

Coffeelab Limited
Financial Statements
For the year ended 31 March 2019

BSR & Co. LLP

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B S R & Co. LLP

Chartered Accountants

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Independent Auditor's Report

To the Members of Coffeelab Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Coffeelab Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2.5 in the financial statements, which indicates that the Company incurred a net loss of Rs. 51.07 lakhs during the year ended 31 March 2019 and, as of that date, it has a negative net worth of Rs 126.07 lakhs and the current liabilities exceeded its current assets by Rs. 150.18 lakhs. As stated in note 2.5, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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.

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

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) 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 (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act;
- e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act; and
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditors' 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 does not have any pending litigations which would impact its financial position;
- ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
- iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.



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Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements (continued)

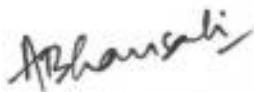
(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

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

for B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022



Amrit Bhansali

Partner

Membership number: 065155

Place: Bangalore

Date: 24 May 2019

Annexure A to the Independent Auditor's Report

As referred to in our Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31 March 2019, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the programme, physical verification of fixed assets was carried out during the year and no material discrepancies were noted.
- (c) According to the information and explanations given to us and on the basis of our examination of the records, the company does not have any immovable property as on 31 March 2019 and accordingly the requirement of clause 3 (i) (c) of the order is not applicable to this company.
- (ii) The company is a service company, primarily rendering consultancy services relating to production and consumption of coffee. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the order is not applicable to the company.
- (iii) According to the information and explanations given to us and on the basis of our examination of the records, the Company has not given any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provision of clause 3 (iii) of the order is not applicable to the company.
- (iv) In our opinion and according to the information and explanation given to us, the company has not given any loans or made any investments or given any guarantee, or security in respect to provisions of Section 185 and 186 of the Act. Hence paragraph 3 (iv) of the order is not applicable.
- (v) The Company has not accepted any deposits from the public.
- (vi) According to the information and explanation given to us, the Central Government of India has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered and goods sold by the Company.



Annexure A to the Independent Auditor's Report (continued)

- (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, Goods and Service tax, income tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

As explained to us, the Company did not have any dues on account of Employees' State Insurance, Duty of Customs, Duty of Excise, Service tax, Sales-tax, Value added tax and Cess during the year.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Goods and Service tax, Income tax and other material statutory dues were in arrears, as at 31 March 2019, 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 Provident Fund, Sales-tax, Value added tax, Income tax, Service tax, Goods and Service tax and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.
- (viii) According to the information and explanations given to us, the Company did not have any outstanding loans or borrowings from any financial institutions or bank or government or dues to debentures holders during the year.
- (ix) According to the information and explanations given to us and on the basis of our examination of the records, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loan during the year. Accordingly, paragraph 3 (ix) of the order is not applicable to the company.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not paid any Managerial Remuneration during the year. Accordingly, para 3(xi) of this Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, and based on an examination of the records of the Company, the company does not have any transactions with the related parties during the year. Accordingly, paragraph 3 (xiii) of the order is not applicable to the company.



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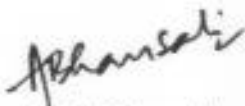
Annexure A to the Independent Auditor's Report (continued)

- (xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transaction with directors or person connected with him as referred to in Section 192 of Companies Act 2013. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) In our opinion and 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 BSR & Co. LLP

Chartered Accountants

Firm registration number: 101248W / W-100022



Amrit Bhansali

Partner

Membership number: 065155

Place: Bangalore

Date: 24 May 2019

B S R & Co. LLP

Annexure B to the Independent Auditors' report on the financial statements of Coffeelab Limited for the period ended 31 March 2019.

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (A) point (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Coffeelab Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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.



Auditors' Responsibility (continued)

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 with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

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

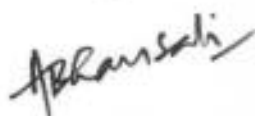
Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

for BSR & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022



Amrit Bhansali

Partner

Membership number: 065155

Place: Bangalore

Date: 24 May 2019

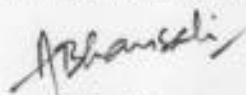
Coffeelab Limited
Balance sheet

		<i>Rs in lakhs</i>	
		As at 31 March 2019	As at 31 March 2018
ASSETS	Note		
Non-current assets			
Property, plant and equipment	4	1.13	1.43
Financial assets			
- Loans	5	2.50	2.50
Non-current tax assets	6	20.92	22.67
Total non-current assets		<u>24.55</u>	<u>26.60</u>
Current assets			
Financial assets			
- Trade receivables	7	4.82	27.12
- Cash and cash equivalents	8	8.15	10.00
Total current assets		<u>12.97</u>	<u>37.12</u>
Total assets		<u><u>37.52</u></u>	<u><u>63.72</u></u>
EQUITY AND LIABILITIES			
Equity			
Equity share capital	9	5.87	5.87
Other equity	10	(131.95)	(77.62)
Total equity		<u>(126.08)</u>	<u>(71.75)</u>
Liabilities			
Non-current liabilities			
Provision	11	0.45	0.41
Total non-current liabilities		<u>0.45</u>	<u>0.41</u>
Current liabilities			
Financial liabilities			
- Other financial liabilities	12	135.46	115.36
Provision	13	14.39	9.11
Other current liabilities	14	13.30	10.59
Total current liabilities		<u>163.15</u>	<u>135.06</u>
Total equity and liabilities		<u><u>37.52</u></u>	<u><u>63.72</u></u>
Significant accounting policies	3		

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

As per our report of even date attached

for **BSR & Co. LLP**
Chartered Accountants
Firm registration number: 101248W/W-100022



Amrit Bhansali
Partner
Membership no.: 065155

Place: Bangalore
Date: 24 May 2019

for and on behalf of the Board of Directors of
Coffeelab Limited



Deepak Ranganna
Director
DIN: 02789366

Place: Bangalore
Date: 24 May 2019




Deekshith K M
Director
DIN: 03505388

Place: Bangalore
Date: 24 May 2019

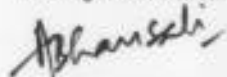
Coffeelab Limited
Statement of profit and loss

	Note	For the year ended 31 March 2019	Rs in lakhs For the year ended 31 March 2018
Income			
Revenue from operations	15	175.79	176.35
Other income	16	0.65	-
Total income		<u>176.44</u>	<u>176.35</u>
Expenses			
Employee benefits expense	17	187.91	162.04
Depreciation expense	18	1.02	1.99
Other expenses	19	38.58	30.66
Total expenses		<u>227.51</u>	<u>194.69</u>
Loss before tax		(51.07)	(18.34)
Tax expense:		-	-
- Current tax		-	-
Loss for the period		<u>(51.07)</u>	<u>(18.34)</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurements of defined benefit plan asset/ liability		(3.26)	2.41
Other comprehensive income for the year		<u>(3.26)</u>	<u>2.41</u>
Total comprehensive income for the year		<u>(54.33)</u>	<u>(15.93)</u>
Loss per share (equity shares of par value of Rs 10 each)			
- Basic and diluted	22	(87.00)	(31.23)

Significant accounting policies 3

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

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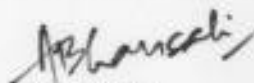
Coffeelab Limited
Statement of cash flows

	For the year ended 31 March 2019	<i>Rs in lakhs</i> For the year ended 31 March 2018
Cash flows from operating activities		
Loss for the period	(51.07)	(18.34)
Adjustments:		
- Depreciation expense	1.02	1.99
- Tax assets written off	8.59	-
Operating cash flow before working capital changes	<u>(41.46)</u>	<u>(16.35)</u>
Changes in:		
- Trade receivables	22.30	(18.61)
- Other financial liabilities	(2.31)	4.43
- Provisions	2.06	0.72
- Other current liabilities	2.71	4.03
Cash used in operational activities	<u>(16.70)</u>	<u>(25.78)</u>
Income taxes paid	<u>(6.83)</u>	<u>(10.39)</u>
Cash used in operational activities	<u><u>(23.53)</u></u>	<u><u>(36.17)</u></u>
Cash flows from investing activities		
Purchase of property, plant and equipment	<u>(0.73)</u>	<u>-</u>
Net cash used in investing activities	<u><u>(0.73)</u></u>	<u><u>-</u></u>
Cash flows from financing activities		
	<u>-</u>	<u>-</u>
Decrease in cash and cash equivalents	(24.26)	(36.17)
Cash and cash equivalents at the beginning of the year	<u>(88.56)</u>	<u>(52.39)</u>
Cash and cash equivalents at the end of the year	<u><u>(112.82)</u></u>	<u><u>(88.56)</u></u>
Components of cash and cash equivalents (refer note 8)		
Balances with banks:		
- in current accounts	8.07	9.79
Cash on hand	0.08	0.21
Less: Book overdraft (Refer note 8 & 12)	<u>(120.97)</u>	<u>(98.56)</u>
Cash and cash equivalents at the end of the year	<u><u>(112.82)</u></u>	<u><u>(88.56)</u></u>

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

As per our report of even date attached

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Coffeelab Limited
Statement of changes in equity

Equity share capital

Particulars	<i>Rs in lakhs</i>
	Amount
<i>Equity shares of Re 10 each issued, subscribed and fully paid</i>	
Balance as at the 31 March 2017	5.87
Changes in equity share capital during 2017-18	-
Balance as at the 31 March 2018	5.87
Changes in equity share capital during 2018-19	-
Balance as at 31 March 2019	5.87

Other equity

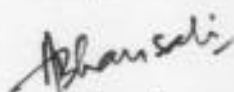
Particulars	<i>Rs in lakhs</i>			Total equity
	Capital reserve	Securities premium	Retained earnings	
Balance as at 1 April 2017	38.08	191.40	(291.17)	(61.69)
Loss during the year	-	-	(18.34)	(18.34)
Re-measurement of defined benefit plan asset/ liability, net of tax (refer note 26)	-	-	2.41	2.41
Total comprehensive income	38.08	191.40	(307.10)	(77.62)
Balance as at 31 March 2018	38.08	191.40	(307.10)	(77.62)

Particulars	<i>Rs in lakhs</i>			Total equity
	Capital reserve	Securities premium	Retained earnings	
Balance as at 1 April 2018	38.08	191.40	(307.10)	(77.62)
Loss during the year	-	-	(51.07)	(51.07)
Re-measurement of defined benefit plan asset/ liability, net of tax (refer note 26)	-	-	(3.26)	(3.26)
Total comprehensive income	38.08	191.40	(361.43)	(131.95)
Balance as at 31 March 2019	38.08	191.40	(361.43)	(131.95)

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

As per our report of even date attached

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Place: Bangalore
Date: 24 May 2019

for and on behalf of the Board of Directors of
Coffeelab Limited



Deepak Ranganna
Director
DIN: 02789366

Place: Bangalore
Date: 24 May 2019



Deekshith K M
Director
DIN: 03505388

Place: Bangalore
Date: 24 May 2019



Coffeelab Limited

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

1 Reporting Entity

Coffeelab Limited (the Company) was originally incorporated as 'Coffeelab Private Limited' on 28 February 1996. The Company was converted into a public limited company on 9 September 2002 under the Companies Act, 1956. The registered office of the Company is located at Bangalore. The Company is a subsidiary of Coffee Day Global Limited ('CDGL', the holding company). The ultimate holding company is Coffee Day Enterprises Limited (erstwhile Coffee Day Enterprises Private Limited). The Company is engaged in the business of rendering consultancy services relating to production and consumption of coffee.

2 Basis of preparation

2.1 Statement of compliance

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) as per Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act 2013, (the 'Act') and other relevant provisions of the Act.

This is the first set of the Company's annual financial statements in which Ind AS 115 Revenue from Contracts with Customers have been applied. Changes to significant accounting policies pertaining to revenue are described in Note 3.3 Revenue Recognition.

Details of the Company's other significant accounting policies are included in note 3.

These financial statements are approved for issue by the Company's Board of Directors on 24 May 2019.

2.2 Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest lakhs, unless otherwise indicated.

2.3 Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

2.4 Basis of measurement

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

Items	Measurement basis
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations.

2.5 Use of estimates and judgements

The preparation of the financial statements in conformity with Ind ASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2019 is included in the following notes:

- Note 21 – lease classification



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Assumptions and estimation uncertainties (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2019 is included in the following notes:

- Note 23 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 26 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 20 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 27 – impairment of financial assets.

Going concern:

The Company incurred a net loss of Rs. 51.07 lakhs during the year ended 31 March 2019 and, as of that date it has a negative net worth of Rs. 126.07 lakhs and the current liabilities exceeded its current assets by Rs. 150.18 lakhs. However, the Company has received a letter of financial support from Coffee Day Global Limited, the Holding Company, which undertakes to provide financial and operational assistance as is necessary to enable the Company to operate as a going concern and meet its obligations as and when they fall due upto a period of one year from the balance sheet date i.e. 31 March 2020.

Owing to the continued support from the Holding Company and based on business plans, the Company is confident of funding its operating and capital expenditure and continue business operations in the foreseeable future. Hence, these financial statements have been prepared on a going concern basis.

2.6 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Company has an established control framework with respect to the measurement of fair values. The Company engages with external valuers for measurement of fair values in the absence of quoted prices in active markets.

Significant valuation issues are reported to the Company's audit committee. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Financial instruments (note 27)
- Disclosures for valuation methods, significant estimates and assumptions (note 27)
- Quantitative disclosures of fair value measurement hierarchy (note 27)
- Financial instruments (including those carried at amortised cost) (note 27)



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3 Significant accounting policies

3.1 Property, plant and equipment

Property, plant and equipment:

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

All items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

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

Depreciation methods, estimated useful lives and residual value

Depreciation is provided on a Straight Line Method ('SLM') over estimated useful life of the fixed assets estimated by the Management. The Management believes that the useful lives as given below best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013. Depreciation for assets purchased/ sold during a period is proportionately charged. The Company estimates the useful lives for fixed assets as follows:

Asset category	Estimated useful life
Leasehold improvements	Lease term or estimated useful life, whichever is lower
Plant and machinery	12 years
Office equipment	5 years
Computers (including software)	3 years
Furniture and fixtures	10 years
Vehicles	8 years

3.2 Impairment of assets

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost; and
- financial assets measured at FVOCI- debt investments.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

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

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

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



3.2 Impairment of assets (continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is 90 days or more past due.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). Presentation of allowance for expected credit losses in the balance sheet. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

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

The Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3.3 Revenue recognition

The Company has initially applied Ind AS 115 from 1 April 2018. Ind AS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced Ind AS 18 Revenue and Ind AS 11 Construction Contracts and Guidance Notes.

The Company has adopted IndAs 115 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of the initial application i.e., 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 is not restated, i.e., it is presented, as previously reported, under Ind AS 18, Ind AS 11 and related interpretations. Additionally, the disclosure requirements in Ind AS 115 have not generally been applied to comparative information. The effect on adoption of Ind AS 115 was insignificant.

Revenue is recognised when the entity satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of an asset. Income from rendering of services is recognised on transfer of all significant risks and rewards of ownership to the buyer.

3.4 Leases

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.



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3.5 Investments and other financial assets

a) Recognition and initial measurement

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

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

b) Classification and subsequent measurement

Financial assets

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

- amortized cost;
- FVOCI – debt investment;
- FVOCI – equity investment; or
- FVTPL.

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

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

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

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of profit or loss are expensed in statement of profit or loss.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.



Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

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

Financial liabilities: Classification, subsequent measurement and gains and losses

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

c) Derecognition**Financial assets**

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

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

Financial liabilities

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

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



3.6 Employee benefits

a) Defined benefit plans

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations 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. The obligation is measured at the present value of 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 to the terms of related obligations. Actuarial gains and losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

3.7 Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is Coffeelab Limited's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

3.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.9 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.



Coffeelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3.10 Provisions and contingent liabilities

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

The disclosure of contingent liability is made when, as a result of obligating events, there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

3.11 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

3.12 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated.

3.13 Earnings per share

The basic loss per share is computed by dividing the net profit/ (loss) attributable to owner's of the company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings/ (loss) per share comprises the weighted average shares considered for deriving basic earnings/ (loss) per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

3.14 Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



3.15 Recent accounting pronouncements

Notification of Ind AS 116 - Leases

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

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

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

The effect on adoption of Ind AS 116 is expected to be insignificant.

The following amended standards are not expected to have a significant impact on the Company's financial statements.

- Ind AS 12, Income Taxes (amendments relating to income tax consequences of dividend)
- Appendix C to Ind AS 12, Income taxes (corresponding to IFRIC 23 Uncertainty over Income Tax Treatments)
- Amendments to Ind AS 103, Business Combinations
- Amendments to Ind AS 109, Financial Instruments
- Amendments to Ind AS 111, Joint Arrangements
- Amendments to Ind AS 19, Employee Benefits
- Amendments to Ind AS 23, Borrowing Costs
- Amendments to Ind AS 28, Investments to Associates and Joint Ventures



Coffeedab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

4 Property, plant and equipment

Rs in lakhs

	Owned					Total
	Plant and equipment	Office equipment	Furniture and fixtures	Computers	Vehicles	
Cost						
Balance as at 1 April 2017	8.33	3.38	1.13	6.70	6.16	25.70
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance as at 31 March 2018	8.33	3.38	1.13	6.70	6.16	25.70
Balance as at 1 April 2018	8.33	3.38	1.13	6.70	6.16	25.70
Additions	-	-	-	0.73	-	0.73
Disposals	-	-	-	-	-	-
Balance as at 31 March 2019	8.33	3.38	1.13	7.43	6.16	26.43
Accumulated depreciation						
Balance as at 1 April 2017	6.98	3.18	1.07	5.76	5.28	22.27
Charge for the year	0.63	0.17	0.01	0.47	0.71	1.99
Disposals	-	-	-	-	-	-
Balance as at 31 March 2018	7.61	3.35	1.08	6.23	5.99	24.27
Balance as at 1 April 2018	7.61	3.35	1.08	6.23	5.99	24.27
Charge for the year	0.29	0.03	0.01	0.52	0.17	1.02
Disposals	-	-	-	-	-	-
Balance as at 31 March 2019	7.90	3.38	1.09	6.75	6.16	25.29
Carrying amount (net)						
As at 31 March 2018	0.72	0.03	0.05	0.47	0.17	1.43
As at 31 March 2019	0.43	-	0.04	0.67	-	1.13



Coffeelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

5 Loans

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
<i>Considered good - Unsecured</i>		
Security deposits	2.50	2.50
	2.50	2.50

6 Non-current tax assets

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Advance tax including tax deducted at source, net of provision for tax	20.92	22.67
	20.92	22.67

7 Trade receivables

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
<i>Considered good - unsecured</i>		
Trade receivables	4.82	27.12
	4.82	27.12

All trade receivables are 'current'.

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables is disclosed in note 27.

8 Cash and cash equivalents

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Cash and cash equivalents		
Balances with banks		
- in current accounts	8.07	9.79
Cash on hand	0.08	0.21
Total cash and cash equivalents	8.15	10.00
Bank overdraft (refer note 12)	(120.97)	(98.56)
Cash and cash equivalents as per statement of cash flows	(112.82)	(88.56)



Coffeelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

9 Equity share capital

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Authorised		
59,000 (31 March 2018: 59,000) equity shares of Rs 10 each	5.90	5.90
	5.90	5.90
Issued, subscribed and fully paid up		
58,700 (PY - 31 March 2018 - 58,700) equity shares of par value of Rs 10 each	5.87	5.87
	5.87	5.87

(a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year is as given below:

	As at 31 March 2019		As at 31 March 2018	
	No of shares	Amount	No of shares	Amount
Number of shares at the beginning of the year	58,700	5.87	58,700	5.87
Add: Shares issued during the year	-	-	-	-
Number of shares at the end of the year	58,700	5.87	58,700	5.87

(b) Equity shareholders holding more than 5% of equity shares along with the number of equity shares held at the beginning and at the end of the year is as given below:

Name of the shareholder	As at 31 March 2019		As at 31 March 2018	
	% of holding	No of shares	% of holding	No of shares
Equity shares of Rs 10 each:-				
Coffee Day Global Limited (Refer note e)	99.99%	58,694	99.99%	58,694

(c) The Company has one class of equity shares having a par value of Rs 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts if any, in proportion to their shareholding.

(d) The Company has not allotted any fully paid up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date nor has issued shares for consideration other than cash.

(e) During the previous year, on account of its erstwhile holding company (Amalgamated Holdings Limited) merging with the ultimate holding Company (Coffee Day Global Limited) as per order no-CP No.11/2017/RD(SER)/Sec 233 of CA 2013/2017 dated 30/01/2018, there has been a change in shareholding. However, the ultimate parent for the entity remains the same and this does not pose any change for the stakeholders of the group.



Coffeelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

10 Other equity

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Capital reserves		
At the commencement of the year	38.08	38.08
Add: Movement during the year	-	-
At the close of the year	38.08	38.08
Securities premium		
At the commencement of the year	191.40	191.40
Add: Movement during the year	-	-
At the close of the year	191.40	191.40
Retained earnings		
At the commencement of the year	(307.10)	(291.17)
Add: Net loss for the year	(51.07)	(18.34)
Add: Re-measurement of defined benefit plan	(3.26)	2.41
At the end of the year	(361.43)	(307.10)
	(131.95)	(77.62)

Nature and purpose of other reserves:**Capital reserves:**

The Company recognizes profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments to capital reserve.

Securities premium:

Securities premium is used to record the premium received on issue of shares by the Company. The reserve can be utilised in accordance with the provision of sec 52(2) of Companies Act, 2013.

Retained earnings

The cumulative gain or loss arising from the operations which is retained by the Company is recognised and accumulated under the heading of retained earnings. At the end of the period, the loss after tax is transferred from the statement of profit and loss to the retained earnings account.



Coffeelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

11 Non-current provision

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits - Gratuity (refer note 26)	0.45	0.41
	0.45	0.41

12 Other financial liabilities

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Others		
- accrued salaries and benefits	10.99	12.51
- creditors for expenses	3.50	4.29
- bank overdraft (refer note 8)	120.97	98.56
	135.46	115.36

13 Current provision

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits - Gratuity (refer note 26)	14.39	9.11
	14.39	9.11

14 Other current liabilities

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Statutory dues payable	13.30	10.59
	13.30	10.59



Coffeelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

15 Revenue from operations

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Service income		
Income from research and development and related activities	175.79	176.35
	175.79	176.35

16 Other income

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income on income tax refund	0.65	-
	0.65	-

17 Employee benefits expense

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries and wages	181.86	154.08
Contribution to provident and other funds	5.03	5.06
Staff welfare expenses	1.02	2.90
	187.91	162.04

18 Depreciation expense

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation of property, plant and equipment	1.02	1.99
	1.02	1.99

19 Other expenses

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Travelling and conveyance	11.09	12.06
Rent (refer note 21)	4.36	5.83
Advertising and business promotion	2.74	2.78
Office maintenance and utilities	1.55	1.55
Communication	1.66	1.49
Legal, professional and consultancy*	4.30	3.33
Power and fuel	0.80	0.75
Repairs and maintenance		
-others	1.07	1.09
Rates and taxes	8.58	0.01
Membership and subscription	0.54	0.65
Printing and stationery	1.38	0.80
Foreign exchange loss, net	0.44	0.27
Bank charges	0.07	0.05
	38.58	30.66

*Auditor's remuneration (included in legal, professional and consultancy and excludes goods and service tax)

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
- As statutory audit	1.75	1.75
Reimbursement of expenses	0.07	0.19
	1.82	1.94



Coffeelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

20 Contingent liabilities and commitments

There are no contingent liabilities and there are no contracts remaining to be executed on capital account and not provided for as at the balance sheet date (31 March 2018: Rs Nil). Further, there are no commitments as on 31 March 2019 (31 March 2018: Nil).

21 Leases

The Company leases office and residential spaces under cancelable operating lease arrangements. The Company intends to renew such leases in the normal course of business. The rental expense under cancelable operating lease amounted to Rs 4.36 lakhs (31 March 2018: Rs 5.83 lakhs).

22 Earnings per share

(i) Reconciliation of earnings used in calculating earnings per share:

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Loss for the year	(51.07)	(18.34)
Net loss for basic earnings per share	(51.07)	(18.34)
Net loss for diluted earnings per share	(51.07)	(18.34)

(ii) Reconciliation of basic and diluted shares used in computing earnings per share -

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Number of equity shares at the beginning of the year	58,700	58,700
Add:		
Weighted average number of equity shares issued during the year	-	-
Number of weighted average equity shares for basic and diluted EPS	58,700	58,700

(iii) Earnings per share:

Basic and diluted (87.00) (31.23)

23 Unrecognised deferred tax assets

(a) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Loss before tax	(51.07)	(18.34)
Estimated tax at Indian tax rate of 26.00% (31 March 2018: 25.75%)	(13.28)	(4.72)
-Tax losses for which no deferred income tax was recognised	13.28	4.72
Income tax expense	-	-

(b) Unrecognised deferred tax asset

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom:

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Impact of tax losses	184.61	117.51
Potential tax benefit @ 26.00% (31 March 2018: 25.75%)*	48.00	30.26
Deductible temporary differences	2.04	1.72
Potential tax benefit @ 26.00% (31 March 2018: 25.75%)	0.53	0.44
	48.53	30.70

*The tax losses expire in 2019-26. There were no significant temporary differences for which deferred tax asset has not been recognised in the financial statements.



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Coffelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

24 Segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available.

Based on the "management approach" as defined in Ind AS 108 - Operating Segments, Managing Director of the Company have been identified as the Chief Operating Decision Maker (CODM). The Company is primarily engaged in rendering services. The CODM considers the Company as one single reportable segment.

A significant part of the fixed assets of the Company are located in India. Customer relationships are derived based on the location of the respective customers.

Geographical information**(i) Segment revenue:**

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from external customers:		
- India	160.30	150.95
- Europe	14.98	15.25
- Other foreign countries	0.51	10.15
Total segment revenue	175.79	176.35

(ii) Segment non-current assets

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
- India*	1.13	1.43
Total	1.13	1.43

* Amount disclosed does not include financial assets and income tax assets.

Revenue from major products and services

Revenues of Rs 63.01 lakhs are derived from two customers (31 March 2018: Rs 68.16 lakhs are derived from two customers) which amounts to more than 10% of the entity's revenue.

25 Related party transactions**A. Parent entity:**

- Coffee Day Global Limited - holding company (from 30 January 2018)
- Coffee Day Enterprises Limited - ultimate holding company

B. Key management personnel

Executive key management personnel represented on the Board of the Company are -

- Kamargodu Ramchandregowda Sukumar
- Deepak Ranganna
- Deekshith Malligowda Koduvalli

The non-executive directors on the board of the Company are employees of other group companies and accordingly the salary has been paid by such group companies.

C. There were no significant related party transactions during the year ended 31 March 2019 and 31 March 2018.



Coffeelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

26. Gratuity plan

Defined contribution plan

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a unfunded plan.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet:

A Reconciliation of the projected benefit obligations

Particulars	Rs in lakhs	
	As at 31 March 2019	As at 31 March 2018
Change in projected benefit obligations:		
Obligations at the beginning of the year	9.52	11.21
Included in profit and loss:		
- Service cost	1.70	0.34
- Interest cost	0.36	0.38
Included in other comprehensive income:		
- Remeasurement (gains)/ losses in other comprehensive income:		
- Actuarial (gains)/ losses arising from changes in financial assumptions	0.03	(0.04)
- Actuarial (gains)/ losses arising from experience adjustments	3.23	(2.37)
Obligations at year end	14.84	9.52
Liability recognised in the balance sheet	14.84	9.52

B Reconciliation of present value of obligation and fair value of plan assets:

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Present value of defined benefit obligation at the end of the year	14.84	9.52
Liability recognised in the balance sheet	14.84	9.52

C (i) Expense recognised in statement of profit or loss:

Particulars	Rs in lakhs	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Current service cost	1.70	0.34
Interest cost	0.36	0.38
Net gratuity cost	2.06	0.72



Coffeelab Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

Gratuity plan (continued)

(ii) Remeasurements recognised in other comprehensive income:

Particulars	<i>Rs in lakhs</i>	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Remeasurements of defined benefit plan	3.26	(2.41)
	3.26	(2.41)
Assumptions		
Interest rate	6.85%	7.15%
Expected rate of return on plan assets	N/A	N/A
Salary increase	3%	3%
Attrition rate	20%	20%
Mortality table	IALM (2006-08) Ultimate	LALM (2006-08) Ultimate

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

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

Sensitivity analysis

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

Particulars	<i>Rs in lakhs</i>			
	For the year ended 31 March 2019		For the year ended 31 March 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	0.10	(0.11)	0.07	(0.08)
Future salary growth (1% movement)	(0.11)	0.11	(0.09)	0.07

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.



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Coffeelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

27 Financial instruments - fair values and risk management

A Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Particulars	Carrying amount as at 31 March 2019	Fair value*			Total fair value
		Level 1	Level 2	Level 3	
Financial assets:					
<i>Measured at amortised cost:</i>					
Trade receivables	4.82	-	-	-	-
Cash and cash equivalents	8.15	-	-	-	-
Loans	2.50	-	-	-	-
Total	15.47				
Financial liabilities					
<i>Measured at amortised cost:</i>					
Other financial liabilities (current and non-current)	135.46	-	-	-	-
Total	135.46				

* The Company has not disclosed the fair values for financial assets such as trade receivables, cash and cash equivalents and financial liabilities such as creditors for expenses, accrued salaries and benefits and book overdraft as their carrying amounts are a reasonable approximation of fair value.

Particulars	Carrying amount as at 31 March 2018	Fair value*			Total fair value
		Level 1	Level 2	Level 3	
Financial assets:					
<i>Measured at amortised cost:</i>					
Trade receivables	27.12	-	-	-	-
Cash and cash equivalents	10.00	-	-	-	-
Loans	2.50	-	-	-	-
Total	39.62				
Financial liabilities					
<i>Measured at amortised cost:</i>					
Other financial liabilities (current and non-current)	115.36	-	-	-	-
Total	115.36				

* The Company has not disclosed the fair values for financial assets such as trade receivables, cash and cash equivalents and financial liabilities such as creditors for expenses, accrued salaries and benefits and book overdraft as their carrying amounts are a reasonable approximation of fair value.



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Coffelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

B Measurement of fair values

The section explains the judgement and estimates made in determining the fair values of the financial instruments that are:

- a) recognised and measured at fair value
- b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level is mentioned below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing

NAV

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation technique and significant unobservable inputs

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company has valued all its financial assets and liabilities at amortised cost.

C Financial risk management

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

- credit risk (see (b)),
- liquidity risk (see (c)); and
- market risk (see (d)).

(a) Risk management framework

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



Coffelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

(b) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit risk exposure.

i) **Trade receivables and loans:**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, whether they are a wholesale, retail or end-user customers, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by credit insurance. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month to six months depending on the customers.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Company establishes an allowance for credit loss that represents its estimate of expected losses in respect of trade and other receivables based on the past and the recent collection trend. The Company has assessed and concluded that there is no credit risk as at reporting date and previous periods from trade receivables.

Cash and cash equivalents (including bank balances, fixed deposits and margin money with banks):

Credit risk on cash and cash equivalent is limited as the Company generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

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Coffeelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

Loans and security deposits:
Expected credit loss for trade receivables and security deposits is as follows:

Particulars	Period ended	Rs in lakhs				
		Asset company	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount, net of impairment
Loss allowance measured at 12 month expected credit loss	31 March 2019	Security deposits	2.50	-	-	2.50
		Trade receivables	4.82	-	-	4.82
Loss allowance measured at 12 month expected credit loss	31 March 2018	Security deposits	2.50	-	-	2.50
		Trade receivables	27.12	-	-	27.12

(c) **Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

Maturities of financial liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted contractual cash flow, and include contractual interest payments and exclude the impact of netting agreements.

As at 31 March 2019	Carrying amount	Rs in lakhs					
		Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities	135.46	135.46	135.46	-	-	-	-
Other financial liabilities	135.46	135.46	135.46	-	-	-	-
As at 31 March 2018	Carrying amount	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities	115.36	115.36	115.36	-	-	-	-
Other financial liabilities	115.36	115.36	115.36	-	-	-	-



Coffeelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

(d) **Market risk**
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) **Currency risk**
The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Company companies. The functional currency of Company is primarily INR.

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	EUR	USD	EUR	USD
Trade receivables	-	-	0.05	-
Net exposure	-	-	0.05	-

The following significant exchange rates have been applied:

	Year-end spot rate	
	31 March 2019	31 March 2018
INR	-	80.44
EUR 1	-	-

Sensitivity analysis

A reasonably possible strengthening (weakening) of the euro or US dollar against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Particulars	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 March 2019	-	-	-	-
Euro (Movement not applicable)	-	-	-	-
31 March 2018	0.59	(0.59)	0.59	(0.59)
Euro (16% movement)	-	-	-	-



Coffelab Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

ii) Interest rate risk
The Company does not have any borrowings and hence is not exposed to interest rate risk.

Sensitivity analysis
Since the company is not exposed to any risk, no sensitivity analysis has been performed.

28 Capital management
For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to maximise the shareholder value.
The Company monitors capital using a ratio of "adjusted net debt". For this purpose, adjusted net debt is defined as total liabilities less cash and cash equivalents. The Company's adjusted net debt to equity ratio at 31 March 2019 was as follows.


Particulars	As at	
	31 March 2019	31 March 2018
Total liabilities	163.60	135.47
Less: cash and cash equivalents	8.15	10.00
Adjusted net debt	155.45	125.47
Total equity	(126.08)	(71.75)
Adjusted equity	(126.08)	(71.75)
Adjusted net debt to equity ratio	(1.23)	(1.75)

The Company operates in a debt free environment and hence has a low net debt to adjusted equity ratio.

29 Specified Bank Notes
The disclosures regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

As per our report of even date attached

for BSR & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022


Anurag Bhanuani
Partner
Membership no.: 065155

Place: Bangalore
Date: 24 May 2019

for and on behalf of the Board of Directors of
Coffelab Limited


Deepthi Srinivas
Director
DIN: 02789366

Place: Bangalore
Date: 24 May 2019




Deekshitha K M
Director
DIN: 03505388

Place: Bangalore
Date: 24 May 2019