,969</b>	<b>36,158,351</b>	<b>10,517,601</b>	<b>138,908,350</b>
<b>Intangible assets<sup>a</sup></b>							
Software	16,049,012	1,103,803	106,454	17,046,361	1,658,715	85,627	11,607,440
<b>Sub total (D)</b>	<b>16,049,012</b>	<b>1,103,803</b>	<b>106,454</b>	<b>17,046,361</b>	<b>1,658,715</b>	<b>85,627</b>	<b>5,438,921</b>
<b>Total (C)+(D)</b>	<b>254,390,010</b>	<b>36,239,814</b>	<b>16,458,494</b>	<b>274,171,330</b>	<b>37,817,066</b>	<b>10,603,228</b>	<b>123,655,540</b>

Particulars	As at 31 March 2017	As at 31 March 2016
Capital work-in-progress	2,270,389	3,870,156
	<b>2,270,389</b>	<b>3,870,156</b>

<sup>a</sup> Remaining useful life of intangible assets are as under:

Particulars	As at 31 March 2017	As at 31 March 2016
Software	1-4 years	1-5 years





**ETHOS LIMITED**
**Notes to financial statements for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*
**11. Deferred tax asset (net)**
*Deferred tax assets on account of:*

	As at 31 March 2017	As at 31 March 2016
Excess depreciation as per books over depreciation as per Income tax Act, 1961	21,726,018	15,589,267
Provision for leave encashment	2,308,042	2,052,871
Provision for gratuity	1,497,121	416,542
Provision for bonus	87,985	798,610
Brought forward losses and unabsorbed depreciation	19,423,587	5,533,077
Other disallowances under Income tax Act, 1961	8,807,224	2,639,000
Deferred tax assets (a)	53,849,977	27,029,367
Deferred tax liabilities (b)	-	-
Net deferred tax assets/ (liabilities) [(a)-(b)]	53,849,977	27,029,367
Net deferred tax assets recognised *	-	-
Net deferred tax assets derecognised during the year	-	(13,178,014)

\* The Company has brought forward losses and unabsorbed depreciation under tax laws as at 31 March 2017 and 31 March 2016.

Accordingly in absence of sufficient evidence to demonstrate virtual certainty of taxable profits in the near future as required by Accounting Standard 22 'Accounting for taxes on Income', no deferred tax assets have been recognized in the current year and previous year.

**12. Long-term loans and advances**
*(Unsecured and considered good unless otherwise stated)*
*To parties other than related parties*

	Non-current portion		Current portion	
	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
Security and other deposits	88,085,275	82,913,983	36,485,685	41,957,973
Capital advances	9,593,689	2,547,154	-	-
Claim receivable (refer note 27)	17,000,000	17,000,000	-	-
CENVAT credit receivable	9,920,023	7,705,489	-	-
Advance tax	20,985,946	17,944,745	-	-
Prepaid expenses	293,263	382,047	5,110,974	5,381,901
Loan to employees	592,170	793,454	411,458	2,495,359
	<b>146,470,366</b>	<b>129,286,872</b>	<b>42,008,117</b>	<b>49,835,233</b>
Less: amount shown under short term loans and advances (refer note 17)	-	-	42,008,117	49,835,233
	<b>146,470,366</b>	<b>129,286,872</b>	<b>-</b>	<b>-</b>

**13. Other non-current assets**

Bank deposits (due to mature after 12 months of the reporting date)\*  
Insurance claim receivable

	As at 31 March 2017	As at 31 March 2016
Bank deposits (due to mature after 12 months of the reporting date)*	453,941	1,294,805
Insurance claim receivable	27,209	6,878,189
	<b>481,150</b>	<b>8,172,994</b>

\*Represent deposit receipt pledged with government authorities

**14. Inventories**
*(at the lower of cost or net realisable value)*

Stock-in-trade @

	As at 31 March 2017	As at 31 March 2016
Stock-in-trade @	1,667,539,340	1,637,868,381
	<b>1,667,539,340</b>	<b>1,637,868,381</b>

@ includes goods in transit of Rs. 11,948,014 (previous year Rs.5,715,924).



**ETHOS LIMITED**
**Notes to financial statements for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*
**15. Trade Receivables**
*(Unsecured and considered good unless otherwise stated)*

Receivables outstanding for a period exceeding six months from the date they became due for payments  
 Other receivables  
 -from related parties (refer note 28)  
 -from others

	As at 31 March 2017	As at 31 March 2016
Receivables outstanding for a period exceeding six months from the date they became due for payments	33,056,698	2,392,584
Other receivables	-	2,757,694
-from related parties (refer note 28)	17,938,054	50,392,961
-from others		
	<b>50,994,752</b>	<b>55,543,239</b>

**16. Cash and bank balances**

Cash and cash equivalents  
 Balances with banks in current accounts#  
 Cash in hand  
 Cheques in hand  
 Credit cards receivable

Other bank balances\*

	As at 31 March 2017	As at 31 March 2016
Cash and cash equivalents	71,318,274	10,564,586
Balances with banks in current accounts#	8,653,786	23,205,836
Cash in hand	4,377,331	2,631,078
Cheques in hand	6,249,003	10,207,511
Credit cards receivable		
Other bank balances*	8,131,952	17,290,604
	<b>98,730,346</b>	<b>63,899,615</b>

\*includes Rs. 7,912,261 (previous year Rs. 95,11,244) pledged as security for bank guarantees

#includes Rs. 29,999,865 (previous year Rs. Nil) being the amount unutilised out of equity shares issued on 31 March 2017 for Rs. 29,999,865 and will be utilised in the year ending 31 March 2018

*Detail of bank deposits*

Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'  
 Bank deposits due to mature after 12 months of the reporting date included under 'Other non current assets' (refer note 13)

	As at 31 March 2017	As at 31 March 2016
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	8,131,952	17,290,604
Bank deposits due to mature after 12 months of the reporting date included under 'Other non current assets' (refer note 13)	453,941	1,294,805
	<b>8,585,893</b>	<b>18,585,409</b>

**17. Short-term loans and advances**
*(Unsecured and considered good unless otherwise stated)*

*Current portion of long terms loans and advances (refer note 12)*  
 To parties other than related parties

*Other short term loans and advances*  
 To parties other than related parties  
 Advances for supply of goods and services  
 Advance to employees  
 Other advances

	As at 31 March 2017	As at 31 March 2016
<i>Current portion of long terms loans and advances (refer note 12)</i> To parties other than related parties	42,008,117	49,835,233
<i>Other short term loans and advances</i> To parties other than related parties		
Advances for supply of goods and services	5,175,323	6,662,796
Advance to employees	278,406	-
Other advances	-	1,482,798
	<b>47,461,846</b>	<b>57,980,827</b>

**18. Other current assets**
*(Unsecured and considered good unless otherwise stated)*

Interest accrued but not due on bank deposits  
 Unamortised premium on forward contracts

	As at 31 March 2017	As at 31 March 2016
Interest accrued but not due on bank deposits	142,817	172,693
Unamortised premium on forward contracts	867,050	797,147
	<b>1,009,867</b>	<b>969,840</b>





**ETHOS LIMITED**
**Notes to financial statements for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>19. Revenue from operations</b>		
Sale of products		
Stock-in-trade		
Watches	3,188,070,641	3,219,846,554
Others (represent items which individually account for less than 10% of the total value of sale of traded products)	51,460,793	38,251,273
	<u>3,239,531,434</u>	<u>3,258,097,827</u>
Sale of services (net of service tax)		
Service income	17,467,392	13,170,744
Commission income	115,918	235,607
	<u>17,583,310</u>	<u>13,406,351</u>
Other operating revenues		
Other operating income	1,579,049	2,436,281
Liabilities / provisions no longer required written back	3,731,723	12,772,033
Foreign exchange gain (net)	10,736,541	-
	<u>16,047,313</u>	<u>15,208,314</u>
	<u><b>3,273,162,057</b></u>	<u><b>3,286,712,491</b></u>
	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
<b>20. Other Income</b>		
Interest income on bank deposits	837,011	1,035,028
Interest from others	23,080	23,144
Other non operating income*	1,654,027	118,632
	<u><b>2,514,118</b></u>	<u><b>1,176,804</b></u>
	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
<b>21. Purchase of stock-in-trade</b>		
Watches	2,503,022,601	2,644,259,836
Others (represent items which individually account for less than 10% of the total value of purchase of stock in trade)	64,604,081	32,677,854
	<u><b>2,567,626,682</b></u>	<u><b>2,676,937,690</b></u>
	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
<b>22. Changes in Inventories Stock-in-trade</b>		
(i) Opening Inventory of stock in trade		
Watches	1,601,368,715	1,442,724,072
Others	36,499,666	23,569,073
	<u><b>1,637,868,381</b></u>	<u><b>1,466,293,145</b></u>
(ii) Closing Inventory of stock in trade		
Watches	1,610,533,056	1,601,368,715
Others	57,006,284	36,499,666
	<u><b>1,667,539,340</b></u>	<u><b>1,637,868,381</b></u>
(Increase) in inventory	<u><b>(29,670,959)</b></u>	<u><b>(171,575,236)</b></u>
	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
<b>23. Employee benefits expense</b>		
Salaries wages and bonus	182,886,060	183,996,159
Contribution to provident and other funds	11,796,369	9,043,251
Staff welfare expenses	8,913,567	8,700,214
	<u><b>203,595,996</b></u>	<u><b>201,739,624</b></u>



**ETHOS LIMITED**
**Notes to financial statements for the year ended 31 March 2017**
*(All amounts are in Indian Rupees, except for share data, and if otherwise stated)*

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>24. Finance costs</b>		
Interest on loans	79,073,988	81,069,958
Interest others	-	1,191,680
Interest on delay in deposit of income tax	71,449	213,094
	<b>79,145,437</b>	<b>82,474,732</b>
<b>25. Other expenses</b>		
Power and fuel	11,194,493	11,556,370
Service cost expense	4,164,177	4,185,943
Insurance	4,888,973	4,234,539
Rent (net of reimbursements) (refer note 32)	266,072,766	279,455,112
Rates and taxes	1,972,629	573,963
Repair and maintenance		
- Buildings	310,090	776,678
- Others	15,745,306	9,961,794
Foreign exchange loss (net)	-	3,008,573
Travelling and conveyance	15,146,160	16,664,882
Advertisement and sales promotion	86,161,694	87,397,453
Directors sitting fees	1,460,936	1,660,912
Printing and stationery	1,368,113	1,384,939
Recruitment expenses	1,663,924	2,201,799
Telephone and telex	7,258,717	6,664,131
Postage and telegram	12,484,684	11,157,511
Legal and professional fees #	11,961,858	16,588,883
Bank charges	29,951,686	28,667,187
Bad debts	-	950,000
Advances / deposits written off	145,875	704,333
Fixed assets written off (net)	6,750,574	3,070,740
Amortisation of premium on forward exchange contracts	5,032,604	4,625,643
Miscellaneous expenses	8,175,403	11,287,103
	<b>491,910,662</b>	<b>506,778,488</b>
<b># includes auditors' remuneration (excluding service tax)</b>		
<b>Particulars</b>	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
<b>As Auditor</b>		
Statutory audit fee	1,200,000	1,200,000
Limited review fee	675,000	675,000
<b>In other capacity</b>		
Certification fee	460,000	935,000
Reimbursement of expenses	133,772	134,871
	2,468,772	2,944,871
<b>26 (Loss)/earnings per equity share</b>	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2016</b>
Loss after taxes as per Statement of Profit and Loss	(74,835,962)	(59,466,501)
Less: arrears of dividend on cumulative preference shares and tax thereon	32,725,237	30,113,640
<b>Net loss attributable to equity share-holders</b>	<b>(107,561,199)</b>	<b>(89,580,141)</b>
Total equity shares outstanding at the end of the year	13,203,895	12,356,801
Number of weighted average equity shares for:		
Basic and diluted #	12,724,307	11,884,817
Nominal value of equity share (Rs. )	10	10
Basic and diluted loss per equity share	(8.45)	(7.54)

# Since the Company has incurred losses during the current and previous year, the convertible preference shares and ESOP outstanding are considered to be anti-dilutive. Therefore, the basic and diluted loss per share are the same.





**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

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

## i) Claims against the Company not acknowledged as debts, under dispute

	As at 31 March 2017	As at 31 March 2016
a) Income Tax matters	8,137,124	3,637,420
b) Civil and Consumer matters	53,700	53,700
	<b>8,190,824</b>	<b>3,691,120</b>
ii) Arrears of fixed cumulative dividend on 12% cumulative compulsory convertible preference shares, 14% cumulative compulsory convertible preference shares and 12% cumulative redeemable preference shares including dividend distribution taxes	111,371,208	78,645,972
iii) Commitments		
-Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	5,718,522	2,326,410
-amount payable under non- cancellable leases	362,030,903	555,685,824
	<b>367,749,425</b>	<b>558,012,234</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 Company on 18 August 2011, the Company had reversed the input service tax credit of Rs. 17,000,000 in its service tax return which was availed by the Company in previous years. The above amount was reversed as per the opinion of the officials of DGCEI. The Company, on the basis of legal opinion obtained, is of the view that the Company is entitled to this input service tax credit. Since, the amount was reversed under protest and without prejudice to the legal rights of the Company, the Company has shown the above amount of Rs. 17,000,000 reversed as claim receivable under the head "Long term loans and advances". During the financial year 2012-13, the Company had received a notice from DGCEI whereby, the Company had been called upon to show cause as to why service tax amounting to Rs. 663,452 which had been short paid and CENVAT credit amounting to Rs. 24,276,671 wrongly availed should not be demanded and recovered. The Company 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. 663,452. Further, the authority has imposed a penalty of Rs. 24,276,671. Being aggrieved against the order of Commissioner- Central Excise and Service Tax, the Company 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) Pursuant to amendment in the Payment of Bonus Act, 1965, the Company is required to pay additional bonus to the employees retrospectively from 1 April 2014. However, based upon the stay order of the Hon'ble High Court of Kerala and legal opinion of the consultant, the Company is of the view that additional bonus amount of Rs. 3,801,579 for the financial year 2014-15 need not be provided. Accordingly, the Company had provided for additional bonus only for the year 2015-16.

vi) In addition, the Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Company's management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect on the Company's results of operations or financial condition.

**28. Related parties****a. Related parties and nature of related party relationship, where control exists:**

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

**b. 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 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 (Dream) *
Key Management Personnel and relatives	Mr Y Saboo (Managing director) <b>Relatives of Managing director</b> Mr R K Saboo Mr Pranav Saboo Mrs Usha Saboo Mrs Anuradha Saboo <b>Key Management Personnel</b> Mr C Raja Sekhar Mr Anil Dhiman

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



**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

**c. Transactions with related parties**

Nature of transactions	As at 31 March 2017	As at 31 March 2016
<b>a) Purchase of goods</b>	<b>36,022,028</b>	<b>93,193</b>
- KDDL Limited	11,681	93,193
- Mahen Distribution Limited	1,165,881	-
- Pylania SA	34,844,466	-
<b>b) Sales of goods</b>	<b>1,126,681</b>	<b>3,300,241</b>
- VBL Innovations Private Limited	-	3,150,000
- Saboo Coatings Limited	600,620	81,445
- KDDL Limited	478,511	68,796
- Dream Digital Technology Private Limited	47,550	-
<b>c) Employee benefits paid</b>	<b>7,771,365</b>	<b>5,289,288</b>
- Mrs. Anuradha Saboo	605,054	290,327
- Mr. Raja Sekhar	4,656,730	4,378,953
- Mr. Anil Dhiman	709,581	620,008
- Mr. Y Saboo	1,800,000	-
<b>d) Personnel expenses Paid</b>	<b>-</b>	<b>959,398</b>
- KDDL Limited	-	959,398
<b>e) Interest expenses</b>	<b>3,074,986</b>	<b>2,413,210</b>
- Mr. R K Saboo	875,000	832,398
- Vardhan Properties & Investment Limited	1,399,997	778,630
- Dream Digital Technology Private Limited	799,989	802,182
<b>f) Rent expense</b>	<b>3,553,746</b>	<b>4,655,202</b>
- KDDL Limited	3,553,746	4,655,202
<b>g) Publicity and advertisement (including service tax)</b>	<b>28,659,827</b>	<b>28,356,807</b>
- Dream Digital Technology Private Limited	27,970,327	28,270,364
- KDDL Limited	689,500	86,443
<b>h) Reimbursement of expenses paid</b>	<b>979,350</b>	<b>2,007,781</b>
- KDDL Limited	979,350	2,007,781
<b>i) Reimbursement of expenses received</b>	<b>267,776</b>	<b>-</b>
- KDDL Limited	267,776	-
<b>j) Transfer of Fixed assets</b>	<b>463,839</b>	<b>-</b>
- KDDL Limited	463,839	-
<b>k) Loan taken</b>	<b>-</b>	<b>17,000,000</b>
- Mr. R K Saboo	-	7,000,000
- Vardhan Properties & Investment Limited	-	10,000,000
<b>l) Payment made on behalf of the company</b>	<b>323,675</b>	<b>101,305</b>
- Mahen Distribution Limited	323,675	101,305
<b>m) 12% Cumulative Redeemable Preference Shares issued</b>	<b>30,000,000</b>	<b>-</b>
- KDDL Limited	30,000,000	-
<b>n) Equity shares issued</b>	<b>8,470,940</b>	<b>7,769,300</b>
- Mr. Raja Sekhar	-	77,000
- KDDL Limited	8,470,940	7,692,300
<b>o) Share Premium received</b>	<b>111,528,754</b>	<b>103,009,190</b>
- Mr. Raja Sekhar	-	701,600
- KDDL Limited	111,528,754	102,307,590
<b>p) Guarantees given on behalf of the Company</b>	<b>60,000,000</b>	<b>122,500,000</b>
- KDDL Limited	20,000,000	27,500,000
- Mr. R K Saboo	20,000,000	27,500,000
- Mr. Y Saboo	20,000,000	67,500,000

\* This figure includes an amount of Rs. 2,79,70,327(previous year Rs. 2,44,89,434) which has been reimbursed by brands





**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

**d. Outstanding balances as at year end**

Particulars	As at 31 March 2017	As at 31 March 2016
<b>Payables</b>	<b>67,465,500</b>	<b>18,900,095</b>
- Dream Digital Technology Private Limited	29,877,701	10,763,313
- KDDL Limited	6,546,160	7,822,466
- Vardhan Properties & Investment Limited	-	314,316
- Mahen Distribution Limited	461,027	-
- Pylania SA	30,580,612	-
<b>Receivables / Advances</b>	<b>-</b>	<b>2,757,694</b>
- VBL Innovations Private Limited	-	2,757,694
<b>12% Cumulative Compulsory Convertible Preference Shares</b>	<b>37,499,110</b>	<b>37,499,110</b>
- KDDL Limited	14,999,930	14,999,930
- Mr. R K Saboo	10,000,100	10,000,100
- Mr. Y Saboo	9,999,000	9,999,000
- Mrs. A Saboo	2,500,080	2,500,080
<b>12% Cumulative Redeemable Preference Shares issued</b>	<b>30,000,000</b>	<b>-</b>
- KDDL Limited	30,000,000	-
<b>14% Cumulative Compulsory Convertible Preference Shares</b>	<b>20,100,210</b>	<b>20,100,210</b>
- KDDL Limited	2,499,900	2,499,900
- VBL Innovations Private Limited	2,600,000	2,600,000
- Dream Digital Technology Private Limited	5,000,060	5,000,060
- Mr. R K Saboo	6,000,150	6,000,150
- Mr. Y Saboo	2,500,030	2,500,030
- Mrs. A Saboo	1,500,070	1,500,070
<b>Equity Share Capital</b>	<b>108,267,740</b>	<b>99,797,100</b>
- Mahen Distribution Limited	22,931,500	22,931,500
- KDDL Limited	85,037,360	76,566,420
- Mr. Y Saboo	192,310	192,310
- Mr. C. Raja Sekhar	106,570	106,870
<b>Unsecured loans</b>	<b>21,999,940</b>	<b>21,999,940</b>
- Dream Digital Technology Private Limited	4,999,940	4,999,940
- Vardhan Properties & Investment Limited	10,000,000	10,000,000
- Mr. R K Saboo	7,000,000	7,000,000
<b>Guarantees taken by the company</b>	<b>1,744,956,671</b>	<b>1,770,215,349</b>
- KDDL Limited	600,864,168	598,587,328
- Mr. R K Saboo	505,864,168	490,770,347
- Mr. Y Saboo	600,864,168	638,587,328
- Mrs. U Saboo	37,364,168	42,270,347




**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

**29. Employee benefits**

The disclosures required under Accounting Standard 15 "Employee Benefits" are given below:

**Defined Contribution Plan**

Contributions to Defined Contribution Plan, recognised and debited to the Statement of Profit and Loss are as under:

Particulars	As at 31 March 2017	As at 31 March 2016
Employer's contribution to provident fund	7,501,683	7,626,584

**Defined Benefit Plan**

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 Company made annual contributions to the LIC of India of an amount advised by the LIC.

Particulars	As at 31 March 2017	As at 31 March 2016
<b>Changes in the present value of defined benefit obligation</b>		
Present value of obligation at the beginning of the year	6,709,545	5,586,012
Current service cost	1,648,980	1,412,764
Interest cost	469,668	446,881
Benefits paid	(1,192,096)	(446,948)
Actuarial (gain) / loss on obligations	2,202,793	(289,164)
<b>Present value of obligations at the end of the year</b>	<b>9,838,890</b>	<b>6,709,545</b>
<b>Changes in the fair value of plan assets</b>		
Fair value of plan assets at the beginning of the year	5,361,514	4,381,575
Expected return on plan assets	352,099	378,070
Contributions	517,469	1,149,059
Benefits paid	(1,192,096)	(446,948)
Actuarial gain / (loss) on plan assets	(45,146)	(100,242)
<b>Fair value of plan assets at the end of the year</b>	<b>4,993,840</b>	<b>5,361,514</b>
<b>Net liability recognised in the Balance Sheet</b>		
Present value of obligation at the end of the year	9,838,890	6,709,545
Fair value of plan assets at the end of the year	4,993,840	5,361,514
<b>Net liability recognised in the Balance Sheet</b>	<b>(4,845,050)</b>	<b>(1,348,031)</b>
<b>Expense recognised in the Statement of Profit and Loss</b>		
Current service cost	1,648,980	1,412,764
Interest cost on benefit obligation	469,668	446,881
Expected return on plan assets	(352,099)	(378,070)
Net actuarial loss recognised in the year	2,247,939	(188,922)
<b>Net expense/(gain) recognised in Statement of Profit and Loss</b>	<b>4,014,488</b>	<b>1,292,653</b>
<b>Actuarial (Loss)/gain recognized</b>		
Actuarial (Loss)/gain for the year - Obligation	(2,202,793)	289,164
Actuarial (Loss) for the year - Plan Assets	(45,146)	(100,242)
Total (Loss)/gain for the year	(2,247,939)	188,922
Actuarial (Loss)/gain recognized in the year	(2,247,939)	188,922
Unrecognized actuarial (Loss)/gain at the end of the year	-	-
<b>Actuarial assumptions</b>		
Discount rate	7.00%	8.00%
Expected return on plan assets	7.55%	9.00%
Estimated rate of increase in compensation levels*	5.00%	5.00%
<b>Demographic assumptions</b>		
Mortality	Indian assured lives mortality (2006-08)	Indian assured lives mortality (2006-08)
Retirement age	58	58
Attrition rates		
Upto 30 years	3%	3%
30 to 44 years	2%	2%
Above 44 years	1%	1%

\* The estimates of future increase in compensation levels, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. Discount rate is based on market yields prevailing on government bond as at the end of year for the estimated term of obligation.

\*\* The disclosure relating to experience adjustments have not been given in the financial statements, the management is of the view that the same will not be material to the overall financial statement disclosure and presentation.





## 30. Disclosures on Employee share based payments

## (a) Employee Stock Option Scheme

In the annual general meeting held on 15 September 2011, the shareholders approved the issue of options not exceeding 84,000 options under the Scheme titled "KRL Employee Stock Option Plan - 2011" (ESOP)

The ESOP allows the issue of options to eligible employees of the Company. 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 2 years of vesting.

- 50% of the options granted to the selected employee shall vest on 1st April, 2014 in case there is continuation of his service till the date of vesting.
- 50% on the first day of the financial year subsequent to the achievement of billing of Rs. 300 crores in any financial year by the Company, 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 Company has in its Compensation Committee meeting on 04.01.2013 granted outstanding 2,500 options to employee of the Company. The above options have been issued by the Compensation Committee in accordance with the terms & conditions of the "KRL Employee Stock Option Plan-2011" (ESOP).

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 Company. 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.

- 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.
- 50% on the first day of the financial year subsequent to the achievement of billing of Rs. 500 crores in any financial year by the Company, 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 Company has in its Compensation Committee meeting on 04.08.2014 granted outstanding 3,500 options to employee of the holding Company. The above options have been issued by the Compensation Committee in accordance with the terms & conditions of the "Ethos Employee Stock Option Plan - 2013".

The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing Stock compensation expense is expensed over the vesting period.

## (b) Employee stock options details as on the Balance Sheet date are as follows:

Particulars	During the year ended 31 March 2017		During the year ended 31 March 2016	
	Options (numbers)	Weighted average exercise price per option (Rs.)	Options (numbers)	Weighted average exercise price per option (Rs.)
<b>KRL Employee Stock Option Scheme - 2011</b>				
Option outstanding at the beginning of the year	-	-	54,750	100
Granted during the year	-	-	-	-
Vested during the year	-	-	54,750	100
Exercised during the year	-	-	54,750	100
Lapsed during the year	-	-	-	-
Options outstanding at the end of the year	-	-	-	-
Options exercisable at the end of the year	-	-	-	-
No. of shares arising out of the options outstanding	-	-	-	-
<b>KRL Employee Stock Option Scheme - 2011</b>				
Option outstanding at the beginning of the year	-	-	1,250	110
Granted during the year	-	-	-	-
Vested during the year	-	-	1,250	110
Exercised during the year	-	-	1,250	110
Lapsed during the year	-	-	-	-
Options outstanding at the end of the year	-	-	-	-
Options exercisable at the end of the year	-	-	-	-
No. of shares arising out of the options outstanding	-	-	-	-
<b>Ethos Employee Stock Option Scheme - 2013</b>				
Option outstanding at the beginning of the year	228,000	120	258,000	120
Granted during the year	-	-	-	-
Vested during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	30,000	120
Options outstanding at the end of the year	228,000	120	228,000	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	228,000	-	228,000	-
<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	-	3,500	-

Weighted average fair value of the options during the year

56.08

Weighted average remaining contractual life (Years) (KRL1/KRL2/Ethos)

3.56/3.16



**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

- (c) The impact on Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	As at 31 March 2017	As at 31 March 2016
Net profit after tax (as reported)	(74,835,962)	(59,466,501)
Less: arrears of fixed cumulative preference dividend	(32,725,237)	(30,113,640)
Less: stock based compensation expenses determined under fair value method for the grants issued	(2,335,753)	(2,273,667)
Adjusted net profit / (loss)	(109,896,952)	(91,853,809)
Basic earnings per share (as reported)	(8.45)	(7.54)
Basic earnings / (loss) per share (adjusted)	(8.32)	(7.43)
Diluted earnings per share (as reported)	(8.45)	(7.54)
Diluted earnings / (loss) per share (adjusted)	(8.32)	(7.43)
* The effect of 12% cumulative compulsorily convertible and 14% cumulative compulsorily convertible preference shares being anti-dilutive in nature, dilutive EPS had not been computed		

- (d) The fair value of the options has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	As at 31 March 2017	As at 31 March 2016
Risk Free Interest Rate-KRL1/KRL2/Ethos	8.50%/8.00%/7.60%/7.60%	8.50%/8.00%/7.60%/7.60%
Expected Life (years) -KRL1/KRL2/Ethos	3.55/2.24/4.56/4.16	3.55/2.24/4.56/4.16
Expected Annual Volatility of Shares	-	-
Expected Dividend Yield	-	-

31. Segment information

The Company is in the business of trading of watches, accessories and luxury items in India which have a similar risk and rewards and economic environment. Accordingly, the Company only has a single business segment and geographical segment. Accordingly, disclosure requirements of Accounting Standard 17- 'Segment Reporting' in relation to primary segment and secondary segment on the basis of geographical operations is not required to be given.

32. The Company has taken showrooms 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 payments (gross of reimbursements) charged during the year to the Statement of Profit and Loss aggregate (excluding service tax) Rs. 254,804,069 (previous year Rs. 260,701,564) [including Rs. 72,954,126 towards cancellable lease (previous year Rs. 65,558,040)].

Future minimum lease payments due	As at 31 March 2017	As at 31 March 2016
Within one year	130,610,790	155,314,591
Later than one year and not later than five years	223,055,295	370,096,491
More than 5 years	8,364,818	30,274,742
<b>Total</b>	<b>362,030,903</b>	<b>555,685,824</b>

The Company's leasing arrangements include payment of lease rentals based on the revenue sharing model as well as fixed payments with cost escalations over the lease term. After reviewing the status of leases as well as considering the fact that lease charges of some of the retail stores of the company being directly based on the revenue sharing model which contribute substantial part of the aggregate lease charge and having established the revenue growth over the period of last three years, the management is of the opinion that the lease charge on the basis of the terms of the lease agreements will be more representative of the systematic basis of time pattern of the user's benefit of the leased space. Accordingly, the Company has charged lease rent on the basis of terms of the lease agreement.

33. Earnings in foreign currency (on accrual basis)

Particulars	As at 31 March 2017	As at 31 March 2016
Duty free sale in foreign currency	217,655,158	266,852,480
Reimbursement of rent	3,252,218	1,949,996
<b>Total</b>	<b>220,907,376</b>	<b>268,802,476</b>





**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

**34. Expenditures in foreign currency (on accrual basis)**

Particulars	As at 31 March 2017	As at 31 March 2016
Travelling & conveyance	1,554,645	2,189,697
Repairs and maintenance- others	1,744,185	29,363
<b>Total</b>	<b>3,298,830</b>	<b>2,219,060</b>

**35. CIF value of imports**

Particulars	As at 31 March 2017	As at 31 March 2016
Stock in trade	756,933,659	575,754,837
<b>Total</b>	<b>756,933,659</b>	<b>575,754,837</b>

**36. The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. There are open foreign currency forward contracts as at the end of the year for foreign currency payables.****a. Following foreign currency exposures are not hedged, as on 31 March 2017 and 31 March 2016**

Particulars	Units of Foreign Currency	As at 31 March 2017		As at 31 March 2016	
		(in Foreign currency)	(in Rupees)	(in Foreign currency)	(in Rupees)
Trade Payables	CHF	2,418,921	156,891,238	963,674	66,570,615
	USD	-	-	27,080	1,792,171
	SGD	43,962	2,041,164	70,959	3,487,641
	EURO	-	-	143	10,749

**b. The unexpired foreign exchange forward contracts, as on 31 March 2017 and 31 March 2016**

Units of Foreign Currency	As at 31 March 2017		As at 31 March 2016	
	(in Foreign currency)	(in Rupees)	(in Foreign currency)	(in Rupees)
USD	726,927	49,970,198	584,688	40,351,086

**37. Additional information- Reconciling Gross Sales (including billing under consignment arrangement and Sales tax) with net sales**

	As at 31 March 2017	As at 31 March 2016
Sales (gross including billings under consignment arrangement and sales tax)	3,639,882,467	3,691,485,354
Less: consignment sales	428,064	1,053,968
Less: sales tax	399,922,969	432,333,559
<b>Net sales</b>	<b>3,239,531,434</b>	<b>3,258,097,827</b>



**ETHOS LIMITED**

Notes to financial statements for the year ended 31 March 2017

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

**38. Disclosure on Specified Bank Notes (SBNs)**

During the year, the Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	93,059,000	688,343	93,747,343
(+) Permitted receipts	-	50,676,211	50,676,211
(-) Permitted payments	-	-	-
(-) Amount deposited in Bank	93,059,000	44,280,713	137,339,713
Closing cash in hand as on 30 December 2016	-	7,083,841	7,083,841

\*For the purpose of this disclosure, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407 (E) dated 8 November 2016.

As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

Firm Registration No. 101248W/W-100022

Pratik Talsyan

Partner

Membership No.: 108044

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

Y. Saboo

Managing Director

DIN 00012158

C. Raj Sekhar

Chief Financial Officer

Anil Khanna

Director

DIN 00012232

Anil Dhiman

Company Secretary

Place: Mumbai  
Dated: 26 May 2017

Place: Chandigarh  
Dated: 26 May 2017



B S R & Co. LLP

