

B S R & Co. LLP

Chartered Accountants

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Independent Auditors' Report To the Members of Five-Star Business Finance Limited Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated 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.

Key Audit Matters


Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

To the Members of Five-Star Business Finance Limited

Page 2 of 9

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in our audit
<p>Adoption of new accounting framework (Ind AS) Effective 1 April 2018, the Group adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017.</p> <p>The following are the major impact areas for the Group upon transition:</p> <ul style="list-style-type: none"> • Classification and measurement of financial assets including assessment of the Business model and financial liabilities, • Measurement of loan losses (expected credit losses) • Accounting for loan fees and borrowing costs • Accounting for employee stock options <p>The migration to the new accounting framework (Ind AS) is a complicated process involving multiple decision points upon transition including regulatory matter related compliances. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date.</p> <p>We identified transition date accounting as a key audit matter because of significant degree of management judgment and application on the areas noted above.</p>	<p>– refer note 3 to the consolidated financial statements</p> <p>In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over management's evaluation of transition date choices and controls surrounding computation process. • We have also confirmed the approvals of Audit Committee on the key transition date choices and assumptions. • Understood the methodology implemented by management to give impact on the transition and assessed the accuracy of the computations. • Assessed areas of significant estimates and management judgment in line with principles under Ind AS. 

Independent Auditors' Report

To the Members of Five-Star Business Finance Limited

Page 3 of 9

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in our audit
Impairment of loans – refer note 6 to the consolidated financial statements	
<p>Significant estimate and judgment involved</p> <p>With the applicability of Ind AS 109 credit loss assessment is based on expected credit loss (ECL) model. The Group's impairment allowance is derived from estimates including the historical default, loss ratios etc. Management exercises judgement in determining the quantum of loss based on a range of factors.</p> <p>The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following:</p> <ul style="list-style-type: none"> • Segmentation of loans given to the customer • Criteria selected to identify significant increase in credit risk • Increase in data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data • Considering the probability weighted scenarios, the forward looking macro-economic factors <p>We identified impairment of loans given to customers as key audit matter because the management judgement involved in estimates has significant impact, considering the size of loan portfolio relative to the balance sheet.</p>	<p>In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> • Evaluation of the appropriateness of the impairment principles based on the requirements of Ind AS 109. • Assessed the design and implementation and operating effectiveness in respect of computation of impairment allowance process. • As at the year end, evaluated whether the methodology applied by the Group is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including checking mathematical accuracy of the workings. We have engaged our modelling specialist to test the model methodology and reasonableness of assumptions used. <p>Performed test of details, on a sample basis, on underlying data relating to segmentation, staging as at 31 March 2019, the key inputs for computation of ECL.</p>

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

Independent Auditors' Report

To the Members of Five-Star Business Finance Limited

Page 4 of 9

**Information Other than the Consolidated Financial Statements and Auditors' Report Thereon
(Continued)**

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under applicable laws and regulations.

Management's Responsibility for the Consolidated Financial Statements

The Holding 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 consolidated financial statements that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding of the assets of each 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the respective management and Board of Directors of the Companies included in the Group are responsible for assessing the ability of each Company 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.

The respective Board of Directors of the companies is also responsible for overseeing the financial reporting process of each Company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditors' Report

To the Members of Five-Star Business Finance Limited

Page 5 of 9

Auditors' Responsibilities for the Audit of the Consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to consolidated 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

We communicate with those charged with governance of the Holding Company and subsidiary entity included in the consolidated financial statement 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.



Independent Auditors' Report

To the Members of Five-Star Business Finance Limited

Page 6 of 9

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

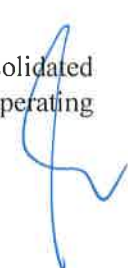
Other matter

The comparative financial information of the Group for the year ended 31 March 2018 and the transition date opening balance sheet as at 1 April 2017 included in these consolidated financial statements, are based on the previously issued statutory consolidated financial statements prepared in accordance with the Rule 7 of the Companies (Accounting Standards) Rules, 2014 (as amended) audited by the predecessor auditor whose report for the year ended 31 March 2018 and 31 March 2017 dated 22 May 2018 and 23 May 2017 respectively expressed an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Group on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. 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 Group so far as it appears from our examination of those books.
 - c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account.
 - d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the subsidiary Company, none of the directors of the Group is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary company the operating effectiveness of such controls, refer to our separate Report in "Annexure A".



Independent Auditors' Report

To the Members of Five-Star Business Finance Limited

Page 7 of 9

Report on Other Legal and Regulatory Requirements (Continued)

2. 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 Group has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its consolidated financial statements - Refer Note 34 to the consolidated financial statements;
- ii. The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Group does not have any derivative contracts - Refer Note 6 and 30 to the consolidated financial statements;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. There are no amounts which is required to be transferred to the Investor Education and Protection Fund by the subsidiary company during the year ended 31 March 2019;
- iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these consolidated financial statements since they do not pertain to the financial year ended 31 March 2019

3. 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 explanation given to us, the remuneration paid by the Holding Company to its directors during the year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any Holding Company 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. The Subsidiary company being a private company, the provisions of section 197 of the Act is not applicable.

for B S R & Co. LLP

Chartered Accountants

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



K Raghuram

Partner

Membership No: 211171

Place: Chennai

Date: 14 May 2019

Annexure A to the Independent Auditors' Report

To the Members of Five-Star Business Finance Limited for the year ended 31 March 2019

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

(Referred to in paragraph 2(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 consolidated financial statements of Five-Star Business Finance Limited ("the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") as of 31 March 2019 in conjunction with our audit of the consolidated financial statements of the Group for the year ended on that date.


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

Management's Responsibility for Internal Financial Controls

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



Independent Auditors' Report

To the Members of Five-Star Business Finance Limited

Page 9 of 9

Auditors' Responsibility (Continued)

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to consolidated financial statements 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 Consolidated Financial Statements

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

for B S R & Co. LLP

Chartered Accountants

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


K Raghuram

Partner

Membership No: 211171

Place: Chennai

Date: 14 May 2019

Five-Star Business Finance Limited
Consolidated Balance Sheet as at March 31, 2019

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

Particulars	Note	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	4	21,960.84	13,137.94	18,413.79
Bank balances other than cash and cash equivalents	5	6.88	7.98	56.64
Loans	6	209,586.40	99,622.83	48,368.40
Investments	7	-	-	443.41
Other financial assets	8	290.78	251.65	168.63
		231,844.90	113,020.40	67,450.87
Non-financial assets				
Current tax assets (net)	9	360.01	365.06	8.29
Deferred tax assets (net)	35	1,464.46	649.81	350.05
Investment property	10	3.56	3.56	3.56
Property, plant and equipment	12	744.41	450.75	446.57
Capital work-in-progress	12	-	14.13	-
Other intangible assets	13	201.80	181.09	35.98
Intangibles under development	13	-	-	158.11
Other non-financial assets	11	363.81	420.68	72.66
		3,138.05	2,085.08	1,075.22
Total assets		234,982.95	115,105.48	68,526.09
LIABILITIES AND EQUITY				
Financial liabilities				
Payables	14			
Trade payables				
total outstanding dues of micro and small enterprises		-	-	-
total outstanding dues of creditors other than micro and small enterprises		292.69	226.33	106.82
Debt securities	15	42,972.28	19,322.09	19,078.05
Borrowings (other than debt securities)	16	52,519.19	35,277.66	26,126.73
Other financial liabilities	17	518.36	440.09	380.10
		96,302.52	55,266.17	45,691.70
Non-financial liabilities				
Current tax liabilities (net)	18	162.17	-	170.12
Provisions	19	376.26	174.55	76.64
Other non-financial liabilities	20	1,629.19	472.64	304.51
		2,167.62	647.19	551.27
Equity				
Equity share capital	21	2,389.96	1,916.89	1,426.51
Other equity	22	134,122.85	57,275.23	20,856.61
		136,512.81	59,192.12	22,283.12
		234,982.95	115,105.48	68,526.09

See accompanying notes to the financial statements

As per our report of even date
for **B S R & Co. LLP**
Chartered Accountants

Firm's registration number: 101248W/W-100022

K Raghuram
Partner

Membership No: 211171

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
CIN : U65991TN1984PLC010844

D Lakshmiopathy
Chairman and Managing Director
DIN No : 01723269

Anand Raghavan
Director
DIN No : 00243485

G Srikanth
Chief Financial Officer

Place : Chennai

Date : May 14, 2019

Rangarajan K
Chief Executive Officer

B Shalini
Company Secretary

ACS: A51334

Place : Chennai

Date : May 14, 2019

Five-Star Business Finance Limited

Consolidated Statement of Profit and loss for the year ended March 31, 2019

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

Particulars	Note	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from operations			
Interest income	23	38,973.81	18,821.16
Dividend income	24	-	12.68
Fee income	25	1,327.05	468.25
Net gain on fair value changes	26	589.94	761.20
Total revenue from operations		40,890.80	20,063.29
Other income	27	1.86	1.55
Total Income		40,892.66	20,064.84
Expenses			
Finance costs	28	7,592.20	5,698.30
Fees and commission expenses	29	94.77	84.87
Impairment / write off on financial instruments	30	755.18	932.03
Employee benefits expenses	31	7,653.44	4,082.21
Depreciation and amortization	11 & 12	419.46	259.43
Other expenses	32	2,533.27	1,546.31
Total Expenses		19,048.32	12,603.15
Profit before tax		21,844.34	7,461.69
Tax expense			
Current tax	32 A	6,977.77	2,404.37
Deferred tax (net)	35	(799.16)	(287.65)
		6,178.61	2,116.72
Profit for the period		15,665.73	5,344.97
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit plan		53.55	41.61
Income tax relating to items that will not be reclassified to profit or loss		(15.49)	(12.11)
Net other comprehensive income not to be reclassified subsequently to profit or loss		38.06	29.50
Other comprehensive income / (deficit) for the year, net of income tax		38.06	29.50
Total comprehensive income, net of income tax		15,627.67	5,315.47
Earnings per equity share (face value Rs.10 each)			
Basic (in rupees)	37	70.32	30.83
Diluted (in rupees)		68.74	30.24

See accompanying notes to the financial statements

As per our report of even date

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

Chartered Accountants

Firm's registration number: 101248W/W-100022



K Raghuram

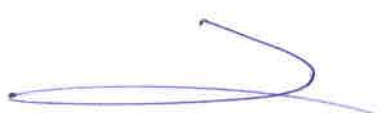
Partner

Membership No: 211171

For and on behalf of the Board of Directors of

Five-Star Business Finance Limited

CIN : U65991TN1984PLC010844



D Lakshminpathy

Chairman and Managing Director

DIN No : 01723269



Anand Raghavan

Director

DIN No : 00243485



G Srikanth

Chief Financial Officer

Place : Chennai

Date : May 14, 2019



Rangarajan K

Chief Executive Officer

Place : Chennai

Date : May 14, 2019



B Shalini

Company Secretary

ACS: A51334

Place : Chennai

Date : May 14, 2019

Five-Star Business Finance Limited
 Consolidated Statement of Changes in Equity for the period ended March 31, 2019
 (All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

A Equity share capital		Number of shares	Amount
Particulars			
Balance as at April 1, 2017		14,265,052	1,426.51
Add: Issued during the year		4,903,802	490.38
Balance as at March 31, 2018		19,168,854	1,916.89
Balance as at April 1, 2018		19,168,854	1,916.89
Add: Issued during the year		4,730,728	473.07
Balance as at March 31, 2019		23,899,582	2,389.96

	Reserves and surplus					Other comprehensive income	Total
	Statutory reserve	Securities premium	Employee stock option reserve	General reserve	Retained earnings		
As at April 1, 2017	1,365.60	15,137.52	343.58	719.60	3,290.31	-	20,856.61
Premium received on shares issued during the year	-	31,559.83	-	-	-	-	31,559.83
Utilised during the year for share issue expenses	-	(440.62)	-	-	-	-	(440.62)
Total other comprehensive income for the year	-	-	-	-	5,344.97	(29.50)	5,315.47
Transfer to statutory reserve	1,124.00	-	-	-	(1,124.00)	-	-
Transfer to retained earnings	-	-	-	-	(29.50)	-	-
Share based payment expense	-	-	214.94	-	-	-	214.94
Utilised on issue	-	-	(231.00)	-	-	-	(231.00)
As at March 31, 2018	2,489.60	46,256.73	327.52	719.60	7,481.78	-	57,275.23
As at April 1, 2018	2,489.60	46,256.73	327.52	719.60	7,481.78	-	57,275.23
Premium received on shares issued during the year	-	61,558.73	-	-	-	-	61,558.73
Utilised during the year for share issue expenses	-	(501.53)	-	-	-	-	(501.53)
Total other comprehensive income for the year	-	-	-	-	15,665.73	(38.06)	15,627.67
Transfer to statutory reserve	3,133.21	-	-	-	(3,133.21)	-	-
Transfer to retained earnings	-	-	-	-	(38.06)	-	-
Share based payment expense	-	-	267.83	-	-	-	267.83
Utilised on issue	-	-	(105.08)	-	-	-	(105.08)
As at March 31, 2019	5,622.81	107,313.93	490.27	719.60	19,976.24	-	134,122.85

See accompanying notes to the financial statements

As per our report of even date

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

Chartered Accountants

Firm's registration number: 101248W/W-100022



K. Raghuram
 Partner
 Membership No: 211171

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
 CIN : U65991TN1984PLC010844


D. Lakshminipathy
 Chairman and Managing Director
 DIN No : 01723269


Rangarajan K
 Chief Executive Officer
 Place : Chennai
 Date : May 14, 2019


Anand Raghavan
 Director
 DIN No : 00243485


B. Shalini
 Company Secretary
 ACS: A51334

Place : Chennai
 Date : May 14, 2019

Five-Star Business Finance Limited

Consolidated statement of Cash Flow for the year ended March 31, 2019

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

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
A. Cash Flow from Operating Activities		
Net Profit Before Tax	21,844.34	7,461.69
Adjustments for:		
Depreciation and amortization	419.46	259.43
Provision for gratuity	60.38	34.72
Provision for compensated absences	87.78	21.58
Provision for impairment on financial instruments and write-offs	755.18	932.03
Loss on sale/retirement of property, plant and equipment (net)	0.93	8.42
Profit on sale of current investments (net)	(589.94)	(761.20)
Interest income on deposits with banks / others	(1,352.38)	(801.34)
Finance costs	7,592.73	5,698.30
Employee stock option expenses	267.83	214.94
Operating Profit Before Changes in Working Capital	29,086.31	13,068.57
Changes in Working Capital:		
<i>Adjustments for (Increase) / Decrease in Operating Assets:</i>		
Loans	(110,718.76)	(52,186.45)
Other non- financial assets	(93.94)	(177.02)
Other financial assets	(82.16)	(55.78)
<i>Adjustments for Increase / (Decrease) in Operating Liabilities:</i>		
Trade payables	66.37	119.53
Other non financial liabilities	1,156.54	168.13
Other financial liabilities	(1.09)	1.34
Net cash (used in) operations	(109,673.04)	(52,130.27)
Finance costs paid	(7,715.55)	(5,633.86)
Direct taxes paid (net)	(6,810.55)	(2,931.26)
Net Cash Used in Operating Activities (A)	(95,112.83)	(47,626.82)
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(585.13)	(448.23)
Proceeds from sale of fixed assets	15.30	4.04
Profit on sale of current investments	589.94	761.20
(Purchase)/sale of current investments (net)	-	443.41
Interest income on deposits with banks / others	1,395.41	774.11
Movement in bank balances other than cash and cash equivalents	1.09	48.66
Net Cash from Investing Activities (B)	1,416.61	1,583.19
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares	473.07	490.38
Proceeds from securities premium (net off utilisation)	61,453.65	31,328.84
Expenses towards issue of shares	(501.53)	(440.62)
Fresh borrowings during the year	63,640.00	22,200.00
Repayments of borrowings (including processing fee)	(22,546.08)	(12,810.82)
Net Cash from Financing Activities (C)	102,519.11	40,767.78
Net Increase / (Decrease) in Cash and Cash Equivalents [(A) + (B) + (C)]	8,822.90	(5,275.85)
Cash and Cash Equivalents at the beginning of the year	13,137.94	18,413.79
Cash and Cash Equivalents at the end of the year	21,960.84	13,137.94



Five-Star Business Finance Limited

Consolidated statement of Cash Flow for the year ended March 31, 2019 (Continued)

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

Particulars	As at March 31, 2019	As at March 31, 2018
Notes to cash flow statement		
1 Cash and cash equivalents		
Cash on hand	345.07	168.10
Balances with banks		
(i) In Current accounts	20,596.29	1,362.87
(ii) In other deposit accounts (original maturity less than 3 months)	1,019.48	11,606.97
	<u>21,960.84</u>	<u>13,137.94</u>

2 Change in liabilities arising from financing activities

Particulars	Debt securities	Borrowings (other than debt securities)
As at April 1, 2017	19,078.05	26,126.73
Cash flows (net)	280.18	9,109.00
Others*	(36.14)	41.93
As at March 31, 2018	19,322.09	35,277.66
Cash flows (net)	23,742.86	17,351.06
Others*	(92.66)	(109.53)
As at March 31, 2019	<u>42,972.29</u>	<u>52,519.19</u>

* Others column includes the effect of amortization of processing fees etc.

See accompanying notes to the financial statements

As per our report of even date

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

Chartered Accountants

Firm's registration number: 101248W/W-100022



K Raghuram

Partner

Membership No: 211171

For and on behalf of the Board of Directors of

Five-Star Business Finance Limited

CIN : U65991TN1984PLC010844



D Lakshmi pathy

Chairman and Managing Director

DIN No : 01723269



Anand Raghavan

Director

DIN No : 00243485



G Srikanth

Chief Financial Officer

Place : Chennai

Date : May 14, 2019



Rangarajan K

Chief Executive Officer



B Shalini

ACS: A51334

Place : Chennai

Date : May 14, 2019

Five-Star Business Finance Limited

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

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

1 Reporting entity

Five-Star Business Finance Limited ("the Company"), is a public limited company domiciled in India, and incorporated under the provisions of Companies Act 1956. The Company is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated June 9, 2016 in lieu of Certificate of Registration dated December 3, 2002 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND"). The Company is primarily engaged in providing small business loans and loans for house renovations / extensions. These consolidated financial statements comprise the Company and its subsidiary (referred to collectively as the 'Group').

Name of the Company	Relationship	Percentage holding
Five-Star Housing Finance Private Limited*	Subsidiary	100%

* - a housing finance company registered with National Housing Bank (NHB) under section 29A of the National Housing Bank Act, 1987 with registration certificate dated May 3, 2016 to commence business of housing finance without accepting public deposits. The subsidiary is primarily engaged in the business of providing loans for the purchase or construction of residential houses.

2 Basis of preparation

2.1 Statement of compliance

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

The Group's financial statements up to and for the year ended March 31, 2018 were prepared under historical cost convention and accrual basis of accounting, unless otherwise stated and in accordance with generally accepted accounting principles in India (Indian GAAP) and conform to the statutory requirements, circulars, regulations and guidelines issued by Reserve Bank of India (RBI) from time to time. Indian GAAP comprises mandatory Accounting Standards as prescribed under Section 133 of the Act and other relevant provisions of the Act. The Company followed the prudential norms for the income recognition, asset classification and provisioning as prescribed by the its regulator.

As these are the Group's first financial statements prepared in accordance with Ind AS, Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 46.

These financial statements were authorised for issue by the Group's Board of Directors on May 14, 2019.

Details of the Group's accounting policies are disclosed in note 3.

2.2 Presentation of financial statements

The Balance Sheet, the Statement of Profit and Loss, Statement of Changes in Equity, are presented in the format prescribed under Division III of Schedule III as amended from time to time, for Non Banking Financial Companies ('NBFC') that are required to comply with Ind AS. The statement of cash flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

The Group presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented separately.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis.

2.3 Functional and presentation currency

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

2.4 Basis of measurement

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

Items	Measurement basis
Financial assets and liabilities	Fair value /Amortised cost, as applicable
Liabilities for equity-settled share-based payment arrangements	Fair value
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 standalone financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the standalone financial statements. Information about judgements, estimates and assumptions made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

i) Business model assessment

Classification and measurement of financial assets depends on the results of business model and the solely payments of principal and interest ("SPPI") test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

ii) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

iii) Effective Interest Rate ("EIR") method

The Group's EIR methodology, as explained in Note 3.1(A), recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well as expected changes to interest rates and other fee income/ expense that are integral parts of the instrument.

iv) Impairment of financial asset

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include :

- a) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time expected credit loss ("LTECL") basis.
- b) Development of ECL models, including the various formulas and the choice of inputs.
- c) Determination of associations between macroeconomic scenarios and economic inputs, such as gross domestic products, lending interest rates and collateral values, and the effect on probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").
- d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.



2.5 Use of estimates and judgements (continued)

v) Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Management believes that the estimates used in preparation of the standalone financial statements are prudent and reasonable.

vi) Other assumptions and estimation uncertainties

a) Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- i) Measurement of defined benefit obligations: key actuarial assumptions;
- ii) Estimated useful life of property, plant and equipment and intangible assets;
- iii) Recognition of deferred taxes.

2.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at March 31, 2019. The Company consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on March 31.

Consolidation procedure:

Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

Offset (eliminate) the carrying amount of the parent's portion of equity in subsidiary.

Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



3 Significant accounting policies

3.1 Revenue Recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind ASs.

The Group recognises revenue from contracts with customers based on a five step model as set out in Ind 115 :

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

A. Effective Interest Rate ('EIR') Method

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit and loss.

The Group calculates interest income by applying EIR to the gross carrying amount of financial assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Group continues to calculate interest income on the gross carrying amount of the financial asset.

B. Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

C. Other interest income

Other interest income is recognised on a time proportionate basis.

D. Fee income

Fees income such as legal inspection charges, cheque bounce charges are recognised on point in time basis.

E. Others

Penal interest and other operating income are recognized as income upon certainty of receipt.

Profit / loss on sale of investments is recognised at the time of sale or redemption and is computed based on First in First out method.

All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.



3.2 Financial instrument - initial recognition

A. Date of recognition

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

B. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from this amount.

C. Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- i) Amortised cost
- ii) FVOCI
- iii) FVTPL

3.3 Financial assets and liabilities

A. Financial assets

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel.
- b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- d) The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

SPPI test

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.



Five-Star Business Finance Limited

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

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

3.3 Financial assets and liabilities (Continued)

Accordingly, financial assets are measured as follows based on the existing business model:

i) Financial assets carried at amortised cost (AC)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order 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.

ii) Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

B. Financial liabilities

i) Initial recognition and measurement

All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition.

ii) Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method.

3.4 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in the year ended March 31, 2019 and March 31, 2018 and also as at transition date April 1, 2017.

3.5 Derecognition of financial assets and liabilities

A. Derecognition of financial assets due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

B. Derecognition of financial assets other than due to substantial modification

i) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.

ii) Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and

loss.



3.6 Impairment of financial assets

A. Overview of ECL principles

In accordance with Ind AS 109, the Group uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Expected credit losses are measured through a loss allowance at an amount equal to:

- i.) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- ii.) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Both LTECLs and 12 months ECLs are calculated on collective basis.

Based on the above, the Group categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1:

When loans are first recognised, the Group recognises an allowance based on 12 months ECL. Stage 1 loans includes those loans where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the loan has been reclassified from stage 2 or stage 3.

Stage 2:

When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the life time ECL. Stage 2 loans also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

Stage 3:

Loans considered credit impaired are the loans which are past due for more than 90 days. The Group records an allowance for life time ECL.

B. Calculation of ECLs

The mechanics of ECL calculations are outlined below and the key elements are, as follows:

PD:

Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD:

Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

LGD:

Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Group has calculated PD, EAD and LGD to determine impairment loss on the portfolio of loans and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

The mechanics of the ECL method are summarised below:

Stage 1:

The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2:

When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3:

For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.



3.6 Impairment of financial assets (Continued)

C. Forward looking information

In its ECL models, the Group relies on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time.

3.7 Write-offs

Financial assets are written off when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment on financial instruments in the statement of profit and loss.

3.8 Determination of fair value

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group has taken into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

Level 2 financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads; and

Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

3.9 Foreign currency transactions

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

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

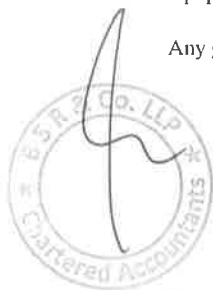
3.10 Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

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. 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.



3.10 Property, plant and equipment (Continued)

ii. Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as at April 1, 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment.

iii. Subsequent expenditure

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

iv. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss.

The Group follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset category	Estimated Useful life
Vehicles	8 years
Furniture and fittings	10 years
Office equipment	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

3.11 Intangible assets

i. Intangible assets

Intangible assets including those acquired by the Group are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its intangible assets recognised as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

iv. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the written down value method, and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated Useful life
Computer softwares	5 years

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

Impairment of non-financial assets

The Group determines periodically whether there is any indication of impairment of the carrying amount of its non-financial assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.



3.12 Employee benefits

i. Post-employment benefits

Defined contribution plan

The Group's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans

Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'), if any. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

ii. Other long-term employee benefits

Compensated absences

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Group records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

iii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

iv. Stock based compensation

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



3.13 Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

Contingent liability

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for.

Contingent asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are neither recognised nor disclosed in the financial statements.

3.14 Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

ii. Lease payments

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

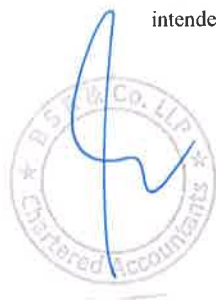
3.15 Income tax

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

i. Current tax

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

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



3.15 Income tax (Continued)

ii. 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 is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction; temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.16 Borrowing cost

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the effective interest method.

3.17 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

3.18 Segment reporting- Identification of segments:

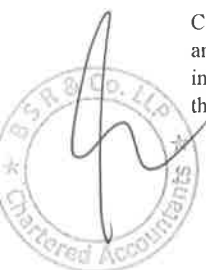
An operating segment is a component of the Group that engages in business activities from which it many earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

3.19 Earnings per share

The Group reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

3.20 Cash flow statement

Cash flows are reported using the indirect method, whereby profit 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 regular revenue generating, financing and investing activities of the Group are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.



3.21 Standard Issued But Not Yet Effective

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Group has not applied as they are effective from April 1, 2019

Ind AS 116 - Leases

Ind AS 116 Leases was notified on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under Ind AS 116 is similar to existing Ind AS 17 accounting.

The Group will adopt Ind AS 116, effective annual reporting period beginning April 1, 2019. The Company will apply the standard to its leases, prospectively, using the modified prospective method with the cumulative effect of initially applying the standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Group will not restate comparative information, instead, the cumulative effect of initially applying this Standard will be recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. The Company does not expect any significant impact of the amendment on its financial statements.

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

The amendment relating to income tax consequences of dividend clarify that an Group shall recognise the income tax consequences of dividends in the statement of profit or loss, other comprehensive income or equity according to where the Group originally recognised those past transactions or events. The Group does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the Group pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

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

Ind AS 109 – Prepayment features with negative compensation

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

Ind AS 19 – Plan amendment, curtailment or settlement

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



Five-Star Business Finance Limited

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

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
4 Cash and cash equivalents			
Cash on hand	345.07	168.10	102.56
Balances with banks			
(i) In Current accounts	20,596.29	1,362.87	4,761.23
(ii) In other deposit accounts (original maturity less than 3 months)	1,019.48	11,606.97	13,550.00
	21,960.84	13,137.94	18,413.79
5 Bank Balances other than cash and cash equivalents			
Bank deposit with more than 12 month maturity	-	-	50.00
In earmarked accounts			
Unclaimed dividend account	6.88	7.98	6.64
	6.88	7.98	56.64
6 Loans			
At amortised cost			
A Based on Nature			
Term Loans			
Gross term loans (A)	211,280.67	100,737.29	49,003.84
Less: Impairment loss allowance (B)	1,694.27	1,114.46	635.44
Net term loans	209,586.40	99,622.83	48,368.40
B Based on security			
Secured by tangible assets	211,280.67	100,737.29	49,003.84
Unsecured	-	-	-
Gross loans	211,280.67	100,737.29	49,003.84
Less: Impairment loss allowance	1,694.27	1,114.46	635.44
Total	209,586.40	99,622.83	48,368.40
C Based on region			
Loans in India			
Public sector	-	-	-
Others	211,280.67	100,737.29	49,003.84
Less: Impairment loss allowance	1,694.27	1,114.46	635.44
	209,586.40	99,622.83	48,368.40
Loans outside India	-	-	-
Less: Impairment loss allowance	-	-	-
	-	-	-
Total	209,586.40	99,622.83	48,368.40

Note:

Secured exposures are secured wholly by mortgage of property.



Five-Star Business Finance Limited

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

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
7 Investments			
At market value			
Investment in mutual funds	-	-	443.41
Gross Investments	-	-	443.41
Investments in India	-	-	443.41
Investments outside India	-	-	-
Gross Investments	-	-	443.41
Less: Impairment loss allowance	-	-	-
Net Investments	-	-	443.41
Aggregate book value of quoted investments and market value thereof	-	-	443.41
Aggregate book value of unquoted investments	-	-	-
Aggregate amount impairment in value of investments	-	-	-
8 Other financial assets			
Unsecured, considered good			
Security deposits	254.28	191.74	135.20
Interest accrued but not due on deposits	4.89	47.92	20.69
Other receivables	31.61	11.99	12.74
Total	290.78	251.65	168.63
9 Current tax assets (net)			
Advance income tax, net of provision	360.01	365.06	8.29
Total	360.01	365.06	8.29
10 Investment Property			
Cost or deemed cost (Gross carrying amount)			
Balance at the beginning of the year	3.56	3.56	3.56
Acquisitions	-	-	-
Transfer from property, plant and equipment	-	-	-
Balance at the end of the year	3.56	3.56	3.56
Accumulated depreciation			
Balance at the beginning of the year	-	-	-
Depreciation for the year	-	-	-
Balance at the end of the year	-	-	-
Net carrying amounts	3.56	3.56	3.56
Fair value	6.53	5.81	5.35
11 Other non - financial assets			
Capital advances	24.49	175.30	4.30
Prepaid expenses	306.19	198.59	46.50
Balance with Government Authorities	33.13	46.79	21.86
	363.81	420.68	72.66



Five-Star Business Finance Limited

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

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

12 Property, plant and equipment and capital work-in-progress

Particulars	Furniture and fittings	Computers and accessories	Office equipments	Vehicles	Leasehold improvements	Total (A)	Capital work-in-progress (B)	Total (A) + (B)
Cost or deemed cost (gross carrying amount)								
Balance at April 1, 2017	128.15	50.74	33.23	39.26	195.19	446.57	-	446.57
Additions / Transfer-in	84.67	125.01	20.26	-	2.60	232.54	14.13	246.67
Disposals / Transfer-out	10.79	0.02	1.52	-	0.13	12.46	-	12.46
As at March 31, 2018	202.03	175.73	51.96	39.26	197.66	666.65	14.13	680.78
Additions / Transfer-in	184.76	224.34	54.46	-	200.99	664.55	-	664.55
Disposals / Transfer-out	2.59	6.81	0.48	-	-	9.89	14.13	24.02
As at March 31, 2019	384.20	393.26	105.94	39.26	398.65	1,321.31	-	1,321.31
Accumulated depreciation								
Depreciation for the year	39.92	67.64	18.67	12.23	77.44	215.89	-	215.89
On disposals	-	-	-	-	-	-	-	-
As at March 31, 2018	39.92	67.64	18.67	12.23	77.44	215.89	-	215.89
Depreciation for the year	70.76	150.70	28.94	8.40	110.08	368.87	-	368.87
On disposals	1.46	6.18	0.24	-	-	7.87	-	7.87
As at March 31, 2019	109.22	212.16	47.37	20.63	187.52	576.90	-	576.90
Carrying amount (net)								
As at April 1, 2017	128.15	50.74	33.23	39.26	195.19	446.57	-	446.57
As at March 31, 2018	162.11	108.09	33.29	27.03	120.23	450.75	14.13	464.88
As at March 31, 2019	274.98	181.10	58.57	18.63	211.13	744.41	-	744.41



Five-Star Business Finance Limited
Notes to the Ind AS consolidated financial statements for the year ended March 31, 2019
 (All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

13 Intangible assets and intangibles under development

Particulars	Softwares	Total (A)	Intangibles under development (B)	Total (A) + (B)
Cost or deemed cost (gross carrying amount)				
Balance at April 1, 2017	35.98	35.98	158.11	194.08
Additions / Transfer-in	188.65	188.65	-	188.65
Disposals / Transfer-out			158.11	
As at March 31, 2018	224.63	224.63	-	382.74
Additions / Transfer-in	71.39	71.39	-	71.39
Disposals / Transfer-out	0.10	0.10	-	0.10
As at March 31, 2019	295.92	295.92	-	454.03
Accumulated amortisation				
Amortisation for the year	43.54	43.54	-	43.54
On disposals	-	-	-	-
As at March 31, 2018	43.54	43.54	-	43.54
Amortisation for the year	50.59	50.59	-	50.59
On disposals	0.01	0.01	-	0.01
As at March 31, 2019	94.12	94.12	-	94.12
Carrying amount (net)				
As at April 1, 2017	35.98	35.98	158.11	194.08
As at March 31, 2018	181.09	181.09	-	181.09
As at March 31, 2019	201.80	201.80	-	201.80



Five-Star Business Finance Limited

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

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
14 Payables			
14.1 Trade payables			
-total outstanding dues of micro and small enterprises	-	-	-
- total outstanding dues of creditors other than micro and small enterprises	292.69	226.33	106.82
	292.69	226.33	106.82
15 Debt Securities (refer note 16.1)			
At amortised cost			
Secured debentures			
2,000 (March 31, 2018 - 50, April 1, 2017 - Nil), 10.21% redeemable, non-convertible debentures of INR 10 lakh each	20,000.00	500.00	-
240, (March 31, 2018 - 240, April 1, 2017 - 240) 11.25% redeemable, non-convertible debentures of INR 10 lakh each	2,400.00	2,400.00	2,400.00
250, (March 31, 2018 - 250, April 1, 2017 - Nil) 11.00 % (March 31, 2018 - 11.50%) redeemable, non-convertible debentures of INR 10 lakh each	2,500.00	2,500.00	-
300, (March 31, 2018 - 300, April 1, 2017 - 300) 13.60% redeemable, non-convertible debentures of INR 10 lakh each	1,714.28	2,571.43	3,000.00
450, (March 31, 2018 - 450, April 1, 2017 - 450) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	4,500.00	4,500.00	4,500.00
300, (March 31, 2018 - 300, April 1, 2017 - 300) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	3,000.00	3,000.00	3,000.00
2,250, (March 31, 2018 - 2,500, April 1, 2017 - 2,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	2,250.00	2,500.00	2,500.00
1,350, (March 31, 2018 - 1,500, April 1, 2017 - 1,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	1,350.00	1,500.00	1,500.00
550, (March 31, 2018 - Nil, April 1, 2017 - Nil) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	5,500.00	-	-
Nil, (March 31, 2018 - Nil, April 1, 2017 - 25,000) 12.50% redeemable, non-convertible debentures of INR 100 each	-	-	25.00
4,450, (March 31, 2018 - 4,450, April 1, 2017 - 4,450) 12.50% redeemable, non-convertible debentures of INR 100 each	4.45	4.45	4.45
Commercial papers (Unsecured)	-	-	2,266.25
	43,218.73	19,475.88	19,195.70
Less: Unamortised processing fee	(246.45)	(153.79)	(117.65)
	42,972.28	19,322.09	19,078.05
Debts securities in India	42,972.28	19,322.09	19,078.05
Debts securities outside India	-	-	-
	42,972.28	19,322.09	19,078.05
Commercial papers (unsecured) issued at face value of INR 2,500 Lakhs were having an interest rate of 10.60% with a maturity of 364 days.			
16 Borrowings (other than debt securities)			
At amortised cost			
Term loans (secured)			
From banks	37,867.79	20,923.61	13,144.53
From other parties	13,950.18	9,419.18	10,621.37
Loans from related parties (unsecured)	65.65	71.57	91.37
Loans from others (unsecured)	3.64	5.23	11.50
Loans repayable on demand (secured)			
From banks	863.07	4,979.68	2,421.50
	52,750.33	35,399.27	26,290.27
Less: Unamortised processing fee	(231.14)	(121.61)	(163.54)
	52,519.19	35,277.66	26,126.73
Borrowings in India	52,519.19	35,277.66	26,126.73
Borrowings outside India	-	-	-
	52,519.19	35,277.66	26,126.73

Cash credit and working capital demand loans from banks are secured by specific charge on identified receivables. As at March 31, 2019, the rate of interest across the cash credit and working capital demand loans was in the range of 9.50% p.a to 12.00% p.a (March 31, 2018 - 9.00% p.a to 11.50% p.a April 1, 2017 - 11.00%p.a to 13.00%p.a).

The Company has not defaulted in the repayment of the borrowings (including debt securities).



Five-Star Business Finance Limited

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

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

16.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings

Particulars	Tenor	Earliest installment date	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Secured debentures					
1,350, (March 31, 2018 - 1,500, April 1, 2017 - 48 months 11.45% redeemable, non-convertible debentures of INR 1 lakh each		April 15, 2019	1,350.00	1,500.00	1,500.00
2,250, (March 31, 2018 - 2,500, April 1, 2017 - 48 months 11.45% redeemable, non-convertible debentures of INR 1 lakh each		March 7, 2019	2,250.00	2,500.00	2,500.00
300, (March 31, 2018 - 300, April 1, 2017 - 300) 60 months 13.60% redeemable, non-convertible debentures of INR 10 lakh each		January 27, 2017	1,714.28	2,571.43	3,000.00
2,000 (March 31, 2018 - 50, April 1, 2017 - Nil), 60 months 10.21% redeemable, non-convertible debentures of INR 10 lakh each		June 28, 2022	20,000.00	500.00	-
300, (March 31, 2018 - 300, April 1, 2017 - 300) 48 months 11.50% redeemable, non-convertible debentures of INR 10 lakh each		March 30, 2020	3,000.00	3,000.00	3,000.00
240, (March 31, 2018 - 240, April 1, 2017 - 240) 48 months 11.25% redeemable, non-convertible debentures of INR 10 lakh each		February 28, 2021	2,400.00	2,400.00	2,400.00
450, (March 31, 2018 - 450, April 1, 2017 - 450) 48 months 11.50% redeemable, non-convertible debentures of INR 10 lakh each		March 30, 2020	4,500.00	4,500.00	4,500.00
250, (March 31, 2018 - 250, April 1, 2017 - Nil) 72 months 11.00% (March 31, 2018 -11.00%) redeemable, non-convertible debentures of INR 10 lakh each		March 30, 2023	2,500.00	2,500.00	-
500, (March 31, 2018 - Nil, April 1, 2017 - Nil) 36 months 12.64% redeemable, non-convertible debentures of INR 10 lakh each		April 29, 2021	5,000.00	-	-
50, (March 31, 2018 - Nil, April 1, 2017 - Nil) 36 months 12.64% redeemable, non-convertible debentures of INR 10 lakh each		April 29, 2021	500.00	-	-
Nil, (March 31, 2018 - Nil, April 1, 2017 - 25,000) 36 months 12.50% redeemable, non-convertible debentures of INR 100 each		February 28, 2018	-	-	25.00
420, (March 31, 2018 - 420, April 1, 2017 - 420) 36 months 12.50% redeemable, non-convertible debentures of INR 100 each		November 19, 2014	0.42	0.42	0.42
3,300, (March 31, 2018 - 3,300, April 1, 2017 - 36 months 3,300) 12.50% redeemable, non-convertible debentures of INR 100 each		April 14, 2015	3.30	3.30	3.30
450, (March 31, 2018 - 450, April 1, 2017 - 450) 36 months 12.50% redeemable, non-convertible debentures of INR 100 each		May 24, 2015	0.45	0.45	0.45
180, (March 31, 2018 - 180, April 1, 2017 - 180) 12 months 12.50% redeemable, non-convertible debentures of INR 100 each		August 2, 2013	0.18	0.18	0.18
100, (March 31, 2018 - 100, April 1, 2017 - 100) 36 months 12.50% redeemable, non-convertible debentures of INR 100 each		December 12, 2015	0.10	0.10	0.10
			43,218.73	19,475.88	16,929.45

All debentures are secured by pari passu charge on immoveable property and exclusive first charge on book debts.



Five-Star Business Finance Limited

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

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

16.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings

Particulars	Tenor	Earliest installment date	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Term loans from banks					
Term Loan 1	48 months	April 15, 2017	1,000.00	1,500.00	-
Term Loan 2	60 months	March 3, 2019	3,736.67	-	-
Term Loan 3	36 months	May 1, 2019	3,000.00	-	-
Term Loan 4	60 months	June 30, 2019	5,000.00	-	-
Term Loan 5	36 months	February 5, 2018	2,361.12	-	-
Term Loan 6	36 months	April 5, 2018	1,047.10	1,500.00	-
Term Loan 7	36 months	May 5, 2018	724.32	1,000.00	-
Term Loan 8	48 months	April 30, 2017	500.00	750.00	1,000.00
Term Loan 9	48 months	April 23, 2018	739.13	1,000.00	-
Term Loan 10	60 months	December 5, 2015	20.47	31.31	41.19
Term Loan 11	36 months	May 7, 2017	399.55	727.74	1,000.00
Term Loan 12	60 months	July 28, 2016	238.31	346.97	439.19
Term Loan 13	36 months	May 28, 2018	1,333.33	2,000.00	-
Term Loan 14	36 months	December 13, 2016	136.36	681.82	1,227.27
Term Loan 15	36 months	September 30, 2017	1,323.53	2,382.35	-
Term Loan 16	36 months	May 21, 2018	1,352.94	2,000.00	-
Term Loan 17	42 months	September 30, 2018	4,125.00	-	-
Term Loan 18	36 months	May 18, 2019	5,000.00	-	-
Term Loan 19	36 months	August 9, 2017	208.33	375.00	500.00
Term Loan 20	60 months	May 2, 2016	237.35	340.76	429.92
Term Loan 21	60 months	March 28, 2018	333.33	444.44	500.00
Term Loan 22	60 months	April 30, 2017	2,381.50	3,224.07	4,000.00
Term Loan 23	36 months	May 5, 2018	1,736.12	-	-
Term Loan 25	48 months	March 31, 2016	-	303.57	517.86
Term Loan 26	36 months	February 15, 2015	-	-	124.97
Term Loan 27	60 months	October 31, 2015	-	550.00	750.00
Term Loan 28	60 months	December 31, 2016	-	732.80	933.20
Term Loan 29	48 months	July 31, 2015	-	166.16	281.24
Term Loan 30	48 months	October 31, 2017	-	866.62	-
Term Loan 31	36 months	September 21, 2014	-	-	41.67
Term Loan 32	36 months	June 15, 2015	-	-	233.33
Term Loan 33	36 months	May 28, 2015	-	-	166.48
Term Loan 34	60 months	July 27, 2016	-	-	424.85
Term Loan 35	48 months	December 31, 2016	-	-	533.36
Term Loan 36	60 months	December 5, 2018	933.33	-	-
			37,867.79	20,923.61	13,144.53

All the above loans are secured by an exclusive first charge on book debts.



Five-Star Business Finance Limited

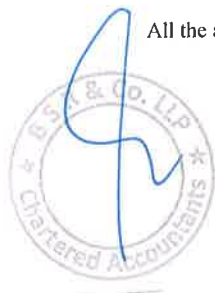
Notes to the Ind AS consolidated financial statements for the year ended March 31, 2019

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

16.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings

Particulars	Tenor	Earliest installment date	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Term loans from others					
Term loans from other - 1	36 months	November 30, 2018	1,600.00	2,000.00	-
Term loans from other - 2	48 months	February 11, 2018	2,395.83	-	-
Term loans from other - 3	60 months	May 1, 2019	1,000.00	-	-
Term loans from other - 4	48 months	January 29, 2019	1,900.01	-	-
Term loans from other - 5	48 months	April 28, 2017	649.45	974.62	1,299.98
Term loans from other - 6	60 months	September 1, 2019	1,340.00	-	-
Term loans from other - 7	60 months	November 22, 2015	183.16	288.16	379.84
Term loans from other - 8	60 months	April 22, 2017	995.61	1,259.87	1,500.00
Term loans from other - 9	36 months	March 20, 2019	486.12	-	-
Term loans from other - 10	60 months	April 27, 2019	500.00	-	-
Term loans from other - 11	36 months	April 20, 2019	500.00	-	-
Term loans from other - 12	60 months	August 1, 2015	-	265.89	361.74
Term loans from other - 13	60 months	July 1, 2016	-	351.48	437.17
Term loans from other - 14	53 months	September 15, 2016	-	604.16	854.17
Term loans from other - 15	48 months	April 10, 2017	-	1,125.00	1,500.00
Term loans from other - 16	48 months	April 30, 2017	-	750.00	1,000.00
Term loans from other - 17	24 months	November 1, 2014	-	-	60.02
Term loans from other - 18	60 months	December 1, 2015	-	-	420.66
Term loans from other - 19	36 months	September 18, 2014	-	-	65.98
Term loans from other - 20	36 months	November 22, 2014	-	-	128.33
Term loans from other - 21	48 months	September 27, 2014	-	-	125.36
Term loans from other - 22	48 months	July 2, 2015	-	-	188.12
Term loans from other - 23	48 months	April 15, 2017	-	-	2,000.00
Term loans from other - 24	42 months	April 30, 2019	1,000.00	-	-
Term loans from other - 25	30 months	June 30, 2018	1,400.00	500.00	-
Term loans from other - 26	15 months	July 28, 2017	-	600.00	-
Term loans from other - 27	12 months	July 2, 2018	-	700.00	-
Term loans from other - 28	12 months	March 28, 2018	-	-	300.00
			13,950.18	9,419.18	10,621.37

All the above loans are secured by an exclusive first charge on book debts.



Five-Star Business Finance Limited**Notes to the Ind AS consolidated financial statements for the year ended March 31, 2019**

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
17 Other financial liabilities			
Interest accrued but not due on borrowings	132.98	48.29	45.11
Interest accrued but not due on debt securities	378.50	383.82	328.35
Unpaid dividends	6.88	7.98	6.64
	518.36	440.09	380.10
18 Current tax liabilities (net)			
Provision for tax (net)	162.17	-	170.12
	162.17	-	170.12
19 Provisions			
Provision for employee benefits			
Provision for gratuity	255.65	141.72	65.39
Provision for compensated absences	120.61	32.83	11.25
	376.26	174.55	76.64
20 Other non-financial liabilities			
Statutory dues payable	314.93	182.09	57.02
Employee related payables	1,256.51	262.89	233.92
Rent straight lining	57.75	27.66	13.57
	1,629.19	472.64	304.51



Five-Star Business Finance Limited

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

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
21 Equity share capital			
Authorised			
30,000,000 shares (March 31, 2018 - 20,000,000, April 1, 2017 - 20,000,000) of INR 10 each	3,000.00	2,000.00	2,000.00
Issued, subscribed and paid up			
23,899,582 shares (March 31, 2018 - 19,168,854, April 1, 2017 - 14,265,052) of INR 10 each	2,389.96	1,916.89	1,426.51

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	As at March 31, 2019		As at March 31, 2018	
	Number of shares	Amount in Lakhs of INR	Number of shares	Amount in Lakhs of INR
As at beginning of the year	19,168,854	1,916.89	14,265,052	1,426.51
Shares issued in exercise of employee stock options	43,900	4.39	188,500	18.85
Shares issued	4,686,828	468.68	4,715,302	471.53
As at the end of the year	23,899,582	2,389.96	19,168,854	1,916.89

Terms/rights attached to Equity Shares:

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

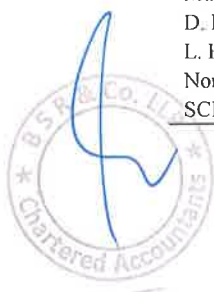
Shares reserved for issue under options

Information relating to Five- Star Associate Stock Option Scheme, 2015 and Five Star Associate Stock Option Scheme, 2018, including the details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 40.

Details of shareholders holding more than 5% shares in the company

Name of shareholder	As at March 31, 2019	
	Number of shares	% of total shares in class
NHPEA Chocolate Holding B.V	5,135,862	21.49
Matrix Partners India Investment Holdings II, LLC	4,100,999	17.16
TPG Asia VII SF Pte. Ltd.	3,111,933	13.02
Norwest Venture Partners X - Mauritius	2,569,650	10.75
SCI Investments V	2,569,650	10.75
D. Lakshmipathy	2,287,551	9.57
L. Hema	2,083,060	8.72

Name of shareholder	As at March 31, 2018	
	Number of shares	% of total shares in class
NHPEA Chocolate Holding B.V	4,469,560	23.32
Matrix Partners India Investment Holdings II, LLC	4,100,999	21.39
D. Lakshmipathy	2,376,150	12.40
L. Hema	2,081,060	10.86
Norwest Venture Partners X - Mauritius	2,001,779	10.44
SCI Investments V	2,001,779	10.44



Five-Star Business Finance Limited

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

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

21 Equity share capital (Continued)

Details of shareholders holding more than 5% shares in the company (Continued)

Name of shareholder	As at April 1, 2017	
	Number of shares	% of total shares in class
Matrix Partners India Investment Holdings II, LLC	4,080,240	28.60
NHPEA Chocolate Holding B.V	3,565,052	24.99
D. Lakshmipathy	2,595,830	18.20
L. Hema	2,073,760	14.54

Particulars	As at	As at	As at
	March 31, 2019	March 31, 2018	April 1, 2017
22 Other Equity			
Statutory Reserve	5,622.81	2,489.60	1,365.60
Share options outstanding account	490.27	327.52	343.58
Securities Premium	107,313.93	46,256.73	15,137.52
General Reserve	719.60	719.60	719.60
Retained Earnings	19,976.24	7,481.78	3,290.31
Other comprehensive income	-	-	-
	134,122.85	57,275.23	20,856.61

Particulars	As at	As at
	March 31, 2019	March 31, 2018
i Statutory Reserve		
Opening balance	2,489.60	1,365.60
Amount transferred from surplus in the statement of profit and loss	3,133.21	1,124.00
Closing balance	5,622.81	2,489.60

As per Section 45-IC of the Reserve Bank of India Act, 1934 and as per Section 29C of the National Housing Bank Act, 1987, Five-Star Business Finance Limited and Five Star Housing Finance Private Limited respectively are required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Also, as Accordingly, the group has transferred an amount of INR 3,133.21 (March 31, 2018: INR 1,124.00), out of the profit after tax for the year ended March 31, 2019 to Statutory Reserve. No appropriation of any sum from this reserve fund shall be made by the group except for the purpose as may be specified by the regulators.

ii Share options outstanding account

Opening balance	327.52	343.58
Share based payment expense	267.83	214.94
Less : Transfer to securities premium	105.08	231.00
Less : Transfer to general reserve for lapse of options	-	-
Closing balance	490.27	327.52

The Company has established equity-settled share based payment plans for certain categories of employees of the Company. Refer note 40 for further details of these plans.

iii Securities Premium

Opening balance	46,256.73	15,137.52
Premium on shares issued during the period	61,558.73	31,559.83
Less : Utilised during the year for share issue expenses	501.53	440.62
Closing balance	107,313.93	46,256.73

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with provisions of Companies Act, 2013.



Five-Star Business Finance Limited**Notes to the Ind AS consolidated financial statements for the year ended March 31, 2019**

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

Particulars	As at	
	March 31, 2019	March 31, 2018
22 Other Equity (Continued)		
iv General Reserve		
Opening balance	719.60	719.60
Amount transferred from surplus in the statement of profit and loss	-	-
Closing balance	719.60	719.60

General reserve are free reserves which can be utilised for any purpose as may be required.

v Retained Earnings

Opening balance	7,481.78	3,290.31
Net Profit for the year	15,665.73	5,344.97
Less : Appropriations		
Transfer to statutory reserve	3,133.21	1,124.00
Transfer from other comprehensive income	38.06	29.50
Closing balance	19,976.24	7,481.78

Retained earning is the accumulated available profit of the Company carried forward from earlier years. These reserve are free reserves which can be utilised for any purpose as may be required.

vi Other comprehensive income

Opening balance	-	-
Remeasurements of defined benefit asset/ (liability)	38.06	29.50
Transferred to retained earnings	(38.06)	(29.50)
Closing balance	-	-

Remeasurement of the net defined benefit liabilities comprise actuarial gain or loss, if any.



Five-Star Business Finance Limited**Notes to the Ind AS consolidated financial statements for the year ended March 31, 2019**

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

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
23 Interest income		
(On financial assets measured at amortised cost)		
Interest on loans	37,621.43	18,019.82
Interest on deposits with banks	1,352.38	801.34
Total	38,973.81	18,821.16
24 Dividend income		
Dividend income	-	12.68
Total	-	12.68
25 Fee income		
Legal and inspection fees	1,272.87	385.55
Others charges	54.18	82.70
Total	1,327.05	468.25
26 Net gain on fair value changes		
Net gain on financial instruments at fair value through profit or loss (FVTPL)		
On trading portfolio		
-Mutual fund investments at FVTPL	589.94	761.20
	589.94	761.20
Fair Value Changes		
Realised	589.94	761.20
Unrealised	-	-
	589.94	761.20
27 Other Income		
Other non-operating income	1.86	1.55
	1.86	1.55
28 Finance costs		
(On financial liabilities measured at amortised cost)		
Interest on borrowings		
- term loans from banks	2,668.11	2,050.26
- cash credits and overdraft	4.00	37.29
- term loans from others	948.79	1,098.58
Interest on debt securities	3,971.30	2,512.17
	7,592.20	5,698.30
29 Fees expenses		
Amortisation of ancillary costs relating to borrowings	94.77	84.87
	94.77	84.87

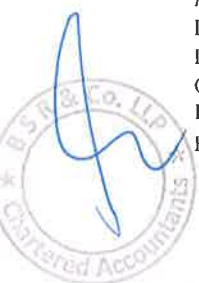


Five-Star Business Finance Limited

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

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

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
30 Impairment / write off on financial instruments		
(On financial assets measured at amortised cost)		
Impairment loss allowance on loans	579.80	479.02
Loans written off	175.38	453.01
	755.18	932.03
31 Employee benefits expenses		
Salaries, wages and bonus	6,798.80	3,554.84
Contribution to provident and other funds	465.68	245.10
Employee stock option expenses	267.83	214.94
Staff welfare expenses	121.13	67.33
	7,653.44	4,082.21
32 Other expenses		
Rent	428.07	250.52
Rates and taxes	197.19	209.69
Electricity expenses	55.26	32.34
Repairs and maintenance	187.51	88.44
Communication costs	262.34	135.53
Printing and stationery	199.47	109.64
Advertisement and publicity	6.28	36.08
Directors fees, allowances and expenses	11.05	7.30
Auditors' fees and expenses	27.56	16.80
Legal and professional charges	679.09	228.27
Insurance	9.01	4.81
Corporate social responsibility expenses	10.00	5.00
Travel expenses	135.18	132.56
Information technology expenses	225.31	205.07
Loss on sale of property, plant and equipment	0.98	8.74
Bank charges	47.45	25.54
Customer referral expenses	25.32	4.29
Miscellaneous expenses	26.20	45.69
	2,533.27	1,546.31
32 A Income tax		
i. Current tax	6,977.78	2,404.37
ii. Deferred tax		
Attributable to—		
Origination and reversal of temporary differences	(799.17)	(287.65)
	(799.17)	(287.65)
Tax expense (i)+(ii)	6,178.61	2,116.72
32 B Income tax recognized in other comprehensive income		
Re-measurements of the defined benefit plan	53.55	41.61
Income tax relating to items that will not be reclassified to profit or loss	(15.49)	(12.11)
Net of tax	38.06	29.50
32.1 Reconciliation of total tax expense		
Profit before tax	21,844.34	7,461.69
Computed tax expense	6,361.07	2,151.95
Tax effect of :		
<i>Permanent differences</i>		
Deduction u/s 80JJAA of the Income Tax Act, 1961	168.86	64.04
Disallowance related to CSR expenditure	(1.46)	(1.46)
Others	11.34	(22.02)
Income tax expense recognised in statement of profit and loss	6,178.61	2,116.72
Effective tax rate	28.28%	28.37%



Five-Star Business Finance Limited

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

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
33 Commitments			
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	3.95	59.38	-
34 Contingent liabilities			
Claims against the Company not acknowledged as debt			
- Income tax related matters (excluding penalties and interest)	6.74	6.74	6.74
- Provident Fund (refer note below)			
In light of recent judgment of Honorable Supreme Court dated 28 February 2019 on the definition of "Basic Wages" under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on the legal advice received, the Company has aligned the manner of computation of liability for Provident Fund effective the date of the order. There are significant uncertainties in determining the liability including, period of assessment, application for present and past employees and assessment of interest and penalties. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence disclosed as a contingent liability.			
35 Deferred tax assets / (liability):			
In relation to :			
Difference between written down value of fixed assets as per books of accounts and income tax	69.52	32.76	30.45
Employee Benefits	159.30	50.78	26.38
Preliminary expenses	1.06	2.28	-
Impairment on financial instruments	342.87	191.84	171.19
Unamortised processing fee income	1,030.39	452.27	224.19
Unamortised processing fee expenses	(138.69)	(80.12)	(99.63)
Fair value of investment	-	-	(2.53)
	1,464.46	649.81	350.05

Movement in Deferred tax assets

	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
For the year ended March 31, 2018 :				
Difference between written down value of fixed assets	30.45	2.31	-	32.76
Employee Benefits	26.38	12.29	12.11	50.78
Preliminary expenses	-	2.28	-	2.28
Impairment on financial instruments	171.19	20.65	-	191.84
Unamortised processing fee income	224.19	228.08	-	452.27
Unamortised processing fee expenses	(99.63)	19.51	-	(80.12)
Fair value of investment	(2.53)	2.53	-	-
Total	350.05	287.65	12.11	649.81
For the year ended March 31, 2019 :				
Difference between written down value of fixed assets	32.76	36.76	-	69.52
Employee Benefits	50.78	93.03	15.49	159.30
Preliminary expenses	2.28	(1.21)	-	1.06
Impairment on financial instruments	191.84	151.03	-	342.87
Unamortised processing fee income	452.27	578.12	-	1,030.39
Unamortised processing fee expenses	(80.12)	(58.57)	-	(138.69)
Total	649.81	799.16	15.49	1,464.46



Five-Star Business Finance Limited**Notes to the Ind AS consolidated financial statements for the year ended March 31, 2019**

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

36 Operating Lease

The company has operating lease agreement primarily for office premises. The leases typically run for a period of 3 to 9 years, with an option to renew the lease after that period.

Particulars	Year ended	
	March 31, 2019	March 31, 2018
i. Amount recognized in profit or loss		
Minimum lease payments	428.07	250.52
ii. Future minimum lease payments		
	As at	As at
	March 31, 2019	March 31, 2018
		As at
		April 1, 2017
Payable within one year	423.55	239.15
Payable between one and five years	1,238.42	1,593.81
Payable after five years	110.70	134.73

37 Earnings per share

Particulars	Year ended	
	March 31, 2019	March 31, 2018
Profit after tax	15,665.73	5,344.97
Weighted Average Number of Equity Shares in calculation of basic earnings per share	22,276,811	17,337,381
Dilution on account of ESOP and share warrants	514,492	337,193
Weighted Average Number of Equity Shares in calculation of diluted earnings per share	22,791,303	17,674,574
Basic earnings per share	70.32	30.83
Diluted earnings per share	68.74	30.24

38 Segment Information

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the group's Managing Director ('MD') to make decisions about resources to be allocated to the segments and assess their performance. The MD is considered to be the Chief Operating Decision Maker ('CODM') within the purview of Ind AS 108 Operating Segments.

The CODM considers the entire business of the group on a holistic basis to make operating decisions and thus there are no segregated operating segments. The group is primarily engaged in providing small business loans and loans for house constructions/ renovations / extensions etc. The CODM of the group reviews the operating results of the group as a whole and therefore not more than one reportable segment is required to be disclosed by the group as envisaged by Ind AS 108 Operating Segments. Accordingly, amounts appearing in these financial statements relates to small business loans and loans for house renovations / extensions etc.

The group does not have any separate geographic segment other than India. As such there are no separate reportable segments as per IND AS 108 Operating Segments.



Five-Star Business Finance Limited

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

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

39 Employee benefits - post employment benefit plans

A Defined contribution plans

The Group makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised INR 229.59 lakhs (year ended March 31, 2018 - INR 139.11 lakhs) for provident fund contributions, and INR 138.74 lakhs (year ended March 31, 2018 - INR 86.76 lakhs) for employee state insurance scheme contributions in the statement of profit and loss. The contributions payable to these plans by the Group are at rates specified in the rules of the schemes.

B Defined benefit plans

Gratuity

The Group operates a defined benefit plan (the Gratuity plan) covering eligible employees. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age/ resignation date.

The defined benefit plans expose the Group to risks such as Actuarial risk, Investment risk, Liquidity risk, Market risk, Legislative risk. These are discussed as follows:

Actuarial risk: It is the risk that benefits will cost more than expected. This can arise due to one of the following reasons:

Adverse salary growth experience: Salary hikes that are higher than the assumed salary escalation will result into an increase in obligation at a rate that is higher than expected.

Variability in mortality rates: If actual mortality rates are higher than assumed mortality rate assumption then the gratuity benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cash flow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and discount rate.

Variability in withdrawal rates: If actual withdrawal rates are higher than assumed withdrawal rate assumption then the Gratuity Benefits will be paid earlier than expected. The impact of this will depend on whether the benefits are vested as at the resignation date.

Investment risk: For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.

Liquidity risk: Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign/retire from the Group there can be strain on the cash flows.

Market risk: Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits and vice versa. This assumption depends on the yields on the government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

Legislative risk: Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act, 1972, thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

Funding

The Group does not have a funded gratuity scheme for its employees as at March 31, 2019. Gratuity provision has been made based on the actuarial valuation.

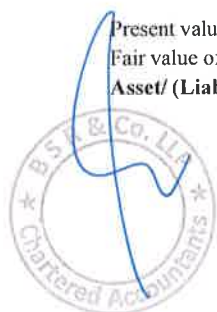
Reconciliation of net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit asset (liability) and its components.

Particulars

Present value of obligations
Fair value of plan assets
Asset/ (Liability) recognised in the balance sheet

	As at March 31, 2019	As at March 31, 2018
	255.65	141.72
	-	-
	(255.65)	(141.72)



Five-Star Business Finance Limited

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

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

B Defined benefit plans (Continued)

Reconciliation of present value of defined benefit obligation

	As at March 31, 2019	As at March 31, 2018
Balance at the beginning of the year	141.72	65.39
Benefits paid	(3.44)	-
Current service cost	53.40	20.02
Past service cost	-	10.18
Interest cost	10.42	4.51
Actuarial (gain)/loss recognized in other comprehensive income		
changes in demographic assumptions	(38.15)	-
changes in financial assumptions	56.34	31.31
experience adjustments	35.36	10.30
Balance at the end of the year	255.65	141.71

Expense recognized in profit or loss

Current service cost	53.40	20.02
Interest cost	10.42	4.51
Past service (gain)/ loss	-	10.18
	63.82	34.71

Remeasurements recognized in other comprehensive income

Actuarial (gain) loss on defined benefit obligation	(53.55)	(41.61)
Return on plan assets excluding interest income	-	-
	(53.55)	(41.61)

Actuarial assumptions

	Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	6.88% - 7.30%	7.44%
Future salary growth	15.00%	10.00%
Attrition rate	12.00% - 25.00%	15.00%

Five year information

Gratuity	31-Mar-19	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15
Defined benefit obligation	255.65	141.72	65.39	44.29	30.75
Fair value of plan assets	-	-	-	-	-
Deficit in plan	(255.65)	(141.72)	(65.39)	(44.29)	(30.75)
Experience adjustments on plan liabilities	(36.61)	(10.59)	(10.92)	(6.07)	(5.65)
Experience adjustments on plan assets	-	-	-	-	-

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:

Discount rate		
-1% increase	(12.07)	(8.43)
-1% decrease	13.20	9.45
Future salary growth		
-1% increase	12.01	8.70
-1% decrease	(11.27)	(8.02)
Attrition rate		
-1% increase	(6.72)	(2.36)
-1% decrease	7.23	2.50

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



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

40 Share Based Payments

A Five-Star Associate Stock Option Scheme, 2015

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called "FIVE-STAR ASOP, 2015" or "The Scheme") was taken by the Board of Directors at the meeting held on 18th September 2015, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 12th April 2016. The total options issuable under the plan are upto 5,63,000 options. Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plan. Under the plan, the participants are granted options which vest as per the schedule provided in the Grant Letter given to each of the participants. The time period for exercise of these options is defined in the Scheme document.

i Reconciliation of outstanding share options

	As at March 31, 2019		As at March 31, 2018	
	Weighted average exercise price per	Number of options	Weighted average exercise price per	Number of options
Outstanding at beginning of year	46.22	362,000.00	20.34	482,500.00
Forfeited during the year	-	-	-	-
Exercised during the year	61.15	43,900.00	10.20	188,500.00
Granted during the year	130.00	6,500.00	130.00	68,000.00
Outstanding as at end of year	50.03	324,600.00	46.22	362,000.00
Exercisable at end of the year	21.75	116,400	10.00	8,000.00

The weighted average share price at the date of exercise of options exercised during the year ended March 31, 2019 is Rs.1326.89/- (March 31, 2018 : 674.40/-)

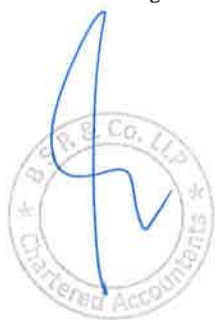
ii Expense recognised in the statement of profit and loss

	Year ended March 31, 2019	Year ended March 31, 2018
Employee stock option expenses	267.83	214.94

iii Measurement of fair values

The fair value of options have been estimated on the dates of each grant using the Black Scholes model. The various inputs considered in the pricing model for the stock options granted by the Company are as follows:

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Weighted average share price	698.00	653.49	146.65
Share price on Grant date	698.00	674.40	130-319
Exercise price	130.00	130.00	130.00
Fair value of options at grant date	595.47 - 620.03	215.86 - 594.95	122.19 - 242.19
Expected volatility	29.28% - 30.89%	27.09% - 31.08%	26.84% - 30.68%
Option term	3.54-7.54 years	3.54-7.54 years	3.54-7.54 years
Expected dividends	Nil	Nil	Nil
Risk free interest rate	6.70% - 6.75%	6.00% - 6.25%	6.75%- 7.00%
Weighted average remaining contractual life (in years)	6.2	6.28	5.5



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

41 Related party disclosures

a Name of the related parties and nature of relationship:

Key Management Personnel :

D. Lakshmipathy, Chairman and Managing Director
K.Rangarajan, Chief Executive Officer (from May 22, 2018)
G.Srikanth, Chief Financial Officer
B.Shalini, Company Secretary

Director and relative of Key Management Personnel / Director

L. Hema, Wife of Mr. D. Lakshmipathy
R. Deenadayalan, Father of Mr. D. Lakshmipathy
D. Varalakshmi, Mother of Mr.D. Lakshmipathy
B Sudha, Sister of Mr. D. Lakshmipathy
L.Srishti, Daughter of Mr. D.Lakshmipathy
L.Shritha, Daughter of Mr.D. Lakshmipathy
Mr. Ravi Prasad, Director
R. Bhuvaneswari, Wife of Mr. Ravi Prasad
L.R.Deepak Krishna, Son of Mr. Ravi Prasad
L.R.Venkatesh, Son of Mr. Ravi Prasad
H.Srinivasan, Son of Mr.Hari Babu

Entities with substantial interest over the company

Matrix Partners India Investment Holdings II, LLC (upto August 3, 2018)
M/s.NHPEA Chocolate Holding B.V.

b Key management personnel compensation

D. Lakshmipathy, Chairman and Managing Director
K.Rangarajan, Chief Executive Officer
G.Srikanth, Chief Financial Officer
B.Shalini, Company Secretary

	Year ended March 31, 2019	Year ended March 31, 2018
D. Lakshmipathy, Chairman and Managing Director	344.44	226.67
K.Rangarajan, Chief Executive Officer	181.67	-
G.Srikanth, Chief Financial Officer	99.00	110.61
B.Shalini, Company Secretary	5.24	3.74

Managerial remuneration above does not include gratuity and leave encashment benefit, since the same is computed actuarially for all the employees and the amount attributable to the managerial person cannot be ascertained separately.

c Details of related party transactions

Nature of transaction

Interest expense

	Year ended March 31, 2019	Year ended March 31, 2018
L. Hema	0.01	0.03
L.Srishti	-	0.01
L.Shritha	-	0.02
D. Varalakshmi	-	0.12
B.Sudha	0.06	1.45
K.Boopathi	0.27	0.89
R.Bhuvaneswari	0.13	0.13
L.R.Deepak Krishna	3.94	3.95
L.R. Ravi Prasad	0.35	0.35
L.R. Venkatesh	3.13	3.13

Rent

D. Lakshmipathy	-	2.55
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Refund of rent advance

D. Lakshmipathy, Chairman and Managing Director	-	3.35
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Issue of equity shares

Matrix Partners India Investment Holdings II, LLC	-	2.08
NHPEA Chocolate Holding B.V.	66.63	90.45

Receipt of share premium

Matrix Partners India Investment Holdings II, LLC	-	137.92
NHPEA Chocolate Holding B.V.	8,733.35	6,009.55



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

41 Related party disclosures (Continued)

c Details of related party transactions (Continued)

Nature of transaction

	Year ended March 31, 2019	Year ended March 31, 2018
Loans repaid		
L. Hema	0.10	0.10
L.Srishti	-	0.10
L.Shritha	-	0.10
D. Varalakshmi	-	1.50
B. Sudha	1.00	13.00
K.Boopathi	4.50	3.00
R.Bhuvaneshwari	-	-
L.R.Deepak Krishna	-	1.00
L.R. Venkatesh	-	1.00
H.Srinivasan	0.32	-
Year end balances : Borrowings		
L. Hema	-	0.10
B. Sudha	-	1.00
K.Boopathi	-	4.50
R.Bhuvaneshwari	1.15	1.15
L.R.Deepak Krishna	34.30	34.30
L.R. Ravi Prasad	3.00	3.00
L.R. Venkatesh	27.20	27.20
H.Srinivasan	-	0.32



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

42 Capital

The Group maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the regulators. The adequacy of the Group's capital is monitored using, among other measures, the regulations issued by the regulators.

The Group has complied in full with all its externally imposed capital requirements over the reporting period.

Capital management

The primary objectives of the Group's capital management policy is to ensure that the group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

i Net Debt to Equity Ratio

Consistent with the others in industry, the Group monitors the capital on the basis of gearing ratio (Net debt divided by equity). Under the terms of the major borrowing facilities, the Group is required to maintain the gearing ratio in line with the statutory guidelines or in a slightly more conservative manner. The actual gearing stipulated differs between the various lending agreements. The Group has complied with this covenant through out the year.

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Equity	136,512.81	59,192.12	22,283.12
Debt	95,491.47	54,599.75	45,204.78
Cash and Cash equivalents	21,960.84	13,137.94	18,413.79
Net Debt	73,530.63	41,461.81	26,791.00
Net Debt to Equity Ratio	0.54	0.70	1.20



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

43 Fair Value Measurement

a. Financial instruments by category

The carrying value and fair value of financial instruments by categories as of March 31, 2019 were as follows:

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	21,960.84	-	-	21,960.84
Bank balances other than cash and cash equivalents	6.88	-	-	6.88
Loans	209,586.40	-	-	209,586.40
Other financial assets	290.78	-	-	290.78
Total	231,844.90	-	-	231,844.90
Liabilities:				
Trade payables	292.69	-	-	292.69
Debt securities	42,972.28	-	-	42,972.28
Borrowings (Other than debt securities)	52,519.19	-	-	52,519.19
Other financial liabilities	-	-	518.36	518.36
Total	95,784.16	-	518.36	96,302.52

The carrying value and fair value of financial instruments by categories as of March 31, 2018 were as follows:

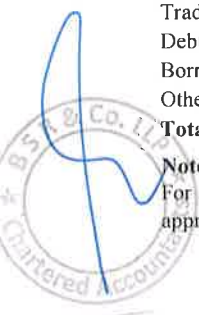
Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	13,137.94	-	-	13,137.94
Bank balances other than cash and cash equivalents	7.98	-	-	7.98
Loans	99,622.83	-	-	99,622.83
Other financial assets	251.65	-	-	251.65
Total	113,020.40	-	-	113,020.40
Liabilities:				
Trade payables	226.33	-	-	226.33
Debt securities	19,322.09	-	-	19,322.09
Borrowings (Other than debt securities)	35,277.66	-	-	35,277.66
Other financial liabilities	-	-	440.09	440.09
Total	54,826.08	-	440.09	55,266.17

The carrying value and fair value of financial instruments by categories as of April 01, 2017 were as follows:

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	18,413.79	-	-	18,413.79
Bank balances other than cash and cash equivalents	56.64	-	-	56.64
Loans	48,368.40	-	-	48,368.40
Investments	-	443.41	-	443.41
Other financial assets	168.63	-	-	168.63
Total	67,007.46	443.41	-	67,450.87
Liabilities:				
Trade payables	106.82	-	-	106.82
Debt securities	19,078.05	-	-	19,078.05
Borrowings (Other than debt securities)	26,126.73	-	-	26,126.73
Other financial liabilities	-	-	380.10	380.10
Total	45,311.60	-	380.10	45,691.70

Note:

For all of the Group's assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amount approximates the fair values.



44 Financial risk management objectives and policies

The Group's principal financial liabilities majorly comprise of borrowings from banks, debentures and trade payables. The main purpose of these financial liabilities is to finance the Group's operations and to support its operations. The Group's financial assets include loan and advances, cash and cash equivalents that derive directly from its operations.

Market risk**Credit risk and****Liquidity risk**

This note explains the sources of risks arising from financial instruments which the entity is exposed to and how the Group manages the risk.

Risk management framework

The Group's board of directors and risk council has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors and risk management council along with the top management are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, 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.

The Group's risk management council oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(i) 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 Companies income or the value of holdings of financial instruments. The Group does not have exposure to currency risk and security price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

Interest rate risk

Interest rate risk primarily arises from borrowings with variable rates. The Group's borrowings are carried at amortised cost. The borrowings with fixed rates are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The interest rate profile of the Group's interest bearing financial instruments is as follows:

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Fixed rate instruments			
Financial assets	210,605.88	111,229.80	61,968.40
Financial liabilities	63,640.81	29,210.44	29,782.68
	<u>274,246.70</u>	<u>140,440.25</u>	<u>91,751.09</u>
Variable rate instruments			
Financial assets	-	-	-
Financial liabilities	31,850.66	25,389.30	15,422.10
	<u>31,850.66</u>	<u>25,389.30</u>	<u>15,422.10</u>

Cash flow sensitivity analysis for variable-rate instruments:

	Profit / loss 100 bp increase	Profit / loss 100 bp decrease	Equity, net of tax 100 bp increase	Equity, net of tax 100 bp decrease
March 31, 2019				
Variable-rate instruments	(48.32)	48.32	(35.06)	35.06
Cash flow sensitivity (net)	<u>(48.32)</u>	<u>48.32</u>	<u>(35.06)</u>	<u>35.06</u>
March 31, 2018				
Variable-rate instruments	(30.20)	30.20	(21.60)	21.60
Cash flow sensitivity (net)	<u>(30.20)</u>	<u>30.20</u>	<u>(21.60)</u>	<u>21.60</u>



44 Financial risk management objectives and policies (Continued)

(ii) Credit risk

Loans and advances

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans advances and other financial assets. The carrying amount of financial assets represents the maximum credit exposure. The Group has Credit policy approved by the Board of Directors, which is subject to annual review. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions, as defined in the Credit policy. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The disclosure of maximum exposure to credit risk without taking into account any collateral held or other credit enhancements has not been provided for financial assets, as their carrying amount best represent the maximum exposure to credit risk. All the loans provided are secured against mortgage of land and/or building. The fair value of the collateral is determined on the guidelines prescribed in the collateral management policy as approved by the Board of Directors.

Impairment assessment - Expected credit loss ("ECL"):

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into Groups based on days past due. Each Group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. The Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

- a. Marginal probability of default ("MPD")
- b. Loss given default ("LGD")
- c. Exposure at default ("EAD")
- d. Discount factor ("D")

Marginal probability of default:

PD is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of probability of default ("PD"), Vaseick Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Group has worked out on PD based on the last six years historical data.

Marginal probability:

The PDs derived from the model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

Conditional marginal probability:

As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: best, worst and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.



44 Financial risk management objectives and policies (Continued)

Staging of loans:

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the loan has remained overdue for a period greater than 90 days.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the loan becomes less than 90 days past due on its contractual obligations. Such cured loans are classified as Stage 1 or 2 depending upon the days past due after such cure has taken place.

As per Ind AS 109, Group assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. Group has staged the assets based on the Day past dues criteria and other market factors which significantly impacts the portfolio.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

Group's internal rating and PD estimation process

The Group's independent Credit Risk Department operates its internal rating models, in which customers are rated from Low to High using internal grades. The models incorporate both qualitative and quantitative information in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of models.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the Ind AS 109 LGD rate for each Group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Group.

Under Ind AS 109, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI Ind AS 109 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Discounting:

As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD.

When estimating ECLs on a collective basis for a Group of similar assets the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

44 Financial risk management objectives and policies (Continued)

Grouping financial assets measured on a collective basis

The Group calculates ECL on a collective basis for all asset classes.

The Group combines these exposure into smaller homogeneous portfolios, based on the characteristics of the loans, as described below:

- Geographic location
- Loan type
- Ticket size

ECL computation:

Conditional ECL at DPD pool level was computed with the following method:

Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

	Provisions	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Stage 1	12 month provision	0.15%	0.24%	0.25%
Stage 2	Life time provision	4.58%	4.14%	5.86%
Stage 3	Life time provision	23.14%	20.77%	13.53%

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Group's view of economic conditions over the expected lives of the loan receivables. Movement in provision of expected credit loss has been provided in below note.

Analysis of changes in the gross carrying amount and the corresponding ECL allowances:

Particulars	31-Mar-19				31-Mar-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	85,955.10	13,021.04	1,761.16	100,737.29	41,902.21	5,590.54	1,511.09	49,003.84
Asset derecognised or repaid (excluding write-off)	(10,843.06)	(2,349.86)	(176.68)	(13,369.60)	(5,540.77)	(922.93)	(289.79)	(6,753.49)
Assets partially repaid	(7,896.32)	(2,271.11)	-	(10,167.43)	(5,121.89)	(1,047.94)	(49.88)	(6,219.71)
Roll forwards to higher stages	(11,453.82)	(608.04)	-	(12,061.86)	(8,295.38)	(513.34)	-	(8,808.72)
Roll forward from lower stages	-	11,285.94	775.92	12,061.86	-	7,859.69	948.89	8,808.58
Roll back from higher stages	-	(1,898.41)	(327.64)	(2,226.05)	-	(1,594.86)	(111.54)	(1,706.40)
Roll back to lower stages	1,993.21	232.84	-	2,226.05	1,620.86	85.54	-	1,706.40
Amount written off	-	-	(175.38)	(175.38)	-	-	(336.66)	(336.66)
New assets originated	130,125.23	4,120.74	9.81	134,255.78	61,390.07	3,564.34	89.05	65,043.46
Gross carrying amount closing balance	187,880.35	21,533.13	1,867.19	211,280.67	85,955.10	13,021.04	1,761.16	100,737.29

Reconciliation of ECL balance is given below:

Particulars	31-Mar-19				31-Mar-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	208.92	539.69	365.86	1,114.46	103.22	327.73	204.49	635.44
Addition during the year	99.99	545.88	144.30	790.17	119.79	264.66	245.81	630.26
Reversal / Utilization during the year	(32.27)	(99.98)	(78.11)	(210.36)	(14.09)	(52.70)	(84.44)	(151.23)
Closing provision of ECL	276.64	985.59	432.05	1,694.27	208.92	539.69	365.86	1,114.46



44 Financial risk management objectives and policies (Continued)**Analysis of inputs to the ECL model under multiple economic scenarios**

An overview of the approach to estimating ECLs is set out in Note 3.5 Summary of significant accounting policies. ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

The following tables outline the impact of multiple scenarios on the allowance based on macro-economic factors considered:

ECL Scenario	As at March 31, 2019	As at March 31, 2018
Best case	1,378.65	953.50
Base case	1,642.87	1,090.70
Worst case	2,018.03	1,271.67

Analysis of credit concentration risks

The Group's concentrations of risk are managed by counterparty and geography. The maximum credit exposure to any individual client or counterparty as of March 31, 2019 was INR 107.77 Lakhs (March 31, 2018: INR 285.12 Lakhs).

The following table shows the risk concentration of loan portfolio by geography.

Geography	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Tamil Nadu	100,925.01	55,982.84	34,159.81
Karnataka	11,354.30	4,106.80	1,185.78
Andhra Pradesh	62,278.32	30,405.97	12,528.11
Telangana	34,402.67	10,241.68	1,130.14
Others	2,320.37	-	-
	211,280.67	100,737.29	49,003.84

Cash and bank balances

The Group held cash and cash equivalents with credit worthy banks and financial institutions as at the reporting dates which has been measured on the 12-month expected loss basis. The credit worthiness of such banks and financial institutions are evaluated by the management on an ongoing basis and is considered to be good with low credit risk.

Other financial assets

This balance is primarily constituted by security deposits and advance to employees. The Group does not expect any losses from non-performance by these counter-parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is bound to comply with the Asset Liability Management guidelines issued by the regulators. The Group has Asset Liability Management policy approved by the board and has constituted Asset Liability Committee to oversee the liquidity risk management function of the Group. The Group'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 Group's reputation.

The Group's principal sources of liquidity are borrowings, cash and cash equivalents and the cash flow that is generated from operations.

The Group believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. In addition, the Group maintains the following undrawn borrowing facilities :

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Cash Credit facilities	1,836.93	770.32	528.50
Others	57,000.00	21,500.00	1,100.00
Total	58,836.93	22,270.32	1,628.50

The Cash Credit facilities may be overdrawn anytime and may be terminated any time without notice.



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

44 Financial risk management objectives and policies (Continued)

Exposure to liquidity risk

The table below provides details regarding the contractual maturities of financial liabilities and financial assets including interest as at March 31, 2019:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt securities	42,972.28	4,233.75	10,796.15	27,942.38	-
Borrowings (other than debt securities)	52,519.19	19,031.87	16,966.03	16,432.50	88.79
Trade payables	292.69	292.69	-	-	-
Other financial liabilities	518.36	518.36	-	-	-
Total	96,302.52	24,076.67	27,762.17	44,374.88	88.79
Financial Assets					
Cash and cash equivalents	21,960.84	21,960.84	-	-	-
Bank balances other than cash and cash equivalents	6.88	6.88	-	-	-
Loans	209,586.40	28,526.34	32,391.54	102,143.34	46,525.18
Other financial assets	290.78	290.78	-	-	-
Total	231,844.90	50,784.84	32,391.54	102,143.34	46,525.18

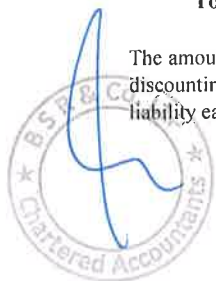
The table below provides details regarding the contractual maturities of financial liabilities and financial assets including interest as at March 31, 2018:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt securities	19,322.09	1,213.42	4,284.50	13,824.17	-
Borrowings (other than debt securities)	35,277.66	15,899.57	9,804.06	9,574.03	-
Trade payables	226.33	226.33	-	-	-
Other financial liabilities	440.09	440.09	-	-	-
Total	55,266.17	17,779.41	14,088.56	23,398.21	-
Financial Assets					
Cash and cash equivalents	13,137.94	13,137.94	-	-	-
Bank balances other than cash and cash equivalents	7.98	7.98	-	-	-
Loans	99,622.83	20,453.30	16,744.69	45,902.86	16,521.97
Other financial assets	251.65	251.65	-	-	-
Total	113,020.40	33,850.87	16,744.69	45,902.86	16,521.97

The table below provides details regarding the contractual maturities of financial liabilities and financial assets including interest as at April 1, 2017:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt securities	19,078.05	2,686.93	1,225.85	15,165.27	-
Borrowings (other than debt securities)	26,126.73	9,218.92	5,973.87	10,933.94	-
Trade payables	106.82	106.82	-	-	-
Other financial liabilities	380.10	380.10	-	-	-
Total	45,691.70	12,392.77	7,199.72	26,099.21	-
Financial Assets					
Cash and cash equivalents	18,413.79	18,413.79	-	-	-
Bank balances other than cash and cash equivalents	56.64	6.64	50.00	-	-
Loans	48,368.40	9,265.17	9,571.73	23,984.18	5,547.32
Investments	443.41	443.41	-	-	-
Other financial assets	168.63	168.63	-	-	-
Total	67,450.87	28,297.64	9,621.73	23,984.18	5,547.32

The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within a year equal their carrying amounts as impact of discounting is not significant. The borrowings and debt securities carry covenants, a future breach of same may require the Group to repay the liability earlier than indicated in the above table.



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

45 Explanation of transition to Ind AS

As stated in Note 2A, these are the Group's first financial statements prepared in accordance with Ind AS. For the year ended March 31, 2018, the Group had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The accounting policies set out in Note 3 have been applied in preparing these financial statements for the year ended March 31, 2019 including the comparative information for the year ended March 31, 2018 and the opening Ind AS balance sheet on the date of transition i.e. April 1, 2017.

In preparing its Ind AS balance sheet as at April 1, 2017 and in presenting the comparative information for the year ended March 31, 2018, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Group in restating its financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows.

Optional exemptions availed and mandatory exceptions

In preparing these financial statements, the Group has applied the below mentioned optional exemptions and mandatory exceptions.

A. Optional exemptions availed

i. Deemed cost for Property plant and equipment and Intangible assets

As per Ind AS 101 an entity may elect to:

(i). measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date

(ii). use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:

- fair value;
- or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

The elections under (i) and (ii) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, *Intangible Assets*, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).

(iii) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS 101, the Group has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The same election has been made in respect of intangible also.



45 Explanation of transition to Ind AS (Continued)

B. Mandatory exceptions

i. Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Group's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Impairment of financial assets based on the expected credit loss model.

ii. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortized cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Group has determined the classification of financial assets based on facts and circumstances that exist on the date of transition.

iii. Impairment of financial assets

The Group comprising of NBFC and HFC is required to assess the impairment of financial assets based upon the new model i.e. ECL instead of rule based guidance (Prudential Norms) as prevailed under previous GAAP.

Accordingly, the Group has applied the impairment requirement of Ind-AS 109 on all financial assets recognised as per Ind-AS 109 retrospectively except:

1. The Group has sought to approximate the credit risk on initial recognition by considering all reasonable and supportable information that is available without undue cost or effort.
2. The Group has determined whether the financial asset is having low credit risk, as specified in Ind-AS 109, and whether there is a significant increase in credit risk since initial recognition of financial assets by applying rebuttable presumption of 30 days past due.
3. If the Group is unable to determine whether there is a significant increase in credit risk since initial recognition of a financial asset, without involving undue cost or effort, the Group shall recognise a loss amount equal to life time expected losses at each reporting date till the financial asset is derecognised.

Accordingly, the Group has developed ECL model for testing of impairment of loans.



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

45 Explanation of transition to Ind AS (Continued)

Reconciliation of equity

	Note	As at the date of transition April 1, 2017			As at March 31, 2018		
		Previous GAAP*	Adjustments on transition	Ind AS	Previous GAAP*	Adjustments on transition	Ind AS
Assets							
Financial Assets							
Cash and cash equivalents		18,413.79	-	18,413.79	13,137.94	-	13,137.94
Bank balances other than cash and cash equivalents		56.64	-	56.64	7.98	-	7.98
Loans	A,B	48,969.27	(600.87)	48,368.40	100,967.94	(1,345.11)	99,622.83
Investments	I	434.31	9.10	443.41	-	-	-
Other financial assets		169.79	(1.16)	168.63	254.10	(2.45)	251.65
		<u>68,043.79</u>	<u>(592.92)</u>	<u>67,450.87</u>	<u>114,367.96</u>	<u>(1,347.56)</u>	<u>113,020.40</u>
Non - Financial Assets							
Current tax assets (net)		8.29	-	8.29	365.06	-	365.06
Deferred tax assets (net)	G	246.16	103.88	350.05	373.10	276.71	649.81
Investment property		3.56	-	3.56	3.56	-	3.56
Property, plant and equipment		446.57	-	446.57	450.75	-	450.75
Capital work-in-progress		-	-	-	14.13	-	14.13
Intangibles under development		158.11	-	158.11	-	-	-
Other intangible assets		35.98	-	35.98	181.09	-	181.09
Other non-financial assets		72.66	-	72.66	420.68	-	420.68
		<u>971.33</u>	<u>103.88</u>	<u>1,075.22</u>	<u>1,808.37</u>	<u>276.71</u>	<u>2,085.08</u>
Total		<u>69,015.12</u>	<u>(489.03)</u>	<u>68,526.09</u>	<u>116,176.33</u>	<u>(1,070.85)</u>	<u>115,105.48</u>

LIABILITIES AND EQUITY

Financial Liabilities

Payables

Trade payables

total outstanding dues of micro and small enterprises

total outstanding dues of creditors other than micro and small enterprises

Debt securities

Borrowings (other than debt securities)

Other financial liabilities

Non-Financial Liabilities

Current tax liabilities (net)

Provisions

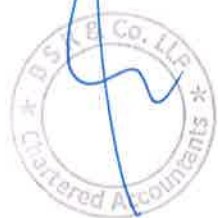
Other non-financial liabilities

Equity

Equity share capital

Other equity

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

45 Explanation of transition to Ind AS (Continued)

	Note	April 1, 2017	March 31, 2018
Total equity (shareholder's funds) as per previous GAAP		22,504.53	60,015.42
Impact of recognition of processing fee Income under effective interest rate	A	(652.73)	(1,555.81)
Impact of recognition of processing fee on borrowings under effective interest rate	C	281.19	275.39
Recognition of suspended interest income (net)	B	296.37	339.41
Impact of application of Expected Credit Loss method for impairment allowance on loans	D	(244.51)	(128.89)
Fair valuation of investment	I	9.10	-
Others	E,F	(14.73)	(30.10)
Tax Impact on above adjustments		103.90	276.70
Adjustment to retained earnings		(221.41)	(823.30)
Total equity (shareholder's funds) as per Ind AS		22,283.12	59,192.12

Reconciliation of total comprehensive income for the year ended March 31, 2018

	Note	Year ended March 31, 2018		
		Previous GAAP*	Adjustments on transition	Ind AS
Revenue from operations				
Interest income	A,B	19,565.86	(744.70)	18,821.16
Dividend income		12.68	-	12.68
Fee income		468.25	-	468.25
Net gain on fair value changes		770.30	(9.10)	761.20
Total revenue from operations		20,817.09	(753.80)	20,063.29
Other income		1.55	-	1.55
		20,818.64	(753.80)	20,064.84
Expenses				
Finance costs	C	5,692.51	5.79	5,698.30
Fees expenses		84.87	-	84.87
Impairment / write off on financial instruments	D	932.32	(0.28)	932.03
Employee benefits expenses	E	4,457.70	(375.49)	4,082.21
Depreciation and amortization		259.43	-	259.43
Other expenses	F	1,530.93	15.38	1,546.31
Total expenses		12,957.76	(354.61)	12,603.15
Profit before tax		7,860.88	(399.19)	7,461.69
Tax expense				
Current tax	G	2,404.37	0.01	2,404.37
Deferred tax	H	(126.94)	(160.71)	(287.65)
		2,277.43	(160.70)	2,116.72
Profit for the period		5,583.45	(238.49)	5,344.97
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit asset/ (liability)	G	-	41.61	41.61
Income tax relating to items that will not be reclassified to profit or loss	G	-	(12.11)	(12.11)
Net other comprehensive income not to be reclassified subsequently to profit or loss		-	29.50	29.50
Other comprehensive income for the year, net of income tax		-	29.50	29.50
Total comprehensive income, net of income tax		5,583.45	(267.99)	5,315.47

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.



45 Explanation of transition to Ind AS (Continued)

Notes to the reconciliations

A. Impact on recognition of processing fee on financial assets under effective interest rate

On transition to Ind AS, the Group has recognised processing fee income under effective interest rate as required by Ind AS 109. Consequently, Unamortised processing fee has been recognised with corresponding impact in retained earnings on the date of transition and for the year ended March 31, 2018

Loans at amortised cost

Based on Ind AS 109, financial assets in the form of loans have been accounted at amortised cost using effective interest rate method and accordingly, upfront fee and transaction costs have been recognised using the effective interest rate method and recorded under interest income in the statement of profit and loss account and unamortised portion netted off against the loans. Under previous GAAP, upfront fee collected from customers was recognised in the income statement on a upfront basis and disclosed under other operating income.

B Recognition of suspended interest income (net)

On transition to Ind AS, the Company has recognised impairment loss on loans measured at amortised cost based on the expected credit loss model as required by Ind AS 109. Consequently, the suspended interest income pertaining to stage 3 assets, which was hitherto derecognised under previous GAAP have been added to the loan assets with a corresponding increase in retained earnings on the date of transition.

C Impact of recognition of processing fee on borrowings under effective interest rate

On transition to Ind AS, the Company has recognised the processing fee paid on borrowings under effective interest rate as required by Ind AS 109. Consequently, unamortised processing fee has been recognised with corresponding impact in retained earnings on the date of transition and for the year ended March 31, 2018 and unamortised portion being netted off against the borrowings.

Borrowings at amortised cost

Based on Ind AS 109, financial liabilities in the form of borrowings have been accounted at amortised cost using effective interest rate method. Accordingly, upfront transaction costs have been included in the effective interest rate computations and disclosed as interest cost in the statement of profit and loss. Under previous GAAP, these costs were charged to the statement of profit and loss upon incurrence of the same.

D Impact of application of Expected Credit Loss method for impairment allowance on loans

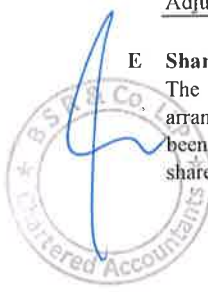
On transition to Ind AS, the Company has recognised impairment loss on loans measured at amortised cost based on the expected credit loss model as required by Ind AS 109. Consequently, loans have been adjusted with a corresponding decrease in retained earnings on the date of transition and there has been incremental provision for the year ended March 31, 2018. The provision for standard assets and provision for non-performing assets were disclosed as provisions in the previous GAAP. Under Ind AS, the expected credit loss has been disclosed as a deduction from loans to customers.

The impact arising from the change is summarized as follows:

	Year ended March 31, 2018	
Statement of profit and loss		
Impact of application of Expected Credit Loss method for impairment allowance on loans		115.62
Suspended interest recognised in previous year written off		(115.34)
Adjustment before income tax		0.28
	April 1, 2017	March 31, 2018
Balance sheet		
Impact on application of Expected Credit Loss method	(244.51)	(128.89)
Adjustment to retained earnings	(244.51)	(128.89)
Adjustment to Statement of profit and loss		(115.62)

E Share based payment

The Company granted equity-settled share-based payments to certain employees. The Company accounted for these share-based payment arrangements based on accounting standards as per previous GAAP i.e., on a intrinsic value method. Under Ind AS, the related liability has been adjusted to reflect the fair value of the outstanding equity-settled share-based payments and relevant reserve under "Other equity" - share options outstanding account has been recorded.



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

45 Explanation of transition to Ind AS (Continued)

Notes to the reconciliations (Continued)

F Impact of rent straight lining

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

G Remeasurement of defined benefit liability / asset

Under the previous GAAP, actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability was forming part of the profit or loss for the year. However under Ind AS, such actuarial gains and losses are recognised in other comprehensive income. However, there is no major change on the total comprehensive income and total equity as at April 1, 2017 and March 31, 2018.

Other comprehensive income

Under previous GAAP, the Company did not present other comprehensive income (OCI) separately. Hence, it has reconciled previous GAAP profit or loss to profit or loss as per IndAS. Further, previous GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

H Deferred tax

Previous GAAP requires deferred tax accounting using the profit and loss approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences arising on account of transition adjustments. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

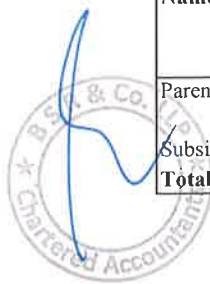
I Fair valuation of investment

Under previous GAAP, investments are measured at lower of cost or market Value. Under Ind AS, these financial assets have been classified as Fair Value Through Profit or Loss (FVTPL). On the date of transition to Ind AS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP. The investment has been accounted at increased carrying amount with corresponding impact in retained earnings on the date of transition.

46 Additional information as required under schedule III to the Companies Act, 2013

Particulars	As at / for the year ended March 31, 2019			
	Net Assets i.e. total assets minus total liabilities		Share in Total Comprehensive Income	
Name of the entity	As a percentage of consolidated assets	Amount	As a percentage of consolidated total comprehensive income	Amount
Parent - Five-Star Business Finance Limited	98.90	135,008.35	1.00	15,594.18
Subsidiary - Indian : Five-Star Housing Finance Private Limited	1.10	1,504.46	0.00	33.47
Total	100.00	136,512.81	1.00	15,627.67

Particulars	As at / for the year ended 31 March 2018			
	Net Assets i.e. total assets minus total liabilities		Share in Total Comprehensive Income	
Name of the entity	As a percentage of consolidated assets	Amount	As a percentage of consolidated total comprehensive income	Amount
Parent - Five-Star Business Finance Limited	97.51	57,721.14	1.02	5,395.24
Subsidiary - Indian : Five-Star Housing Finance Private Limited	2.49	1,470.98	(0.02)	(79.77)
Total	100.00	59,192.12	1.00	5,315.47



Five-Star Business Finance Limited

Notes to the Ind AS Consolidated financial statements for the year ended March 31, 2019

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

47 Previous year figures

Prior year figures have been reclassified / regrouped wherever necessary to conform to the current year's classification / disclosure. Previous year financial statements have been audited by a firm other than B S R & Co. LLP.

As per our report of even date
for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022


K Raghuram
Partner
Membership No: 211171

For and on behalf of the Board of Directors of
Five-Star Business Finance Limited
CIN : U65991TN1984PLC010844


D Lakshmi pathy
Chairman and Managing Director
DIN No : 01723269


Anand Raghavan
Director
DIN No : 00243485


G Srikanth
Chief Financial Officer
Place : Chennai
Date : May 14, 2019


Rangarajan K
Chief Executive Officer


B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019