# *Value Ind AS Limited*

Illustrative Ind AS consolidated financial statements
March 2017

This publication presents an illustrative financial statements of a fictional listed company, Value Ind AS Limited. It illustrates the financial reporting requirements that would apply to such a company under Indian Accounting Standards (Ind AS) as issued at 30 September 2016. Supporting commentary is also provided. For the purposes of this publication, Value Ind AS Limited is listed on a fictive stock exchange and is the parent entity in this consolidated financial statements.

This publication is for illustrative purposes only and should be used in conjunction with the relevant Ind AS and any other reporting pronouncements and legislation applicable in India.

PricewaterhouseCoopers Private Limited

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# *Introduction*

This publication presents illustrative consolidated financial statements of a fictitious listed company, Value Ind AS Limited. The financial statements comply with Indian Accounting Standards (Ind AS) and Schedule III of the Companies Act, 2013 (Schedule III).

We have attempted to create a realistic set of financial statements for Value Ind AS Limited, a corporate entity that manufactures goods, provides services and holds investment property. However, as this publication is a reference tool, we have not removed any disclosures based on materiality. Instead, we have included illustrative disclosures for as many common scenarios as possible. Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not be consistent throughout the publication.

**Using this publication**

The source for each disclosure requirement is given in the reference column. There is also commentary that (i) explains some of the more challenging areas, (ii) lists disclosures that have not been included because they are not relevant to Value Ind AS Limited, and (iii) provides additional disclosure examples.

Appendix A gives further information about industry-specific disclosures. A list of abbreviations used in this publication is presented in Appendix B.

As Value Ind AS Limited is a first-time adopter of Ind AS, Ind AS 101 *First-time Adoption of Indian Accounting Standards* shall apply.

The example disclosures are not the only acceptable form of presenting financial statements. Alternative presentations may be acceptable if they comply with the specific disclosure requirements prescribed in Ind AS and Schedule III.

Some of the disclosures in this publication would likely be immaterial if Value Ind AS Limited was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are for illustration purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Preparers of financial reports should also consider local legal and regulatory requirements which may stipulate additional disclosures that are not illustrated in this publication.

**Format**

The structure used in this publication is not meant to be used as a template, but to provide you with possible ideas. It will not necessarily be suitable for all companies. The structure of financial reports should reflect the particular circumstances of the company and the likely priorities of its report readers. There is no "one size fits all" approach and companies should engage with their investors and users to determine what would be most relevant to them. Companies may use an alternative structure for presenting the notes to the financial statements.

**Industry-specific requirements**

VALUE Ind AS Limited does not illustrate the disclosures specifically relevant to specialised industries. However, Appendix A provides an illustration and explanation of the industry-specific disclosure requirements of Ind AS 106 *Exploration for and Evaluation of Mineral Resources*, Ind AS 11 *Construction Contracts* and Ind AS 41 *Agriculture*.

# Value Ind AS Limited

**Illustrative Ind AS consolidated financial statements - March 2017**

## Financial statements



## Notes to the financial statements



## Notes to the balance sheet



## Notes to the statement of profit and loss

1(49),(51)(a)

# *Value Ind AS Limited*

# *Illustrative financial statements – 31 March 2017*

1(49) Financial statements



1(51)(b),(d) These financial statements are consolidated financial statements of the group consisting of Value Ind AS Limited and its subsidiaries. A list of subsidiaries is included in note 34.

1(51)(e) The financial statements are presented in Indian Rupee (INR) rounded off to the nearest lakhs.

1(138)(a) Value Ind AS Limited is a company limited by shares, incorporated and domiciled in India. Its registered office and principal place of business is:

Value Ind AS Limited

28, Diamond Street,

Mumbai – 400000.

10(17) The financial statements were authorised for issue by the directors on 21 May 2017.

All press releases, financial reports and other information are available at our investor relations section on our website: www.valueindas.com

## Commentary - Financial statements

**Financial statements presentation and disclosures**

1(10) 1. According to Ind AS 1 *Presentation of Financial Statements*, a 'complete set of financial statements' comprises:
   (a) a balance sheet as at the end of the period;
   (b) a statement of profit and loss for the period;
   (c) a statement of changes in equity for the period;
   (d) a statement of cash flow for the period;
   (e) notes, comprising significant accounting policies and other explanatory information;
   (f) comparative information in respect of the preceding period; and
   (g) if the entity has applied an accounting policy retrospectively, made a retrospective restatement of items or has reclassified items in its financial statements: a balance sheet as at the beginning of the earliest comparative period.

**Comparative information on first-time adoption of Ind AS**

2. Transition date:

101(6) As per Ind AS 101 *First-time adoption of Indian Accounting Standards*, an entity shall prepare and present an opening Ind AS Balance Sheet at the date of transition to Ind ASs. This is the starting point for accounting in accordance with Ind AS. The date of transition for Value Ind AS Limited is 1 April 2015**.**

101(21) Ind AS 101 requires that an entity's first Ind AS financial statements shall include at least three balance sheets, two statements of profit and loss, two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

**Comparative information applicable for subsequent periods**

1(38) 3. Except when an Ind AS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

1(38B) 4. In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the end of the immediately preceding reporting period and that is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period, and about the steps that have been taken during the period to resolve the uncertainty.

*Three balance sheets required in certain other circumstances*

1(40A),(40B) 5. If an entity has
   (a) applied an accounting policy retrospectively, restated items retrospectively, or reclassified items in its financial statements, and
   (b) the retrospective application, restatement or reclassification has a material effect on the information presented in the balance sheet at the beginning of the preceding period,

   it must present a third balance sheet as at the beginning of the preceding period.

1(40D) 6. The date of the third balance sheet must be the beginning of the preceding period, regardless of whether the entity presents additional comparative information for earlier periods.

1(40C) 8 1(41) 7. Where the entity is required to include a third balance sheet, it must provide appropriate explanations about the changes in accounting policies, other restatements or reclassifications, as required under Ind AS 1 paragraph 41 and Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the entity does not need to include the additional comparatives in the related notes. This contrasts with the position where an entity chooses to present additional comparative information as permitted by Ind AS 1 paragraphs 38C and 38D (for example a third statement of profit and loss).

**Consistency**

1(45) 8. The presentation and classification of items in the financial statements must be retained from one period to the next unless:
   (a) it is apparent that another presentation or classification would be more appropriate based on the criteria for the selection and application of accounting policies in Ind AS 8 (e.g. following a significant change in the nature of the entity's operations or a review of its financial statements), or
   (b) Ind AS requires a change in presentation.

**Schedule III - General instructions for preparation of financial statements**

Sch III 9. Every company to which Ind AS apply is required to prepare its financial statements in accordance with Schedule III. Modifications are permitted in certain circumstances for instance where modification is required to comply with Ind AS.

## Commentary - Financial statements

Sch III 10. Where compliance with the requirements of the Act including Ind AS (except the option of presenting assets and liabilities in the order of liquidity) as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes inter se, in the financial statements or statements forming part thereof, the same shall be made and the requirements of Schedule III shall stand modified accordingly.

Sch III 11. The disclosure requirements specified in Schedule III are in addition to and not in substitution of the disclosure requirements specified in Ind AS. Additional disclosures specified in the Ind AS shall be made in the notes or by way of additional statement or statements unless required to be disclosed on the face of the financial statements. Similarly, all other disclosures as required by the Act shall be made in the notes in addition to the requirements set out by Schedule III.

Sch III 12. Depending upon the turnover of the company, Schedule III requires that figures appearing in the financial statements shall be rounded off as below:

| **Turnover** | **Rounding off** |
|---|---|
| (i) less than one hundred crore rupees | to the nearest hundreds, thousands, lakhs or millions, or decimals thereof |
| (ii) one hundred crore rupees or more | to the nearest lakhs, millions or crores, or decimals thereof |

Once a unit of measurement is used, it should be used uniformly in the financial statements.

Sch III 13. Schedule III sets out the minimum requirements for disclosure on the face of the financial statements, i.e., balance sheet, statement of changes in equity, the statement of profit and loss and notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry or sector-specific disclosure requirements or when required for compliance with the Act or under Ind AS.

Sch III 14. Where any Act or regulation requires specific disclosures to be made in the standalone financial statements of the company, the said disclosures shall be made in addition to those required under Schedule III. For instance disclosures relating to dues of micro and small enterprises under Micro, Small and Medium Enterprises Development Act, 2006.

Since these are illustrative consolidated financial statements, the above disclosure has not been included.

**Materiality**

1(7),(29),(31) 15. Whether individual items or groups of items need to be disclosed separately in the primary financial statements or in the notes depends on their materiality. Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. In particular circumstances either the nature or the amount of an item or an aggregate of items could be the determining factor. Further, an entity may also be required to present separately immaterial items, when required by law.

**Exemption from preparation of consolidated financial statements**

16. An intermediate parent need not present consolidated financial statements if it meets all the following conditions as per Companies (Accounts) Amendments Rules, 2016.

(a) It is a wholly owned subsidiary or is a partially owned subsidiary of another company and all its other members, including those not otherwise entitled to vote, have been intimated in writing and for which the proof of delivery of such intimation is available with the company, do not object to the company not presenting consolidated financial statements.

(b) It is a company whose securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India.

(c) Its ultimate or any intermediate holding company files consolidated financial statements with the registrar which are in compliance with the applicable accounting standards.

The above exemption from preparing consolidated financial statements is substantially similar to the exemption given in paragraph 4(a) of Ind AS 110 *Consolidated Financial Statements*. Ind AS 110 only requires parent company to inform other shareholders about its intention of not presenting consolidated financial statements, however it does not specify the mode of intimation. Further, Ind AS 110 does not specifically require ultimate or intermediate holding company to file its Ind AS consolidated financial statements with the Registrar.

**Power to amend the financial statements**

10(17) 17. An entity shall disclose the fact whether the entity's owners or others have the power to amend the financial statements after issue.

## Commentary – Financial statements

### Disclosures not illustrated: not applicable to Value Ind AS Limited

18. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Item | Nature of disclosure |
|---|---|---|
| 27(16)(a) | Exemption from preparing consolidated financial statements in accordance with paragraph 4(a) Ind AS 110 | Disclose<br>• the fact that the financial statements are separate financial statements<br>• that the exemption has been used<br>• details about the entity that produces consolidated financial statements that comply with Ind AS which include the reporting entity in question<br>• a list of significant investments and the policies applied in accounting for these investments |
| 27(17) | Separate financial statements | Disclose the fact that the statements are separate financial statements, a list of significant investments and the policies applied in accounting for these investments |
| 21(51),(53)-(57) | Foreign currency translation | • When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency<br>• Disclose the fact when there have been changes in the functional currency of either the reporting entity or a significant foreign operation, the reason for the change and the date of change in functional currency<br>• Clearly identify supplementary information that is presented in a currency other than the entity's functional or presentation currency |
| 1(36) | Reporting period is shorter or longer than one year | Disclose the period covered, the reason for different period and the fact that the amounts are not entirely comparable |

### Disclosures not illustrated: going concern disclosures

1(25) 19. When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

20. Where there are material uncertainties about the entity's ability to continue as a going concern, this fact should be disclosed upfront, for example in a note such as this.

21. A disclosure of material uncertainties about the entity's ability to continue as a going concern should:

    (a) adequately describe the principal events and conditions that give rise to the significant doubt on the entity's ability to continue as a going concern

    (b) explain management's plans to deal with these events or conditions, and

    (c) state clearly that:

        i. there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and

        ii. the entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

*(All amounts in INR lakhs, unless otherwise stated)*

1(10)(a),(54)

## Consolidated balance sheet

| 1(113),(51),(c),(ea) | | Notes | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|---|
| | **ASSETS** | | | | |
| 1(60),(66) | **Non-current assets** | | | | |
| 1(54)(a) | Property, plant and equipment | 3 | 137,048 | 97,023 | 88,145 |
| Sch III | Capital work-in-progress | 3 | 17,450 | 3,100 | - |
| 1(54)(b) | Investment properties | 4 | 7,419 | 7,179 | 7,255 |
| Sch III | Goodwill | 5 | 8,670 | 4,530 | 4,530 |
| 1(54)(c) | Other intangible assets | 5 | 12,033 | 10,895 | 11,210 |
| Sch III | Intangible assets under development* | | - | - | - |
| Sch III | Biological assets other than bearer plants* | | - | - | - |
| 1(54)(e) | Investments accounted for using the equity method | 34(e) | 2,776 | 2,128 | 1,604 |
| 1(54)(d) | Financial assets | | | | |
| Sch III | i. Investments | 6(a) | 38,165 | 32,253 | 32,299 |
| Sch III | ii. Loans | 6(c) | 1,033 | 850 | 782 |
| Sch III | iii. Other financial assets | 6(e) | 3,238 | 2,376 | 2,154 |
| 1(54)(o),(56) | Deferred tax assets | 7 | 4,598 | 2,774 | 2,054 |
| Sch III | Other non-current assets | 8 | 21,586 | 10,565 | 7,466 |
| | **Total non-current assets** | | **254,016** | **173,673** | **157,499** |
| 1(60),(66) | **Current assets** | | | | |
| 1(54)(g) | Inventories | 9 | 67,878 | 61,062 | 60,854 |
| 1(54)(d) | Financial assets | | | | |
| Sch III | i. Investments | 6(a) | 10,695 | 9,170 | 8,416 |
| 1(54)(h) | ii. Trade receivables | 6(b) | 30,712 | 30,078 | 28,210 |
| 1(54)(i) | iii. Cash and cash equivalents | 6(d) | 25,031 | 7,035 | 6,131 |
| Sch III | iv. Bank balances other than (iii) above* | | - | - | - |
| Sch III | v. Loans | 6(c) | 623 | 546 | 548 |
| Sch III | vi. Other financial assets | 6(e) | 2,856 | 2,093 | 1,052 |
| 1(55),Sch III | Other current assets | 10 | 459 | 543 | 366 |
| | | | **138,254** | **110,527** | **105,577** |
| 1(54)(j) 105(38) | Assets classified as held for sale | 11 | 210 | 19,310 | - |
| | **Total current assets** | | **138,464** | **129,837** | **105,577** |
| | **Total assets** | | **392,480** | **303,510** | **263,076** |

*(All amounts in INR lakhs, unless otherwise stated)*

| | | Notes | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | | | |
| | **Equity** | | | | |
| 1(54)(r) | Equity share capital | 12(a) | 22,400 | 12,600 | 12,000 |
| Sch III | **Other equity** | | | | |
| 1(54)(r),(55) | Equity component of compound financial instruments [8] | 13(a) | 372 | - | - |
| 1(54)(r),(55) | Reserves and surplus [8] | 12(b) | 216,092 | 160,796 | 128,893 |
| 1(54)(r),(55) | Other reserves [8] | 12(c) | 4,233 | 3,215 | 2,420 |
| 1(54)(r) | **Equity attributable to owners of Value Ind AS Limited** | | **243,097** | **176,611** | **143,313** |
| 1(54)(q) | Non-controlling interests | 34(b) | 24,742 | 16,248 | 14,109 |
| | **Total equity** | | **267,839** | **192,859** | **157,422** |
| | | | | | |
| | **LIABILITIES** | | | | |
| 1(60),(69) | **Non-current liabilities** | | | | |
| 1(54)(m) | Financial Liabilities | | | | |
| Sch III | i. Borrowings | 13(a) | 41,455 | 35,565 | 36,537 |
| Sch III | ii. Other financial liabilities | 13(b) | 1,670 | 199 | 312 |
| 1(54)(l) | Provisions | 14 | 241 | 91 | - |
| 1(55) | Employee benefit obligations [8] | 15 | 7,286 | 5,076 | 4,945 |
| 1(54)(o),(56) | Deferred tax liabilities | 16 | 12,085 | 9,864 | 7,776 |
| 1(55) | Government grants [8] | 18 | 2,352 | 2,550 | 2,924 |
| Sch III | Other non-current liabilities* | | - | - | - |
| | **Total non-current liabilities** | | **65,089** | **53,345** | **52,494** |
| | | | | | |
| 1(60),(69) | **Current liabilities** | | | | |
| 1(54)(m) | Financial liabilities | | | | |
| Sch III | i. Borrowings | 13(a) | 2,807 | 2,685 | 1,433 |
| 1(54)(k) | ii. Trade payables | 13(c) | 38,011 | 28,977 | 34,195 |
| Sch III | iii. Other financial liabilities | 13(b) | 8,909 | 8,837 | 10,825 |
| 1(54)(l) | Provisions | 14 | 1,502 | 531 | 485 |
| 1(55) | Employee benefit obligations [8] | 15 | 430 | 378 | 256 |
| 1(55) | Government grants [8] | 18 | 938 | 1,017 | 1,166 |
| 1(54)(n) | Current tax liabilities | 17 | 2,803 | 1,905 | 850 |
| Sch III | Other current liabilities | 19 | 4,152 | 3,986 | 3,950 |
| | | | **59,552** | **48,316** | **53,160** |
| 1(54)(p) 105(38) | Liabilities directly associated with assets classified as held for sale | 33 | - | 8,990 | - |
| | **Total current liabilities** | | **59,552** | **57,306** | **53,160** |
| | **Total liabilities** | | **124,641** | **110,651** | **105,654** |
| | **Total equity and liabilities** | | **392,480** | **303,510** | **263,076** |

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**Schedule III requires these items to be presented on the face of the balance sheet. They have been included for illustrative purposes though they are not applicable to Value Ind AS Limited.*

## Commentary - Balance sheet

### Current/non-current distinction

1(60),Sch III 1. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its balance sheet except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities are presented broadly in order of liquidity. However, it is to be noted that Schedule III to the Act does not permit presentation in the order of liquidity.

1(66) 2. An entity shall classify an asset as current when:

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting period; or

(d) the asset is cash or a cash equivalent (as defined in Ind AS 7 *Statement of Cash Flows*) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets shall be classified as non-current.

1(69) 3. An entity shall classify a liability as current when:

(a) it expects to settle the liability in its normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting period; or

(d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

1(61) 4. An entity shall disclose the amount expected to be recovered or settled after more than twelve month for each asset and liability line item that combines amounts expected to be recovered or settled: (a) no more than twelve months after the reporting period, and (b) more than twelve months after the reporting period.

1(66)-(70) 5. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than 12 months after the reporting period.

1(68) 6. The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in the form of cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

19(133) 7. Ind AS 19 *Employee Benefits* does not specifically require an entity to distinguish the current and non-current portions of the net pension asset or liability, because such a distinction may sometimes be arbitrary and difficult to prepare. This is particularly the case for funded pension plans, where the funded status of the plan to be reflected in the statement of financial position reflects the net of plan assets and liabilities. As a result, Value Ind AS Limited has presented the net plan asset or liability as a single non-current item.

### Separate line items

1(54),(55) 8. Paragraph 54 of Ind AS 1 and Schedule - III sets out the line items that are required to be presented in the balance sheet. Additional line items, heading and subtotals should be added when they are relevant to an understanding of the entity's financial position. For example, Ind AS 1 does not prescribe where employee benefit obligations and government grants should be presented in the balance sheet. Value Ind AS Limited has elected to present all employee benefit obligations and government grants as separate current and non-current line items on the face of the balance sheet, as this provides more relevant information to its users. Alternatively, companies can present these items as part of notes to the financial statements. For example, employee benefit obligations may be presented under provisions as indicated by Schedule III.

Similarly, Value Ind AS Limited has elected to present the components of other equity on the face of the balance sheet.

*(All amounts in INR lakhs, unless otherwise stated)*

1(10)(b),(10A)

## Consolidated statement of profit and loss

| Reference | | Notes | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|---|---|
| 1(113),(51)(c),(ea) | | | | |
| | **Continuing operations** | | | |
| 1(82)(a),Sch III | Revenue from operations | 20 | 221,783 | 201,107 |
| 1(102) | Other income | 21(a) | 4,430 | 3,444 |
| 1(85) | Other gains/(losses) – net [1] | 21(b) | 1,233 | 1,203 |
| | **Total income** | | **227,446** | **205,754** |
| | **Expenses** | | | |
| 1(102) | Cost of materials consumed | 22(a) | 78,382 | 76,039 |
| Sch III | Purchases of stock-in-trade | | 44,068 | 35,310 |
| 1(102), Sch III | Changes in inventories of work-in-progress, stock-in-trade and finished goods | 22(b) | (5,968) | (3,078) |
| 1(85) | Excise duty [1] | | 17,610 | 14,174 |
| 1(102) | Employee benefit expense | 23 | 20,237 | 17,786 |
| 1(102) | Depreciation and amortisation expense | 24 | 10,820 | 9,761 |
| 1(85) | Impairment of goodwill and other non-current assets [1] | 3, 5 | 2,100 | - |
| 1(102) | Other expenses | 25 | 10,049 | 9,227 |
| 1(82)(b) | Finance costs | 26 | 3,203 | 2,794 |
| Sch III | **Total expenses** | | **180,501** | **162,013** |
| | **Profit before exceptional items, share of net profits of investments accounted for using equity method and tax** | | **46,945** | **43,741** |
| 1(82)(c) | Share of net profit of associates and joint ventures accounted for using the equity method | 34 | 616 | 483 |
| | **Profit before exceptional items and tax** | | **47,561** | **44,224** |
| Sch III | Exceptional items* | | - | - |
| Sch III | **Profit before tax from continuing operations** | | **47,561** | **44,224** |
| 1(82)(d) 12(77) | Income tax expense | 27 | | |
| Sch III | - Current tax | | 14,795 | 12,555 |
| Sch III | - Deferred tax | | 556 | 702 |
| | **Total tax expense** | | **15,351** | **13,257** |
| | **Profit from continuing operations** | | **32,210** | **30,967** |
| Sch III | **Discontinued operations** | | | |
| Sch III | Profit from discontinued operation before tax | 33 | 876 | 2,101 |
| Sch III | Tax expense of discontinued operations | 27, 33 | 263 | 630 |
| 105(33)(a), 1(82)(ea) | **Profit from discontinued operation** | | **613** | **1,471** |
| 1(81A)(a) | **Profit for the year** | | **32,823** | **32,438** |

*(All amounts in INR lakhs, unless otherwise stated)*

| | | Notes | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|---|---|
| | **Other comprehensive income** | | | |
| 1(82A)(b) | *Items that may be reclassified to profit or loss* | | | |
| 1(7)(da) 109(4.1.2A) | Changes in fair value of FVOCI debt instruments* | | - | - |
| 1(7)(e) 109(6.5.11)(b) | Deferred gains/(losses) on cash flow hedges | 12 | 1,153 | 1,003 |
| 109(6.5.15)(b),(6.5.16) | Deferred costs of hedging | 12 | (228) | (91) |
| 1(82A) | Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 12, 34 | 59 | 44 |
| 1(7)(c) 21(32) | Exchange differences on translation of foreign operations | 12 | (238) | (280) |
| 105(38) | Other comprehensive income/(loss) arising from discontinued operations[18] | 33 | 65 | (30) |
| 1(7)(c) 109(6.5.13)(a) | Net investment hedge gain | 12 | 480 | - |
| 1(91)(b),Sch III | Income tax relating to these items | 12 | (295) | (287) |
| | | | **996** | **359** |
| 1(82A)(a) | *Items that will not be reclassified to profit or loss* | | | |
| 1(7)(d) 109(5.7.5) | Changes in fair value of FVOCI equity instruments | 12 | 221 | 440 |
| 1(7)(e) 109(6.5.11)(b) | Deferred gains/(losses) on cash flow hedges[16] | 12 | (170) | (112) |
| 109(6.5.15)(b) | Deferred costs of hedging[16] | 12 | (42) | (35) |
| 1(82A) | Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 12 | 32 | 38 |
| 1(7)(b) 19(120)(c) | Remeasurements of post-employment benefit obligations | 15 | 756 | 720 |
| 1(91)(b),Sch III | Income tax relating to these items | 12 | (239) | (315) |
| | | | **558** | **736** |
| 1(81A)(b) | **Other comprehensive income for the year, net of tax** | | **1,554** | **1,095** |
| 1(81A)(c) | **Total comprehensive income for the year** | | **34,377** | **33,533** |

**Schedule III requires these items to be presented on the face of the statement of profit and loss. They have been included for illustrative purposes though they are not applicable to Value Ind AS Limited.*

*(All amounts in INR lakhs, unless otherwise stated)*

| | | Notes | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|---|---|
| 1(81B)(a) | Profit is attributable to: | | | |
| 1(81B)(a)(i) | Owners of Value Ind AS Limited | | 28,165 | 30,182 |
| 1(81B)(a)(ii) | Non-controlling interests | | 4,658 | 2,256 |
| | | | **32,823** | **32,438** |
| Sch III | Other comprehensive income is attributable to: | | | |
| | Owners of Value Ind AS Limited | | 1,397 | 1,212 |
| | Non-controlling interests | | 157 | (117) |
| | | | **1,554** | **1,095** |
| 1(81B)(b) | Total comprehensive income is attributable to: | | | |
| 1(81B)(b)(i) | Owners of Value Ind AS Limited | | 29,562 | 31,394 |
| 1(81B)(b)(ii) | Non-controlling interests | | 4,815 | 2,139 |
| | | | **34,377** | **33,533** |
| | Total comprehensive income attributable to owners of Value Ind AS Limited arises from: | | | |
| | Continuing operations | | 28,949 | 29,923 |
| 105(33)(d) | Discontinued operations | | 613 | 1,471 |
| | | | **29,562** | **31,394** |
| | | | INR | INR |
| 33(66),Sch III | **Earnings per equity share for profit from continuing operation attributable to owners of Value Ind AS Limited:** | | | |
| | Basic earnings per share | 40 | 15.07 | 22.88 |
| | Diluted earnings per share | | 14.26 | 22.19 |
| 33(66),Sch III | **Earnings per equity share for profit from discontinued operation attributable to owners of Value Ind AS Limited:** | | | |
| | Basic earnings per share | 40 | 0.33 | 1.17 |
| | Diluted earnings per share | | 0.31 | 1.13 |
| 33(66),Sch III | **Earnings per equity share for profit from continuing and discontinued operation attributable to owners of Value Ind AS Limited:** | | | |
| | Basic earnings per share | 40 | 15.40 | 24.05 |
| | Diluted earnings per share | | 14.57 | 23.32 |

*The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.*

## Commentary - Statement of profit and loss

### Additional line items

1(85), Sch III 1. Additional line items, headings and subtotals shall be presented in the statement of profit and loss when such presentation is relevant to an understanding of the entity's financial performance. For example, Value Ind AS Limited has elected to present gains or losses arising from financial instruments, gains or losses on disposal of property, plant and equipment and foreign exchange differences in a separate line item "other gains/(losses) - net" on the face of the statement of profit and loss. Alternatively, these items may be presented within "other income".

2. Having said that, additional sub-headings should be used with care. In order to be useful, information must be relevant and faithfully represent what it purports to represent. That is, it must be complete, neutral and free from error. The apparent flexibility in Ind AS 1 can, therefore, only be used to enhance users' understanding of the company's financial performance. It cannot be used to detract from the amounts that must be disclosed under Ind AS (statutory measures).

1(85A) 3. Ind AS 1 clarify that additional subtotals must:
   (a) be comprised of items made up of amounts that are recognised and measured in accordance with Ind AS;
   (b) be presented and labelled such that they are clear and understandable;
   (c) be consistent from period to period; and
   (d) not be displayed with more prominence than the subtotals and totals required in Ind AS for the statement of profit and loss.

4. In addition, we recommend that entities consider the following principles:
   (a) the subtotals should not introduce bias or overcrowd the statement of profit and loss;
   (b) additional line items or columns should contain only revenue or expenses of the entity itself;
   (c) additional line items, columns and subtotals should only be presented when they are used internally to manage the business; and
   (d) the overall message of the statement of profit and loss should not be distorted or confused.

5. Earnings before interest and tax (EBIT) may be an appropriate sub-heading to show in the statement of profit and loss, as it usually distinguishes between the pre-tax profits arising from operating and from financing activities.

6. Where an entity discloses alternative performance measures, these should not be given greater prominence than the Ind AS measure of performance. This might be achieved by including the alternative performance measure in the notes to the financial statements or as a footnote to the primary financial statement. Where an entity presents such a measure on the face of the primary statement, it should be clearly identified. Management should determine the overall adequacy of the disclosures and whether a specific presentation is misleading in the context of the financial statements as a whole. This judgement might be disclosed as a significant judgement in accordance with paragraph 122 of Ind AS 1.

Sch III 7. Owing to the flexibility allowed by Schedule III, a company may choose to present certain important measure of financial performance as an additional line item on the face of the statement of profit and loss. [For example, the Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)]. The method of computation adopted by companies for presenting such measures should be followed consistently over the years. Further, the company should also disclose the policy followed in the measurement of such line items.

### Re-ordering of line items

1(86) 8. Entities should re-order the line items and descriptions of those items where this is necessary to explain the elements of performance. However, entities are again governed by the overall requirement for a 'true and fair view' and should not make any changes unless there is a good reason to do so.

1(82)(c)
18(7) 9. The share of the profit or loss of associates and joint ventures accounted for using the equity method should not be included as part of the entity's revenue. The share of an associate's or joint venture's profit is in the nature of a net gain. It does not represent a gross inflow of economic benefits and hence does not satisfy the definition of revenue in Ind AS 18 *Revenue*. Combining the entity's share of the associate's revenue with its own revenue would be inconsistent with the balance sheet treatment where the entity's investment is presented as a separate line item. This is different to the accounting for joint operations where the entity combines its share of the joint operation's revenue with its own. Where a group conducts a significant proportion of its business through equity-accounted investments and wishes to highlight that fact to the reader of the statement of profit and loss, it may choose to give additional financial information by way of a footnote and cross-reference to the notes. In any case, for each associate and joint venture that is material to the reporting entity, Ind AS 112 *Disclosure of Interests in Other Entities* requires disclosure of summarised financial information about the associate or joint venture.

*Finance income and finance cost*

10. Ind AS 1 and Schedule III requires an entity to present finance costs on the face of the statement of profit and loss, but it does not require the separate presentation of finance income. The classification of finance income will depend on an entity's accounting policy for such items. Refer to the commentary "Other income and expense items" for details.

## Commentary - Statement of profit and loss

**Discontinued operations**

105(33)(a),(b)
1(82)(ea)

11. As per Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations*, entities shall disclose a single amount in the statement of profit and loss comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. However, Schedule III requires presentation of pre-tax profit/(loss) from discontinued operations and related tax expense on the face of the statement of profit and loss. An analysis of profit/ (loss) from discontinued operations is also required by paragraph 33 of Ind AS 105. This analysis may be presented in the notes or in the statement of profit and loss. In the case of Value Ind AS Limited, the above analysis is presented in note 33. If it is presented in the statement of profit and loss it must be presented in a section identified as relating to discontinued operations; that is, separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (refer to paragraph 11 of Ind AS 105).

**Earnings per share**

33(73)

12. While entities are permitted to disclose earnings per share based on alternative measures of earnings, these must be presented in the notes to the financial statements only.

33(68),Sch III

13. As per Ind AS 33 *Earnings per Share*, an entity that reports a discontinued operation must disclose the basic and diluted earnings per share for the discontinued operation either in the statement of profit and loss or in the notes to the financial statements. However, Schedule III requires presentation of basic and diluted EPS for discontinued operations on the face of the statement of profit and loss.

**Components of other comprehensive income**

1(7)

14. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are specifically required or permitted by other Ind AS to be included in other comprehensive income and are not recognised in profit or loss. They currently include:
    (a) revaluation gains and losses relating to property, plant and equipment or intangible assets
    (b) remeasurements of defined benefit obligations
    (c) gains and losses arising from translating the financial statements of a foreign operation
    (d) gains and losses on remeasuring financial assets at fair value through OCI
    (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge
    (f) liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk
    (g) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value
    (h) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument
    (i) bargain purchase gain arising from business combination when there is clear evidence for the underlying reason for classification of the business combination as a bargain purchase
    (j) the investor's share of the other comprehensive income of equity-accounted investments, and
    (k) current and deferred tax credits and charges in respect of items recognised in other comprehensive income.

1(82A)

15. Items of OCI arising from equity accounted investments should be presented in total for items which will and will not be reclassified to profit or loss.

109(6.5.11)(d)(i)

16. For cash flow hedges of a forecast transaction which subsequently results in the recognition of a non-financial item (such as a fixed asset or inventory), or where a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the carrying value of that item must be adjusted for the accumulated gains or losses recognised directly in equity. This is often referred to as a 'basis adjustment in a cash flow hedge'. This is not a reclassification adjustment, as defined in Ind AS 1, and hence it does not affect other comprehensive income.

## Commentary - Statement of profit and loss

*Summary*

17. The requirements surrounding components of OCI can be summarised as follows:

| Item | Reference | Requirement in standard | Presentation in Value Ind AS Limited |
|---|---|---|---|
| Each component of OCI recognised during the period, classified by nature | Ind AS 1(82A) | Statement of profit and loss | Statement of profit and loss |
| Reclassification adjustments during the period relating to components of OCI | Ind AS 1(92) | Statement of profit and loss or notes | Note 12 |
| Tax relating to each component of OCI, including reclassification adjustments | Ind AS 1(90) | Statement of profit and loss or notes | Note 12 |
| Reconciliation for each component of equity, showing separately<br>• profit/loss<br>• OCI<br>• transactions with owners | Ind AS 1(106)(d) | Statement of changes in equity and notes | Statement of changes in equity and note 12 |

105(38) *Discontinued operations*

18. Ind AS 105 is unclear as to whether entities need to separate out items of other comprehensive income between continuing and discontinued operations. We believe that it would be consistent with the principles of Ind AS 105 to do so, as it would provide a useful base for predicting the future results of the continuing operations. We also note that entities must present separately any cumulative income or expense recognised in other comprehensive income that relates to a non-current asset or disposal group classified as held for sale.

**Information to be presented either in the statement of profit and loss or in the notes**

*Material items of income and expense*

1(97) 19. When items of income or expense are material, their nature and amount must be disclosed separately either in the statement of profit and loss or in the notes.

1(86),(97) 20. Ind AS 1 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'exceptional', 'significant' or 'unusual' items either in their statement of profit and loss or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items must be applied consistently from year to year. It is to be noted that Schedule III requires the presentation of exceptional items on the face of the statement of profit and loss. However, Schedule III also does not define the term "exceptional items". Ind AS 1 paragraph 98 mentions that circumstances may give rise to the separate disclosure of items of income and expenses (e.g. write-down of inventories, restructuring, litigation settlements etc.) Exceptional items should not be presented in a way that implies they are extraordinary. Extraordinary items are prohibited under Ind AS; it is therefore, particularly important that presentation of exceptional items should not undermine this prohibition.

21. An entity must take care to ensure that each class of expenses includes all items related to that class. Material restructuring cost may, for example, include redundancy payments (i.e. employee benefit cost), inventory write-downs (changes in inventory) and impairments in property, plant and equipment. It would not be acceptable to show restructuring costs as a separate line item in an analysis of expenses where there is an overlap with other line items.

*Reclassification adjustments*

1(92),(94) 22. An entity shall also disclose separately any reclassification adjustments relating to components of other comprehensive income either in the statement of profit and loss or in the notes. Value Ind AS Limited provides this information in note 12.

1(7),(95) 23. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation. They do not arise on changes in a revaluation surplus of property, plant and equipment, remeasurements on defined benefit pension schemes or equity instruments measured at fair value through other comprehensive income. While these components are also recognised in OCI, they are not reclassified to profit or loss in subsequent periods.

**Classification of expenses**

1(99),(100),(102) 24. An analysis of expenses shall be presented using a classification based on the nature of expenses. Under the 'nature of expense' method, expenses are classified according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs) and are not reallocated among various functions within the entity.

*Materiality*

1(29) 25. An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law.

## Commentary - Statement of profit and loss

26. Materiality applies to the classification of expenses. Each material class should be separately disclosed, and unclassified expenses (shown as 'other expenses' in Value Ind AS Limited) should be immaterial both individually and in aggregate.

Sch III

27. Schedule III requires separate disclosures in the notes of an item of income or expenditure which exceeds one per cent of the revenue from operations or INR 1,000,000, whichever is higher.

**Offsetting**

1(32)

28. Assets and liabilities, and income and expenses, must not be offset unless required or permitted by an Ind AS. Examples of income and expenses that are required or permitted to be offset are as follows:

1(34)(a)

(a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses

1(34)(b)

(b) expenditure related to a provision that is recognised in accordance with Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (e.g. a supplier's warranty agreement) may be netted against the related reimbursement

1(35)

(c) gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.

29. Income which falls under the scope of Ind AS 18 cannot be netted off against related expenses.

*(All amounts in INR lakhs, unless otherwise stated)*

1(10)(c), (106)

# Consolidated statement of changes in equity

## A. Equity share capital

1(106)(d) Sch III

| | Notes | |
|---|---|---|
| As at 1 April 2015 | | 12,000 |
| Changes in equity share capital | 12 | 600 |
| **As at 31 March 2016** | | **12,600** |
| Changes in equity share capital | 12 | 9,800 |
| **As at 31 March 2017** | | **22,400** |

## B. Other equity

| | | | Attributable to owners of Value Ind AS Limited | | | | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Reserves and surplus | | | | Other reserves | | | | | | |
| | | Notes | Equity component of compound financial instruments | Securities premium reserve | Retained earnings | Debenture redemption reserve | Share options outstanding account | FVOCI-equity investments | Cash flow hedging reserve | Costs of hedging reserve | Foreign currency translation reserve | Total other equity | | |
| 1(106)(d) | **Balance at 1 April 2015** | | **-** | **30,000** | **88,553** | **8,750** | **1,590** | **1,580** | **872** | **(32)** | **-** | **131,313** | **14,109** | **145,422** |
| 1(106)(d)(i) | Profit for the year | | - | - | 30,182 | - | - | - | - | - | - | 30,182 | 2,256 | 32,438 |
| 1(106)(d)(ii) | Other comprehensive income | | - | - | 566 | - | - | 308 | 624 | (89) | (197) | 1,212 | (117) | 1,095 |
| 1(106)(a) | **Total comprehensive income for the year** | | **-** | **-** | **30,748** | **-** | **-** | **308** | **624** | **(89)** | **(197)** | **31,394** | **2,139** | **33,533** |
| 109 (6.5.11)(d)(i) | Deferred hedging gains/(losses) and costs of hedging transferred to the carrying value of inventory purchased in the year | 12(c) | - | - | - | - | - | - | 131 | 18 | - | 149 | - | 149 |
| | | | **-** | **-** | **-** | **-** | **-** | **-** | **131** | **18** | **-** | **149** | **-** | **149** |
| 1(106)(d)(iii) | **Transactions with owners in their capacity as owners:** | | | | | | | | | | | | | |
| 32(22),(35) | Issue of equity shares | 12 | - | 1,800 | - | - | - | - | - | - | - | 1,800 | - | 1,800 |
| | Dividends paid | 30 | - | - | (1,500) | - | - | - | - | - | - | (1,500) | - | (1,500) |
| 102(50) | Employee stock option expense | 39 | - | - | - | - | 855 | - | - | - | - | 855 | - | 855 |
| | | | **-** | **1,800** | **(1,500)** | **-** | **855** | **-** | **-** | **-** | **-** | **1,155** | **-** | **1,155** |
| 1(106)(d) | **Balance at 31 March 2016** | | **-** | **31,800** | **117,801** | **8,750** | **2,445** | **1,888** | **1,627** | **(103)** | **(197)** | **164,011** | **16,248** | **180,259** |

*(All amounts in INR lakhs, unless otherwise stated)*

| | | | Attributable to owners of Value Ind AS Limited | | | | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Reserves and surplus | | | | Other reserves | | | | | | |
| | | Notes | Equity component of compound financial instruments | Securities premium reserve | Retained earnings | Debenture redemption reserve | Share options outstanding account | FVOCI-equity investments | Cash flow hedging reserve | Costs of hedging reserve | Foreign currency translation reserve | Total other equity | | |
| 1(106)(d) | **Balance at 1 April 2016** | | **-** | **31,800** | **117,801** | **8,750** | **2,445** | **1,888** | **1,627** | **(103)** | **(197)** | **164,011** | **16,248** | **180,259** |
| 1(106)(d)(i) | Profit for the year | | - | - | 28,165 | - | - | - | - | - | - | 28,165 | 4,658 | 32,823 |
| 1(106)(d)(ii) | Other comprehensive income | | - | - | 480 | - | - | 155 | 688 | (189) | 263 | 1,397 | 157 | 1,554 |
| 1(106)(a) | **Total comprehensive income for the year** | | **-** | **-** | **28,645** | **-** | **-** | **155** | **688** | **(189)** | **263** | **29,562** | **4,815** | **34,377** |
| 109 (6.5.11) (d)(i) | Deferred hedging gains/(losses) and costs of hedging transferred to inventory | 12(c) | - | - | - | - | - | - | 169 | 23 | - | 192 | - | 192 |
| | Transfer to retained earnings on acquisition of subsidiary | 32 | - | - | 91 | - | - | (91) | - | - | - | - | - | - |
| | | | **-** | **-** | **91** | **-** | **-** | **(91)** | **169** | **23** | **-** | **192** | **-** | **192** |
| 1(106)(d) (iii) | **Transactions with owners in their capacity as owners:** | | | | | | | | | | | | | |
| 32(22), (35) | Issue of equity shares, net of transaction costs | 12 | - | 27,150 | - | - | - | - | - | - | - | 27,150 | - | 27,150 |
| | Issue of optionally convertible bonds (net of deferred tax) | 13(a) | 372 | - | - | - | - | - | - | - | - | 372 | - | 372 |
| | Non-controlling interests on acquisition of subsidiary | 32 | - | - | - | - | - | - | - | - | - | - | 5,310 | 5,310 |
| 110(23) | Transactions with non-controlling interests | 34 | - | - | (150) | - | - | - | - | - | - | (150) | (1,571) | (1,721) |
| | Dividends paid | 30 | - | - | (1,680) | - | - | - | - | - | - | (1,680) | (60) | (1,740) |
| | Transfer to debenture redemption reserve | | - | - | (175) | 175 | - | - | - | - | - | - | - | - |
| 102(50) | Employee stock option expense | 39 | - | - | - | - | 1,240 | - | - | - | - | 1,240 | - | 1,240 |
| | | | **372** | **27,150** | **(2,005)** | **175** | **1,240** | **-** | **-** | **-** | **-** | **26,932** | **3,679** | **30,611** |
| 1(106)(d) | **Balance at 31 March 2017** | | **372** | **58,950** | **144,532** | **8,925** | **3,685** | **1,952** | **2,484** | **(269)** | **66** | **220,697** | **24,742** | **245,439** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## Commentary - Statement of changes in equity

1(106) 1. The statement of changes in equity shall include:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Ind AS 8

1(106)(d) (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) profit or loss;

(ii) other comprehensive income; and

(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.

1(108)
Sch III 2. Components of equity include each class of contributed equity, the accumulated balance of each class of other comprehensive income and reserves and surplus. Schedule III requires disclosure of individual reserves on the face of the statement of changes in equity.

1(107) 3. The amount of dividends recognised as distributions to owners during the period, and the related amount per share must be presented either in the statement of changes in equity or in the notes. In the case of Value Ind AS Limited these disclosures are made in note 30.

110(23) 4. Changes in a parent's ownership interest after control is obtained that do not result in a change in control of the subsidiary are accounted for as equity transactions. Thus, if the parent maintains control, it will recognise no gain or loss in the income statement upon selling a subsidiary's shares. Similarly, the parent will not record any additional goodwill to reflect its subsequent purchases of additional shares in a subsidiary if there is no change in control. Instead, the carrying amount of the non-controlling interest will be adjusted to reflect the change in the non-controlling interest's ownership interest in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised in equity and attributed to the parent's equity holders. Value Ind AS Limited has recognised the difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid in retained earnings within equity. Alternatively, the difference could also be recognised in a separate reserve (for example, non-controlling interest reserve or capital reserve) depending upon the legal requirement.

Sch III 5. Schedule III requires separate disclosure of amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share. Arrears of fixed cumulative dividends on irredeemable preference shares shall also be disclosed separately.

Sch III 6. Where an issue of securities made for a specific purpose the whole or part of the amount that has not been used for the specific purpose at the balance sheet date shall be indicated by way of a note how such unutilised amounts have been used or invested.

Sch III 7. Schedule III requires share application money pending allotment, money received against warrants, revaluation reserve and capital reserve to be presented on the face of statement of changes in equity. Value Ind AS Limited has not separately presented these components as they are not applicable to the group.

Sch III 8. A reserve specifically represented by earmarked investments shall disclose the fact that it so represented.

*(All amounts in INR lakhs, unless otherwise stated)*

1(10)(d)
7(1),(10)

## Consolidated statement of cash flows

1(113)

| | | Notes | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|---|---|
| | **Cash flow from operating activities** | | | |
| | Profit before income tax from | | | |
| | Continuing operations | | 47,561 | 44,224 |
| | Discontinued operations | 33 | 876 | 2,101 |
| 7(18)(b),(20) | **Profit before income tax including discontinued operations** | | **48,437** | **46,325** |
| | Adjustments for | | | |
| | Depreciation and amortisation expense | 3 | 10,820 | 9,761 |
| | Impairment of goodwill and other non-current assets | 3, 5 | 2,100 | - |
| | Employee share-based payment expense | 39 | 1,486 | 855 |
| | Gain on disposal of property, plant and equipment | 21(b) | (743) | (430) |
| | Gain on sale of subsidiary | 33 | (465) | - |
| | Amortisation of government grants | 21(a) | (1,033) | (1,180) |
| | Gain on sale of investments | 21(b) | (495) | (147) |
| | Changes in fair value of financial assets at fair value through profit or loss | 21(b) | (993) | (1,519) |
| | Share of profits of associates and joint ventures | 34 | (616) | (483) |
| | Unwinding of discount on security deposits | 21(a) | (125) | (98) |
| | Changes in fair value of contingent consideration | 21(b) | 400 | - |
| | Dividend and interest income classified as investing cash flows | 21(a) | (1,724) | (927) |
| | Finance costs | 26 | 3,203 | 2,794 |
| | Net exchange differences | | 78 | 66 |
| | **Change in operating assets and liabilities, net of effects from purchase of controlled entities and sale of subsidiary:** | | | |
| | (Increase)/Decrease in trade receivables | | 3,006 | (12,408) |
| | (Increase) in inventories | | (4,477) | (208) |
| | Increase in trade payables | | 6,050 | 3,022 |
| | (Increase) in other financial assets | | (507) | (562) |
| | (Increase)/decrease in other non-current assets | | 168 | (244) |
| | (Increase)/decrease in other current assets | | 84 | (1,717) |
| | Increase/(decrease) in provisions | | (882) | 137 |
| | Increase in employee benefit obligations | | 187 | 973 |
| | Increase/(decrease) in derivatives not designated as hedges | | (213) | 121 |
| | Increase in other current liabilities | | 166 | 786 |
| 7(14)(a) | **Cash generated from operations** | | **63,912** | **44,917** |
| 7(14)(f),(35),(36) | Income taxes paid | 17 | 14,070 | 12,130 |
| | **Net cash inflow from operating activities** | | **49,842** | **32,787** |

*(All amounts in INR lakhs, unless otherwise stated)*

| | | Notes | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|---|---|
| 7(10),(21) | **Cash flows from investing activities** | | | |
| 7(39) | Payment for acquisition of subsidiary, net of cash acquired | 32 | (7,814) | - |
| 7(16)(a) | Payments for property, plant and equipment | | (61,886) | (37,456) |
| 7(16)(a) | Payments for investment property | 4 | (930) | (500) |
| 7(16)(c) | Payments for purchase of investments | | (14,105) | (3,794) |
| 7(16)(a) | Payments for software development costs | 5 | (880) | (720) |
| 7(16)(e) | Loans to employees and related parties | | (547) | (1,182) |
| 7(16) | Receipts of government grants | 18 | 756 | 657 |
| 7(39) | Proceeds from sale of subsidiary | 33 | 11,138 | - |
| 7(16)(d) | Proceeds from sale of investments | | 7,762 | 5,192 |
| 7(16)(b) | Proceeds from sale of property, plant and equipment | 3, 21(b) | 4,618 | 4,320 |
| 7(16)(f) | Repayment of loans by employees and related parties | | 286 | 1,115 |
| 7(38) | Distributions received from joint ventures and associates | 34 | 59 | 41 |
| 7(31),(33) | Dividends received | 21(a) | 313 | 434 |
| 7(31),(33) | Interest received | 21(a) | 1,346 | 493 |
| | **Net cash outflow from investing activities** | | **(59,884)** | **(31,400)** |
| 7(10),(21) | **Cash flows from financing activities** | | | |
| 7(17)(a) | Proceeds from issues of shares | 12(a) | 30,160 | 2,400 |
| 7(17)(c) | Proceeds from borrowings | | 6,292 | 198 |
| | Share issue costs | 12(b) | (300) | - |
| 7(17)(d) | Repayment of borrowings | | (1,975) | (300) |
| 7(17)(e) | Finance lease payments | | (304) | (271) |
| 7(42A),(42B) | Transactions with non-controlling interests | 34 | (1,721) | - |
| 7(31)-(33) | Interest paid | | (2,043) | (2,075) |
| 7(31),(34) | Dividends paid to company's shareholders | 30 | (1,680) | (1,500) |
| 7(31),(34) | Dividends paid to non-controlling interests | 34 | (60) | - |
| | **Net cash inflow (outflow) from financing activities** | | **28,369** | **(1,548)** |
| | **Net increase (decrease) in cash and cash equivalents** | | **18,327** | **(161)** |
| | Cash and cash equivalents at the beginning of the financial year | | 5,280 | 5,423 |
| 7(28) | Effects of exchange rate changes on cash and cash equivalents | | (160) | 18 |
| | **Cash and cash equivalents at end of the year** | | **23,447** | **5,280** |
| 7(43) | Non-cash financing and investing activities | | | |
| | - Acquisition of property, plant and equipment by means of finance lease | 3 | 300 | 450 |
| | - Shares issued for acquisition of Handy Electronics Limited | 32 | 6,998 | - |

*Reconciliation of cash and cash equivalents as per the cash flow statement*

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 7(45) | Cash and cash equivalents as per above comprise of the following | | |
| | Cash and cash equivalents (note 6(d)) | 25,031 | 7,035 |
| 7(8) | Bank overdrafts (note 13(a)) | (1,584) | (1,755) |
| | **Balances per statement of cash flows** | **23,447** | **5,280** |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## Commentary - Statement of cash flows

**Definition of cash and cash equivalents**

7(6),(7) 1. Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

**Reporting cash flows**

*Classification as investing activities*

7(16) 2. Cash flows can only be classified as arising from investing activities if they result in the recognition of an asset in the balance sheet. Examples of expenditure that should not be classified as investing activities on this basis are:

(a) expenditures on exploration or evaluation activities, unless the entity has a policy of capitalising these expenditures as permitted under Ind AS 106 *Exploration for and Evaluation of Mineral Resources*

(b) expenditures on advertising or promotional activities, staff training and research and development, and

(c) transaction costs related to a business combination.

*Disclosing cash flows on a gross or net basis*

7(22)-(24) 3. Cash inflows and outflows must generally be reported gross unless they relate to

(a) cash receipts and payments on behalf of customers which reflect the activities of the customer rather than the entity, or

(b) items in which the turnover is quick, the amounts are large, and the maturities are short.

Financial institutions may also report certain cash flows on a net basis.

*Interest, dividends and taxes*

7(31)-(34) 4. Ind AS 7 specifies that in case of entities other than financial entities, cash flows from interest paid and interest and dividends received should be classified as an item of financing activity and investing activity, respectively. Further, dividend paid should be classified as an item of financing activity.

7(35) 5. Cash flows arising from income taxes must be separately disclosed and are classified as operating cash flows unless they can be specifically identified with financing or investing activities.

*Discontinued operations*

105(33)(c) 6. Entities must disclose separately the net cash flows attributable to each of operating, investing and financing activities of discontinued operations. There are different ways of presenting this information, but the underlying principle is that the cash flow statement must give the cash flows for the total entity including both continuing and discontinued operations. The additional information in relation to the discontinued operations can be disclosed either on the face of the cash flow statement or in the notes. Value Ind AS Limited is providing the information in note 33.

**Non-cash investing and financing activities – information to be disclosed**

7(43) 7. Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in a way that provides all the relevant information about the investing and financing activities.

7(44) 8. Examples of transactions or events that would require disclosure under paragraph 43 of Ind AS 7 include the following:

(a) acquisitions of assets by assuming directly related liabilities, such as purchase of a building by incurring a mortgage to the seller

(b) acquisitions of entities by means of an equity issue

(c) conversion of debt to equity.

# *Contents of the notes to the consolidated financial statements*

## Commentary – Notes to the consolidated financial statements

**Structure of the notes**

1(113) 1. Notes shall be presented in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. Each item in the balance sheet, statement of profit and loss, statement of changes in equity and statement of cash flows shall be cross referenced to any related information in the notes.

1(114) 2. Examples of systematic ordering or grouping of the notes include:
   - (a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
   - (b) grouping together information about items measured similarly such as assets measured at fair value; or
   - (c) following the order of the line items in the statement of profit and loss and the balance sheet, such as:
     - (i) statement of compliance with Ind ASs (Ind AS 1 paragraph 16);
     - (ii) significant accounting policies applied (Ind AS1 paragraph 107);
     - (iii) supporting information for items presented in the balance sheet and in the statement of profit and loss, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and
     - (iv) other disclosures, including:
       1) contingent liabilities and unrecognised contractual commitments; and
       2) non-financial disclosures, e.g. the entity's financial risk management objectives and policies.

3. Traditionally, most financial reports have used the structure suggested in (d) above. However, financial report preparers increasingly consider annual reports to be an important tool in the communication with stakeholders and not just a mere compliance exercise. As a consequence, there is a growing interest in alternative formats of the financial statements.

4. This publication demonstrates one possible way of how financial reports could be improved if the existing information was presented in a more user-friendly order. To do so, we have presented information about specific aspects of the entity's financial position and performance together. For example, the entity's exposure and management of financial risks and fair value disclosures are dealt with in notes 28 to 30 while information about the group information, acquisitions and disposals and interests in other entities is presented in notes 31 to 35. Further, the notes relating to individual line items in the financial statements disclose the relevant significant estimates or judgements. Colour coding helps to find relevant information quickly

5. It is important to note that the structure used in this publication is not mandatory and is only one possible example of improved readability. In fact, experience has shown that there is not one structure that is suitable for all entities. Rather, the appropriate structure depends on the entity's business and each entity should consider what would be most useful and relevant for their stakeholders and users of the financial statements based on their individual circumstances.

**Materiality matters**

1(30A) 6. When drafting the disclosures in the notes to the financial statements, also remember that too much immaterial information could obscure the information that is actually useful to readers. Disclosures should not be included where they are not relevant or not material in specific circumstances.

   Some of the disclosures in this publication would likely be immaterial if Value Ind AS Limited was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are not always realistic.

## Background

Value Ind AS Limited is a company limited by shares, incorporated and domiciled in India. The group is engaged in diversified businesses primarily dealing in manufacturing of furniture and electronic equipment and providing IT consulting services. The furniture manufacturing business is supplemented by a chain of retail stores in India.

1(117)

## Note 1: Significant accounting policies

1(112)(a),(b),(51)(b) This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Value Ind AS Limited (the 'Company') and its subsidiaries.

1(112)(a),(117)

### (a) Basis of preparation

*(i) Compliance with Ind AS*

1(16) The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The financial statements up to year ended 31 March 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the group under Ind AS. Refer note 44 for an explanation of how the transition from previous GAAP to Ind AS has affected the group's financial position, financial performance and cash flows.

*(ii) Historical cost convention*

1(117)(a) The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) and contingent consideration that is measured at fair value;
- assets held for sale – measured at fair value less cost to sell;
- defined benefit plans – plan assets measured at fair value; and
- share-based payments

1(119)

### (b) Principles of consolidation and equity accounting

*(i) Subsidiaries*

110(5)-(7),(20),(25) Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

103(4) The acquisition method of accounting is used to account for business combinations by the group.

110(19),(B86)(a),(c) The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

110(22) Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

*(ii) Associates*

28(5),(16) Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

*(iii) Joint arrangements*

111(14) Under Ind AS 111 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Value Ind AS Limited has both joint operations and joint ventures.

Joint operations

111(20) Value Ind AS Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 34.

Joint ventures

111(24)
28(10) Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

*(iv) Equity method*

28(10) Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

28(38),(39) When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

28(28),(30) Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

28(42) The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 1(j) below.

*(v) Changes in ownership interests*

110(23)(B96) The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity (note 34).

110(25),(B97)-(B99)
28(22) When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

28(25) If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

1(119) **(c) Segment reporting**

108(5),(7) Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of Value Ind AS Limited has appointed a strategic steering committee which assesses the financial performance and position of the group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning. Refer note 31 for segment information presented.

1(119)

## (d) Foreign currency translation

*(i) Functional and presentation currency*

21(9),(17),(18)
1(51)(d)

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

*(ii) Transactions and balances*

21(21),(28),(32)
109 (6.5.11),
(6.5.14)

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

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

21(23)(c),(30)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

*(iii) Group companies*

21(39)

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

21(39)

- assets and liabilities are translated at the closing rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

109(6.5.13)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

21(47)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1(119)

## (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Recognising revenue from major business activities*

*Sale of goods – wholesale*

18(35)(a) **Timing of recognition:** the group manufactures and sells a range of furniture in the wholesale market. Sales are recognised when products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

**Measurement of revenue:** The furniture is often sold with volume discounts and customers have a right to return faulty products in the wholesale market. Revenue from sales is based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

*Sale of goods – retail*

18(35)(a) **Timing of recognition:** The group operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

**Measurement of revenue:** It is the group's policy to sell its products to the end customer with a right of return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

*Revenue from services – consulting*

18(35)(a) **Timing of recognition:** Revenue from consulting services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

**Measurement of revenue:** Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

18(App B) *Sale of goods – customer loyalty programme (deferred revenue)*

**Timing of recognition:** The group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Revenue related to the award points is deferred and recognised when the points are redeemed.

**Measurement of revenue:** The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 12 months after the initial sale.

1(119)

### (f) Government grants

20(7),(39)(a) Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

20(12),(29) Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

20(24),(26) Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

1(119),(120)

### (g) Income tax

12(46) The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

12(12),(46) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

12(15),(24),(47) Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

12(24),(34) Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

12(39) Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

12(44) Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

12(71),(74) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

12(61A) Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1(119)

### (h) Leases

*As a lessee*

17(20),(25),(27) Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

17(33),(App A) Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

*As a lessor*

17(49),(50) Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

1(119),(120)

### (i) Business combinations

103(4),(5),(37),(39),(53),(18),(19) The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group; and
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

103(32),(34) The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised in other comprehensive income and accumulated in equity as capital reserve provided there is clear evidence of the underlying reasons for classifying the business combination as a bargain purchase. In other cases, the bargain purchase gain is recognised directly in equity as capital reserve.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

103(42) If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss or other comprehensive income, as appropriate.

1(119)

### (j) Impairment of assets

36(9),(10) Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1(119)

### (k) Cash and cash equivalents

7(6),(8),(46) For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1(119)

### (l) Trade receivables

107(21)
109(5.1.1), (5.2.1) Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1(119)

### (m) Inventories

*Raw materials and stores, work in progress, traded and finished goods*

2(9),(10),(25),
(36)(a) Raw materials and stores, work in progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of first-in first-out basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1(119)

### (n) Non-current assets (or disposal groups) held for sale and discontinued operations

105(6),(15) Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

105(20)-(22) An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

105(25) Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

105(38) Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

105(31),(32),33(a) A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

1(119)

### (o) Investments and other financial assets

*(i) Classification*

109(4.1.1) The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

109(4.1.4),(5.7.1) For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

109(4.4.1) The group reclassifies debt investments when and only when its business model for managing those assets changes.

*(ii) Measurement*

109(5.1.1) At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

109(4.3.2),(4.3.3) Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

109(5.1.1) Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

109(4.1.2)

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

109(4.1.1)

- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

- 109(4.13) **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

*Equity instruments*

109(5.7.2) The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the group's right to receive payments is established.

109(5.5.1) Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*(iii) Impairment of financial assets*

109(5.5.17) The group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 29 details how the group determines whether there has been a significant increase in credit risk.

109(5.5.15) For trade receivables only, the group applies the simplified approach permitted by Ind AS 109 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

109(3.2.3),(3.2.4) *(iv) Derecognition of financial assets*

A financial asset is derecognised only when

- The group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the group has not retained control of the financial asset. Where the group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

109(5.4.1) *(v) Income recognition*

Interest income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

109(5.7.1A) Dividends

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the group, and the amount of the dividend can be measured reliably.

1(119)
107(21)
109(4.1.4),(5.2.1)
(6.3.5)

### (p) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

109(6.3.5) The group designates their derivatives as hedges of foreign exchange risk associated with the cash flows of highly probable forecast transactions and variable interest rate risk associated with borrowings (cash flow hedges).

109(6.4.1)(a),(c) The group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

1(68) The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

*(i) Cash flow hedges that qualify for hedge accounting*

109(6.5.11) The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

109(6.5.15) When option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the option contract as the hedging instrument.

109(6.5.15)(c) Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedging reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

109(6.5.16) When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in other comprehensive income in cash flow hedging reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedging reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When the hedged forecast transaction results in the recognition of a non-financial asset (for example inventory), the amounts accumulated in equity are transferred to profit or loss as follows:

109(6.5.15)
- With respect to gain or loss relating to the effective portion of the intrinsic value of option contracts, both the deferred hedging gains and losses and the deferred aligned time value of the option contracts are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example, through cost of sales).

109(6.5.16)
- With respect to gain or loss relating to the effective portion of the spot component of forward contracts, both the deferred hedging gains and losses and the deferred aligned forward points are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example, through cost of sales).

109(6.5.6) When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss within other gains/(losses).

109(B6.5.7)-(B6.5.21) If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

*(ii) Net investment hedge*

109(6.5),(6.5.13), (6.5.14) Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss on the disposal of a foreign operation.

*(iii) Derivatives that are not designated as hedges*

109(5.7.1) The group enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss and are included in other gains/(losses).

109(4.3) *(iv) Embedded derivatives*

Derivatives embedded in a host contract that is an asset within the scope of Ind AS 109 are not separated. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Derivatives embedded in all other host contract are separated only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

109(B4.3.8)(d) *Embedded foreign currency derivatives*

Embedded foreign currency derivatives are not separated from the host contract if they are closely related. Such embedded derivatives are closely related to the host contract, if the host contract is not leveraged, does not contain any option feature and requires payments in one of the following currencies:

- the functional currency of any substantial party to that contract,
- the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world,
- a currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place (i.e. relatively liquid and stable currency)

Foreign currency embedded derivatives which do not meet the above criteria are separated and the derivative is accounted for at fair value through profit and loss. The group currently does not have any such derivatives which are not closely related.

1(119) **(q) Offsetting financial instruments**

32(42)
107(13A),(13B) Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

1(119) **(r) Property, plant and equipment**

16(73)(a),16(35)(b), 16(17), 109(6.5.11)(d)(i) Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

16(12) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

*Transition to Ind AS*

101(27AA) 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 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

*Depreciation methods, estimated useful lives and residual value*

1(117)
16(50),(73)(b) Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of certain leased furniture, fittings and equipment, the shorter lease term as follows:

16(73)(c)

- Freehold buildings 25-40 years
- Machinery 10-15 years
- Furniture, fittings and equipment 3-5 years

17(27) The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Sch II The useful lives have been determined based on technical evaluation done by the management's expert which are higher than those specified by Schedule II to the Companies Act; 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset.

16(51) The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

36(59) An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

16(68),(71) Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

1(119) **(s) Investment properties**

40(75)(a) Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 25-40 years. The useful life has been determined based on technical evaluation performed by the management's expert.

*Transition to Ind AS*

101(27AA) On transition to Ind AS, the group has elected to continue with the carrying value of all of its investment properties recognised as at 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of investment properties.

1(119) **(t) Intangible assets**

*(i) Goodwill*

103(32), 36(10) Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

36(80) Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

*(ii) Patents, copyrights and other rights*

38(74),(97) (118)(a),(b) Separately acquired patents and copyrights are shown at historical cost. Patents, copyrights and non-compete acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

*(iii) Computer software*

38(57),(66),(74), (97),(118)(a),(b) Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

*(iv) Research and development*

38(54),(71) Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

*(v) Amortisation methods and periods*

38(118)(a),(b) The group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

- Patents, copyright and other rights 3-5 years
- Computer software 3-5 years
- Non-compete fees 1-3 year(s)

*(vi) Transition to Ind AS*

101(27AA) On transition to Ind AS, the group has elected to continue with the carrying value of all of intangible assets recognised as at 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

1(119)

## (u) Trade and other payables

107(21) 109(4.2.1) These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1(119)

## (v) Borrowings

107(21) 109(5.1.1)(5.2.1) Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

32(18) Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

32(18),(28),(AG-31(a)) The fair value of the liability portion of an optionally convertible bonds is determined using a market interest rate for an equivalent non-convertible bonds. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or redemption of the bonds. The remainder of the proceeds is attributable to the equity portion of the compound instrument. This is recognised and included in shareholders' equity, net of income tax effects, and not subsequently remeasured.

109(3.3.1),(3.3.2),(3.3.3) Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

109(App D) Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

1(69),(74) Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

1(119)

## (w) Borrowing costs

23(8) General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

1(119) **(x) Provisions**

37(14),(24),(63) Provisions for legal claims, service warranties, volume discounts and returns are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions for restructuring are recognised by the group when it has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that the group will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

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

37(36),(45),(47),(60) Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The measurement of provision for restructuring includes only direct expenditures arising from the restructuring, which are both necessarily entailed by the restructuring and not associated with the ongoing activities of the group.

1(119) **(y) Employee benefits**

*(i) Short-term obligations*

19(11),(13) Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

19(8),(155),(156) *(ii) Other long-term employee benefit obligations*

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

1(69)(d) The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

*(iii) Post-employment obligations*

The group operates the following post-employment schemes:

(a) defined benefit plans such as gratuity, pension, post-employment medical plans; and

(b) defined contribution plans such as provident fund.

*Pension and gratuity obligations*

19(57),(67) The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

19(83),(86) The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

19(123) The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

19(57)(d) Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

19(103) Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

*Post-employment medical obligations*

19(155) Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

*Defined contribution plans*

19(51) The group pays provident fund contributions to publicly administered provident funds as per local regulations. The group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(iv) Share-based payments*

Share-based compensation benefits are provided to employees via the Value Ind AS Limited Employee Option Plan and share-appreciation rights.

*Employee options*

102(15)(b),(19) The fair value of options granted under the Value Ind AS Limited Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

102(21)
- including any market performance conditions (e.g., the entity's share price)

102(20)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

102(21A)
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

102(19) The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

*Share appreciation rights*

102(30) Liabilities for the group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the balance sheet.

*(v) Bonus plans*

19(19) The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(vi) Termination benefits*

19(165),(166) Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1(119)

## (z) Contributed equity

Equity shares are classified as equity.

32(35),(37) Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1(119)

## (aa) Dividends

10(12),(13) Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1(119)

## (ab) Earnings per share

*(i) Basic earnings per share*

33(10) Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares (note 40).

*(ii) Diluted earnings per share*

33(30) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

1(119)

## (ac) Rounding of amounts

1(51)(e), Sch III All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

## Commentary - Significant accounting policies

**Whether to disclose an accounting policy**

1(119) 1. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Each entity should consider the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Ind AS.

2. Some Ind AS specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, Ind AS 16 *Property, Plant and Equipment* requires disclosure of the measurement bases used for classes of property, plant and equipment and Ind AS 103 *Business Combinations* requires disclosure of the measurement basis used for non-controlling interest acquired during the period.

3. Value Ind AS Limited has disclosed policies that are specific to the group and relevant for an understanding of the individual line items in the financial statements together with the notes for those line items.

**Change in accounting policy – new and revised accounting standards**

8(28) 4. Where an entity has changed any of its accounting policies either as a result of a new or revised accounting standard or voluntarily it must explain the change in its notes. Additional disclosures are required where a policy is changed retrospectively.

8(28) 5. New or revised accounting standards only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could have an impact on future periods. There is no need to disclose pronouncements that are not expected to have any impact on the entity's accounting policies and amounts recognised in the financial statements.

**Standards issued but not yet effective**

8(30) 6. Entities must explain if there are any accounting standards which are not yet applied but are expected to have a material effect on the entity in the current period and on reasonably foreseeable future transactions. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future.

7. In our view, where the expected impact is material, entities should make these disclosures even if the new accounting pronouncement is issued after the balance sheet date but before the date of authorisation of the financial statements.

**Financial instruments**

107(21),(B5) 8. Disclosure of the measurement bases of financial instruments may include:

   (a) The nature of the financial assets and liabilities the entity has designated as at fair value through profit or loss

   (b) the criteria for designating such financial liabilities at initial recognition

   (c) how the entity satisfied the conditions in paragraphs 4.1.5 and 4.2.2 of Ind AS 109 for such designation

   (d) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date

   (e) how net gains or net losses on each category of financial instruments are determined (e.g. whether the net gains or losses on items at fair value through profit or loss include interest or dividend income)

*Presentation of fair value gains and losses on financial assets and derivatives*

9. Value Ind AS Limited's accounting policies for financial assets and derivatives specify where in the statement of profit and loss the relevant fair value gains or losses are presented. However, Ind AS 109 does not prescribe the presentation in the statement of profit and loss. Other ways of presenting the fair value gains and losses may be equally appropriate.

**Employee benefits**

*Presentation of leave obligations*

10. Value Ind AS Limited has presented its obligation for accrued annual leave within employee benefit obligations. However, it may be equally appropriate to present these amounts either as provisions (if the timing and/or amount of the future payments is uncertain such that they satisfy the definition of 'provision' in Ind AS 37).

*Share-based payments – expense recognition and grant date*

11. Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. This period may commence prior to the grant date. In this situation, the entity estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the entity revises the earlier estimate so that the amounts recognised for services received is ultimately based on the grant date fair value of the equity instruments.

1(41) **Reclassification**

12. Where an entity has reclassified comparative amounts because of a change in presentation, it must disclose the nature and reason for the reclassification in the notes.

## Commentary - Significant accounting policies

13. **Accounting policies not illustrated: not applicable to Value Ind AS Limited**

Property, plant and equipment

(a) *Revaluation model for certain class of property, plant and equipment (e.g. revaluation of land and building and other assets at historical cost)*

16(73)(a) Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation reserve to retained earnings.

(b) Business combinations - common control transactions

103(App C) Business combinations involving entities that are controlled by the group are accounted for using the pooling of interests method as follows

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. Adjustments are only made to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.
- The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

(c) Financial guarantee contracts

109(4.2.1)(c) Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation, where appropriate.

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

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

109(6.5.8) (d) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other gains/(losses).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(e) Foreign currency convertible bonds

32(11)(b)(ii) The equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments is considered an equity instrument if the exercise price is fixed in any currency.

## Commentary – Significant accounting policies

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

14. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| Reference | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 107(28) | Fair value determined using valuation technique – difference between the fair value at initial recognition and transaction price | Disclose (by class of financial instrument) the accounting policy for recognising that difference in profit or loss. |
| 1(117)<br>107(B5)(a)(aa) | Financial assets and liabilities designated at fair value through profit or loss (FVPL) | Disclose the nature of the financial assets or liabilities designated as at FVPL, the criteria for the designation, how the entity has satisfied the conditions for designation and a narrative description of the circumstances underlying the measurement and recognition inconsistency that would otherwise arise, or how the designation is consistent with the entity's documented risk management or investment strategies. |
| 29(39) | Financial reporting in hyper inflationary economies | Disclose the fact that the financial statements and comparatives have been restated, which method was used (historical cost or current cost approach) and information about the identity and the level of the price index. |

## Note 2: Critical estimates and judgements

1(122),(125) The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

**Critical estimates and judgements**

The areas involving critical estimates or judgements are:

- Estimation of current tax expense and payable – Note 27
- Estimated fair value of unlisted securities – Note 28
- Estimated goodwill impairment – Note 5
- Estimated useful life of intangible asset – Note 5
- Estimation of defined benefit obligation – Note 15
- Estimation of provision for warranty claims – Note 14
- Estimation of fair values of contingent liabilities and contingent purchase consideration in a business combination – Note 32
- Recognition of revenue – Note 20
- Recognition of deferred tax assets for carried forward tax losses – Note 7
- Impairment of trade receivables – Note 29
- Consolidation decisions and classification of joint arrangements – Note 34

Estimates and judgements are continually evaluated. They 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.

## Commentary - Critical estimates and judgements

**Disclosure not illustrated: not applicable to Value Ind AS Limited**

*Sources of estimation uncertainty*

1. Another example of a critical accounting estimate that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities, but that is not relevant to Value Ind AS Limited, or is not expected to have a significant impact in this instance, is:

   *Revenue recognition*

   The group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver design services. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by XX% from management's estimates, the amount of revenue recognised in the year would be increased by INR XXXX if the proportion performed was increased, or would be decreased by INR XXXX if the proportion performed was decreased.

*Significant judgements*

1(123) 2. Examples of significant judgements that may require disclosures are judgements made in determining:
   (a) whether designating a financial asset/liability through fair value through profit or loss so as to reduce/eliminate and accounting mismatch
   (b) when substantially all the significant risks and rewards of ownership of lease assets are transferred to other entities
   (c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
   (d) whether an asset should be classified as held-for-sale or an operation meets the definition of a discontinued operation
   (e) whether multiple assets should be grouped to form a single cash-generating unit (where this would affect whether an impairment is recognised)
   (f) whether there are material uncertainties about the entity's ability to continue as a going concern.

34(26) 3. If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the annual reporting period but separate financial statements are not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that annual reporting period.

19(App B) 4. The recognition of a net defined benefit asset may also warrant additional disclosures. For example, the entity should explain any restrictions on the current realisability of the surplus and the basis used to determine the amount of the economic benefits available.

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 3: Property, plant and equipment

| | | Freehold land | Freehold buildings | Furniture, fittings and equipment | Plant and machinery | Total | Capital work-in-progress |
|---|---|---|---|---|---|---|---|
| | **Year ended 31 March 2016** | | | | | | |
| 16(73)(d) | **Gross carrying amount** | | | | | | |
| 101(D7AA) | Deemed cost as at 1 April 2015 | 11,350 | 28,050 | 14,910 | 33,835 | 88,145 | - |
| 16(73)(e)(viii) | Exchange differences | - | - | (53) | (210) | (263) | - |
| 16(73)(e)(i), (74)(b) | Additions | - | 14,788 | 2,454 | 11,099 | 28,341 | 3,100 |
| 16(73)(e)(ii) 105(38) | Assets included in a disposal group classified as held for sale (note 33) | (1,400) | (5,248) | (853) | - | (7,501) | - |
| 16(73)(e)(ii) | Disposals | - | (1,272) | - | (2,777) | (4,049) | - |
| 16(73)(d) | **Closing gross carrying amount** | **9,950** | **36,318** | **16,458** | **41,947** | **104,673** | **3,100** |
| 16(73)(d) | **Accumulated depreciation** | | | | | | |
| 17(73)(e)(vii) | Depreciation charge during the year | - | 1,540 | 2,030 | 4,580 | 8,150 | - |
| 16(73)(e)(ii) 105(38) | Assets included in a disposal group classified as held for sale (note 33) | - | (128) | (143) | - | (271) | - |
| 16(73)(e)(ii) | Disposals | - | (32) | - | (127) | (159) | - |
| 16(73)(e)(viii) | Exchange differences | - | - | (10) | (60) | (70) | - |
| 16(73)(d) | **Closing accumulated depreciation** | **-** | **1,380** | **1,877** | **4,393** | **7,650** | **-** |
| 1(77) | Net carrying amount | 9,950 | 34,938 | 14,581 | 37,554 | 97,023 | 3,100 |
| | **Year ended 31 March 2017** | | | | | | |
| 16(73)(d) | **Gross carrying amount** | | | | | | |
| 16(73)(d) | Opening gross carrying amount | 9,950 | 36,318 | 16,458 | 41,947 | 104,673 | 3,100 |
| 16(73)(e)(viii) | Exchange differences | - | - | (55) | (80) | (135) | - |
| 16(73)(e)(iii) | Acquisition of subsidiary (note 32) | - | 8,636 | - | 6,085 | 14,721 | - |
| 16(73)(e)(i), (74)(b) | Additions | 9,500 | 19,700 | 2,344 | 3,965 | 35,509 | 17,450 |
| 16(73)(e)(ii) 105(38) | Assets classified as held for sale (note 11) | - | (260) | - | - | (260) | - |
| 16(73)(e)(ii) 105(38) | Disposals | - | - | (1,215) | (2,768) | (3,983) | - |
| 16(73)(e)(ix) | Transfers | - | - | 950 | 2,150 | 3,100 | (3,100) |
| 16(73)(d) | **Closing gross carrying amount** | **19,450** | **64,394** | **18,482** | **51,299** | **153,625** | **17,450** |
| 16(73)(d) | **Accumulated depreciation and impairment** | | | | | | |
| 16(73)(d) | Opening accumulated depreciation | - | 1,380 | 1,877 | 4,393 | 7,650 | - |
| 17(73)(e)(vii) | Depreciation charge during the year | - | 1,750 | 3,650 | 3,550 | 8,950 | - |
| 16(73)(e)(v) 36(126)(a),(b) | Impairment loss (iii) (note 11) | - | 40 | 30 | 180 | 250 | - |
| 16(73)(e)(ii) | Disposals | - | - | (95) | (113) | (208) | - |
| 16(73)(e)(viii) | Exchange differences | - | - | (5) | (10) | (15) | - |
| 16(73)(e)(ii) 105(38) | Assets classified as held for sale (note 11) | - | (50) | - | - | (50) | - |
| 16(73)(d) | **Closing accumulated depreciation and impairment** | **-** | **3,120** | **5,457** | **8,000** | **16,577** | **-** |
| 1(77) | Net carrying amount | 19,450 | 61,274 | 13,025 | 43,299 | 137,048 | 17,450 |

*(All amounts in INR lakhs, unless otherwise stated)*

*(i) Leased assets*

17(31)(a) Furniture, fittings and equipment includes the following amounts where the group is a lessee under a finance lease:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| **Furniture, fittings and equipment** | | | |
| Cost / Deemed cost | 1,605 | 1,650 | 1,200 |
| Accumulated depreciation | (350) | (345) | - |
| Net carrying amount | **1,255** | **1,305** | **1,200** |

17(31)(e) The lease term in respect of assets acquired under finance leases generally expire within three to five years. Under the terms of the leases, the group has the option to acquire the leased assets for 50% of their agreed fair value on expiry of the leases. This option lapses in the event the group fails to maintain its credit rating at the level prevailing at inception of the lease.

*(ii) Property, plant and equipment pledged as security*

16(74)(a) Refer to note 42 for information on property, plant and equipment pledged as security by the group.

*(iii) Impairment loss*

36(130)(a) The impairment loss relates to furniture, fittings and equipment and plant and machinery that were damaged by a fire. The whole amount was recognised as impairment loss in the statement of profit and loss. For impairment loss relating to building classified as held for sale, refer note 11.

*(iv) Contractual obligations*

16(74)(c) Refer to note 37 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

*(v) Capital work-in-progress*

Capital work-in-progress mainly comprises new furniture manufacturing unit being constructed in India.

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 4: Investment properties

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 40(79)(c) | **Gross carrying amount** | | |
| 101(D7AA) | Opening gross carrying amount / Deemed cost | **7,755** | **7,255** |
| 40(79)(d)(i) | Additions | 930 | 500 |
| 40(79)(c) | **Closing gross carrying amount** | **8,685** | **7,755** |
| | **Accumulated depreciation** | | |
| 40(79)(c) | Opening accumulated depreciation | 576 | - |
| 40(79)(d)(iv) | Depreciation charge | 690 | 576 |
| | **Closing accumulated depreciation** | **1,266** | **576** |
| 1(77) | Net carrying amount | 7,419 | 7,179 |

40(75)(f) *(i) Amounts recognised in profit or loss for investment properties*

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 40(75)(f)(i) | Rental income | 1,548 | 1,239 |
| 40(75)(f)(ii) | Direct operating expenses from property that generated rental income | (240) | (336) |
| 40(75)(f)(iii) | Direct operating expenses from property that did not generate rental income | (185) | (148) |
| | **Profit from investment properties before depreciation** | **1,123** | **755** |
| | Depreciation | (690) | (576) |
| | **Profit from investment properties** | **433** | **179** |

*(ii) Contractual obligations*

40(75)(h) Refer to note 37 for disclosure of contractual obligations to purchase, construct or develop investment property or for its repairs, maintenance or enhancements.

17(56)(a),(c) *(iii) Leasing arrangements*

Certain investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating leases of investment properties are as follows:

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| 17(56)(a)(i) | Within one year | 1,768 | 1,533 | 1,320 |
| 17(56)(a)(ii) | Later than one year but not later than 5 years | 6,340 | 6,122 | 5,850 |
| 17(56)(a)(iii) | Later than 5 years | 1,322 | 1,210 | 1,099 |
| | | **9,430** | **8,865** | **8,269** |

40(79)(e) 113(93)(b),(i),(97) *(iv) Fair value*

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Investment properties | 12,850 | 11,230 | 10,150 |

### Estimation of fair value

45(75)(e) 113(93)(b)(d),(97) The group obtains independent valuations for its investment properties at least annually. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the group consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence

The fair values of investment properties have been determined by ABC Property Surveyors Limited. The main inputs used are the rental growth rates, expected vacancy rates, terminal yields and discount rates based on comparable transactions and industry data. All resulting fair value estimates for investment properties are included in level 3.

(All amounts in INR lakhs, unless otherwise stated)

## Note 5: Intangible assets

| Reference | | Patents, copyrights and other rights | Computer software * | Non-compete fees | Total | Goodwill |
|---|---|---|---|---|---|---|
| | **Year ended 31 March 2016** | | | | | |
| 38(118)(c) 103(B67)(d)(i) | **Gross carrying amount** | | | | | |
| 101(D7AA) | Deemed cost as at 1 April 2015 | 9,160 | 2,050 | - | 11,210 | 4,530 |
| 38(118)(e)(i) | Additions | - | 720 | - | 720 | - |
| 38(118)(c) 103(B67)(d)(viii) | **Closing gross carrying amount** | **9,160** | **2,770** | **-** | **11,930** | **4,530** |
| 38(118)(c) | **Accumulated amortisation** | | | | | |
| 38(118)(e)(vi) | Amortisation charge for the year | 725 | 310 | - | 1,035 | - |
| 38(118)(c) | **Closing accumulated amortisation** | **725** | **310** | **-** | **1,035** | **-** |
| 1(77) | Closing net carrying amount | 8,435 | 2,460 | - | 10,895 | 4,530 |
| | **Year ended 31 March 2017** | | | | | |
| 38(118)(c) 103(B67)(d)(i) | **Gross carrying amount** | | | | | |
| 38(118)(c) 103(B67)(d)(i) | Opening gross carrying amount | 9,160 | 2,770 | - | 11,930 | 4,530 |
| 38(118)(e)(i) | Additions – internal development | - | 880 | - | 880 | - |
| 103(B67)(d)(ii), 38(118)(e)(i) | Acquisition of subsidiary (note 32) | 878 | - | 560 | 1,438 | 5,990 |
| 38(118)(c) 103(B67)(d)(viii) | **Closing gross carrying amount** | **10,038** | **3,650** | **560** | **14,248** | **10,520** |
| 38(118)(c) | **Accumulated amortisation and impairment** | | | | | |
| 38(118)(c) | Opening accumulated amortisation | 725 | 310 | - | 1,035 | - |
| 38(118)(e)(vi) | Amortisation charge for the year | 640 | 420 | 120 | 1,180 | - |
| 36(130)(b) 103(B67)(d)(v) | Impairment charge ** | - | - | - | - | 1,850 |
| 38(118)(c) 103(B67)(d)(viii) | **Closing accumulated amortisation and impairment** | **1,365** | **730** | **120** | **2,215** | **1,850** |
| 1(77) | Closing net carrying amount | 8,673 | 2,920 | 440 | 12,033 | 8,670 |

38(118)(e)(i) * Computer software consists of capitalised development costs being an internally generated intangible asset.

36(126)(a), (130)(c)(i),(d)(i) ** The carrying amount of the IT Consulting CGU in Europe has been reduced to its recoverable amount by recognition of an impairment loss against goodwill. This loss has been disclosed as a separate line item in statement of profit and loss.

38(126) Handy Electronics Limited, one of the subsidiary, is researching new devices that could replace current products of electronic appliances. It has incurred research and development expenses of INR 70 in the current year (31 March 2016 – nil) which is included in other expenses in the statement of profit and loss.

1(125)

*(i) Significant estimate: useful life of IT division's intangible assets*

The group has recently completed the development of software that is used to analyse business processes by the IT consulting division. As at 31 March 2017, the net carrying amount of this software was INR 704 (31 March 2016 – Nil, 31 March 2015-Nil). The group estimates the useful life of the software to be 5 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations and competitor actions. If it were only 3 years, the carrying amount would be INR 587 as at 31 March 2017. If the useful life were estimated to be 8 years, the carrying amount would be INR 770.

*(All amounts in INR lakhs, unless otherwise stated)*

*(ii) Impairment tests for goodwill*

36(134) Goodwill is monitored by management at the level of the six operating segments identified in note 31.

36(134)(a) A segment-level summary of the goodwill allocation is presented below.

| 31 March 2017 | India | US | China | Europe | Total |
|---|---|---|---|---|---|
| IT consulting | - | 1,697 | - | 983 | 2,680 |
| Furniture – manufacturing | 1,966 | - | - | - | 1,966 |
| Electronic equipment | 4,024 | - | - | - | 4,024 |
| **Total** | **5,990** | **1,697** | **-** | **983** | **8,670** |
| **31 March 2016** | **India** | **US** | **China** | **Europe** | **Total** |
| IT consulting | - | 1,697 | - | 2,833 | 4,530 |
| Furniture – manufacturing | - | - | - | - | - |
| **Total** | **-** | **1,697** | **-** | **2,833** | **4,530** |
| **1 April 2015** | **India** | **US** | **China** | **Europe** | **Total** |
| IT consulting | - | 1,697 | - | 2,833 | 4,530 |
| Furniture – manufacturing | - | - | - | - | - |
| **Total** | **-** | **1,697** | **-** | **2,833** | **4,530** |

*(iii) Significant estimate: key assumptions used for value-in-use calculations*

36(134)(c), (d)(i),(iii),(iv) The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

*(All amounts in INR lakhs, unless otherwise stated)*

36(134)(d)(i)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

36(130)(g), (134)(d)(i),(iv), (v)

| | Furniture – manufacturing India | IT consulting | | Electronic equipment India |
|---|---|---|---|---|
| **31 March 2017** | | **US** | **Europe** | |
| Sales volume (% annual growth rate) | 6.7 | 4.2 | 3.1 | 7.9 |
| Sales price (% annual growth rate) | 2.4 | 1.7 | 1.8 | 1.8 |
| Budgeted gross margin (%) | 47.0 | 50.0 | 55.5 | 40.0 |
| Other operating costs (INR) | 9,500 | 8,400 | 5,600 | 1,650 |
| Annual capital expenditure (INR) | 1,900 | 500 | 230 | 150 |
| Long term growth rate (%) | 3.5 | 2.2 | 2.0 | 6.1 |
| Pre-tax discount rate (%) | 11.7 | 7.4 | 8.8 | 12.0 |
| **31 March 2016** | | | | |
| Sales volume (% annual growth rate) | - | 3.8 | 3.0 | - |
| Sales price (% annual growth rate) | - | 1.6 | 1.9 | - |
| Budgeted gross margin (%) | - | 52.0 | 54.0 | - |
| Other operating costs (INR) | - | 8,300 | 4,350 | - |
| Annual capital expenditure (INR) | - | 580 | 225 | - |
| Long term growth rate (%) | - | 2.2 | 1.8 | - |
| Pre-tax discount rate (%) | - | 7.2 | 8.1 | - |
| **1 April 2015** | | | | |
| Sales volume (% annual growth rate) | - | 3.0 | 4.4 | - |
| Sales price (% annual growth rate) | - | 1.0 | 1.3 | - |
| Budgeted gross margin (%) | - | 49.2 | 50.5 | - |
| Other operating costs (INR) | - | 8,100 | 3,850 | - |
| Annual capital expenditure (INR) | - | 400 | 150 | - |
| Long term growth rate (%) | - | 2.5 | 2.1 | - |
| Pre-tax discount rate (%) | - | 6.7 | 7.9 | - |

36(134)(d)(ii), (iv)

Management has determined the values assigned to each of the above key assumptions as follows:

| Assumption | Approach used to determining values |
|---|---|
| Sales volume | Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development. |
| Sales price | Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecasts for each territory. |
| Budgeted gross margin | Based on past performance and management's expectations for the future. |
| Other operating costs | Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period. |
| Annual capital expenditure | Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure. |
| Long-term growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports. |
| Pre-tax discount rates | Reflect specific risks relating to the relevant segments and the countries in which they operate. |

36(55)

*(All amounts in INR lakhs, unless otherwise stated)*

*Customer concentration/dependency – Furniture manufacturing – India*

36(134)(d)(ii) The furniture manufacturing CGU in India generates 34% of its total revenues for each financial year from a key customer engaged in real estate construction. The customer contract is for a five-year term, and the customer has been trading with the CGU since 2007. Management has included the renewal of this key customer contract in the value-in-use calculations to determine the recoverable amount of the CGU.

36(134)(f) *(iv) Significant estimate – impairment charge*

36(129)(a), (130)(a),(b),(d),(e) The impairment charge of INR 1,850 arose in the IT Consulting CGU in Europe following a loss of certain key contracts with customers.

36(130)(e) As at 31 March 2017, recoverable amount of the CGU amounted to INR 35,244.

*(v) Significant estimate: Impact of possible changes in key assumptions*

36(134)(f) *IT Consulting CGU –Europe*

1(129)(b) 36(134)(f) If the budgeted gross margin used in the value-in-use calculation for the IT Consulting CGU had been 5% lower than management's estimates at 31 March 2017 (50.5% instead of 55.5%), the group would have had to recognise an additional impairment against the carrying amount of goodwill of INR 753.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (9.8% instead of 8.8%), the group would have had to recognise an additional impairment against the carrying amount of goodwill of INR 550.

*IT Consulting CGU – US*

36(134)(f)(i), 1(38) The recoverable amount of the IT Consulting CGU in US is estimated to exceed the carrying amount of the CGU at 31 March 2017 by INR 2,178 (31 March 2016 – INR 3,258, 1 April 2015 - INR 3,024).

36(134)(f)(ii), (iii) The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

1(38)

| | 31 March 2017 | | 31 March 2016 | | 1 April 2015 | |
|---|---|---|---|---|---|---|
| | From | To | From | To | From | To |
| Sales volume (% annual growth rate) | 4.2 | 3.7 | 3.8 | 2.6 | 3.0 | 2.6 |
| Budgeted gross margin (%) | 50.0 | 45.3 | 52.0 | 45.2 | 49.2 | 44.1 |
| Long-term growth rate (%) | 2.2 | 1.8 | 2.2 | 1.3 | 2.5 | 1.7 |
| Pre-tax discount rate (%) | 7.4 | 6.9 | 7.2 | 6.7 | 6.7 | 6.1 |

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the IT Consulting CGU in US to exceed its recoverable amount.

(All amounts in INR lakhs, unless otherwise stated)

## Note 6: Financial assets

107(6),(7) Sch III 1(77)

### 6(a) Non-current investments

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| Sch III | **Investment in equity instruments (fully paid-up)** | | | |
| | **Quoted** | | | |
| | 33,750 (31 March 2016 : 37,440, 1 April 2015 : 39,500) equity shares of Old Limited | 2,633 | 3,070 | 2,765 |
| | 16,900 (31 March 2016 : 16,320, 1 April 2015 : 21,000) equity shares of New Limited | 4,428 | 3,966 | 4,830 |
| | 13,175 (31 March 2016 : 7,540, 1 April 2015: 11,400) equity shares of ABX Limited | 1,910 | 927 | 1,596 |
| 107(11A) | **Equity investments at FVOCI** [8] | | | |
| | **Unquoted** | | | |
| | 54,500 (31 March 2016 : 54,500, 1 April 2015 : 52,000) equity shares of XYC Limited | 4,469 | 4,360 | 4,420 |
| | 47,000 (31 March 2016 : 40,000, 1 April 2015 : 40,000) equity shares of MNO Limited | 9,306 | 7,760 | 7,200 |
| | Nil (31 March 2016 : 500,000, 1 April 2015 : Nil) equity shares of Ambrosia Furniture Limited (note 32) | - | 700 | - |
| | **Total (equity instruments)** | **22,746** | **20,783** | **20,811** |
| Sch III | **Investment in preference shares (fully paid-up)** | | | |
| | **Unquoted** | | | |
| | 100,000 9% redeemable preference shares in D Limited | 4,500 | 4,500 | 4,500 |
| | **Total (preference shares)** | **4,500** | **4,500** | **4,500** |
| Sch III | **Investment in government securities** | | | |
| | **Quoted** | | | |
| | 6.5% Government of India bonds 2022 | **1,065** | - | - |
| Sch III | **Investment in debentures and bonds** | | | |
| | **Quoted** | | | |
| | 66,000 10% corporate bonds of G Inc. (US) | 4,306 | - | - |
| | **Unquoted** | | | |
| | 7% 20,000 debentures of S Plc | 1,690 | - | - |
| | **Total (debentures and bonds)** | **5,996** | **-** | **-** |
| Sch III | **Investment in mutual funds** | | | |
| | **Quoted** | | | |
| | 1,440,000 (31 March 2016: 3,380,000, 1 April 2015: 4,650,000) units ABC mutual fund growth plan | 1,570 | 3,617 | 4,418 |
| | 1,815,000 (31 March 2016: 2,726,000, 1 April 2015: 2,142,000) units in BCD mutual fund dividend re-investment plan | 2,288 | 3,353 | 2,570 |
| | **Total (mutual funds)** | **3,858** | **6,970** | **6,988** |

| | | | | |
|---|---|---|---|---|
| | **Total non-current investments** | **38,165** | **32,253** | **32,299** |
| Sch III | Aggregate amount of quoted investments and market value thereof | 18,200 | 14,933 | 16,179 |
| Sch III | Aggregate amount of unquoted investments | 19,965 | 17,320 | 16,120 |
| Sch III | Aggregate amount of impairment in the value of investments | - | - | - |

*(All amounts in INR lakhs, unless otherwise stated)*

107(6)(7)
Sch III
1(77)

## 6(a) Current investments

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| Sch III | **Investment in equity instruments (fully paid-up)** | | | |
| | **Quoted** | | | |
| | 11,250 (31 March 2016 : 10,560, 1 April 2015 : 10,500) equity shares of Old Limited | 878 | 866 | 735 |
| | 9,100 (31 March 2016 : 7,680, 1 April 2015 : 4,000) equity shares of New Limited | 2,384 | 1,866 | 920 |
| | 2,325 (31 March 2016 : 5,460, 1 April 2015 : 3,600) equity shares of ABX limited | 337 | 672 | 504 |
| | **Total (equity instruments)** | **3,599** | **3,404** | **2,159** |
| Sch III | **Investment in debentures and bonds** | | | |
| | **Quoted** | | | |
| | 54,000 (31 March 2016: Nil, 1 April 2015: Nil) 10% Corporate bonds in G Inc. (US) | 3,525 | - | - |
| | **Total (debentures and bonds)** | **3,525** | **-** | **-** |
| Sch III | **Investment in mutual funds** | | | |
| | **Quoted** | | | |
| | 1,560,000 (31 March 2016: 3,120,000, 1 April 2015: 2,850,000) units in ABC mutual fund growth plan | 1,700 | 3,338 | 2,707 |
| | 1,485,000 (31 March 2016: 1,974,000, 1 April 2015: 2,958,000) units in BCD mutual fund dividend re-investment plan | 1,871 | 2,428 | 3,550 |
| | **Total (mutual funds)** | **3,571** | **5,766** | **6,257** |

| | | | | |
|---|---|---|---|---|
| | **Total current investments** | **10,695** | **9,170** | **8,416** |
| Sch III | Aggregate amount of quoted investments and market value thereof | 10,695 | 9,170 | 8,416 |
| Sch III | Aggregate amount of unquoted investments | - | - | - |
| Sch III | Aggregate amount of impairment in the value of investments | - | - | - |

107(6)
1(77),(78)(b)
Sch III

## 6(b) Trade receivables

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Trade receivables | 32,274 | 30,132 | 28,576 |
| Receivables from related parties (refer note 35) | 270 | 1,300 | 578 |
| Less: Allowance for doubtful debts | (1,832) | (1,354) | (944) |
| **Total receivables** | **30,712** | **30,078** | **28,210** |
| Current portion | 30,712 | 30,078 | 28,210 |
| Non-current portion | - | - | - |

**Break-up of security details**

Sch III

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Secured, considered good | - | - | - |
| Unsecured, considered good | 30,778 | 30,155 | 28,260 |
| Doubtful | 1,766 | 1,277 | 894 |
| **Total** | 32,544 | 31,432 | 29,154 |
| Allowance for doubtful debts | (1,832) | (1,354) | (944) |
| **Total trade receivables** | **30,712** | **30,078** | **28,210** |

*(All amounts in INR lakhs, unless otherwise stated)*

*Transferred receivables*

107(42D) (a)-(c),(e) The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, Value Ind AS Limited has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, Value Ind AS Limited has retained late payment and credit risk. The group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing.

The relevant carrying amounts are as follows:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Total transferred receivables | 930 | 1,035 | 852 |
| Associated secured borrowing (note 13(a)) | 850 | 953 | 755 |

107(6)
1(77)
Sch III

## 6(c) Loans

| | 31 March 2017 | | 31 March 2016 | | 1 April 2015 | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Current | Non-current | Current | Non-current |
| **Unsecured, considered good** | | | | | | |
| Loan to associates (refer note 35) | 392 | 479 | 257 | 314 | 260 | 390 |
| Loan to directors (refer note 35) | 27 | 49 | 58 | 108 | 36 | 84 |
| Loan to employees | 204 | 505 | 231 | 428 | 252 | 308 |
| **Unsecured and considered doubtful** | | | | | | |
| Loan to employees | 44 | - | 77 | - | 65 | - |
| Less: Allowance for doubtful loans | (44) | - | (77) | - | (65) | - |
| **Total loans** | **623** | **1,033** | **546** | **850** | **548** | **782** |

7(45),Sch III

## 6(d) Cash and cash equivalents

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Balances with banks | | | |
| - in current accounts | 16,545 | 3,145 | 3,467 |
| - in EEFC accounts | 7,750 | 3,473 | 2,263 |
| Deposits with maturity of less than three months | 679 | 413 | 389 |
| Cash on hand | 57 | 4 | 12 |
| **Total cash and cash equivalents** | **25,031** | **7,035** | **6,131** |

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.

1(77)
107(6)
Sch III

## 6(e) Other financial assets

| | 31 March 2017 | | 31 March 2016 | | 1 April 2015 | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Current | Non-current | Current | Non-current |
| *(i) Derivatives* | | | | | | |
| Foreign-exchange forward contracts | 1,811 | 636 | 1,511 | 451 | 884 | 455 |
| Foreign currency options | 380 | 214 | 248 | 74 | - | - |
| Interest rate swaps | 265 | 337 | 334 | 100 | 168 | 299 |
| *(ii) Others* | | | | | | |
| Security deposits | - | 2,051 | - | 1,751 | - | 1,400 |
| Indemnification asset (note 32) | 400 | - | - | - | - | - |
| **Total other financial assets** | **2,856** | **3,238** | **2,093** | **2,376** | **1,052** | **2,154** |

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 7 : Deferred tax assets

12(81)(g)(i) **The balance comprises temporary differences attributable to:**

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Tax losses | 1,470 | 650 | - |
| Defined benefit obligations | 2,241 | 1,636 | 1,560 |
| Provisions | 523 | 187 | 146 |
| | **4,234** | **2,473** | **1,706** |
| *Other items* | | | |
| Derivatives | 184 | 272 | 262 |
| Allowance for doubtful debts – trade receivables | 550 | 406 | 283 |
| Others | 108 | 11 | 47 |
| | **842** | **689** | **592** |
| Total deferred tax assets | **5,076** | **3,162** | **2,298** |
| 12(74) Set-off of deferred tax liabilities pursuant to set-off provisions | (478) | (388) | (244) |
| **Net deferred tax assets** | **4,598** | **2,774** | **2,054** |

1(125)
12(82)

**Significant estimates**
The group has recognised deferred tax assets on carried forward tax losses of Value Ind AS Retail Limited. The subsidiary has incurred the losses over the last two financial years following the acquisition of the retail operations in India. They relate to the costs of integrating the operations and are not expected to recur in future. The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2018 onwards. The losses can be carried forward for a period of 8 years as per local tax regulations and the group expects to recover the losses.

### *Movement in deferred tax assets*

| | | Tax losses | Defined benefit obligation | Provisions | Other items | Total |
|---|---|---|---|---|---|---|
| | **At 1 April 2015** | - | 1,560 | 146 | 592 | 2,298 |
| | (Charged)/credited: | | | | | |
| 12(81)(g)(ii) | - to profit or loss | 650 | 292 | 41 | 117 | 1,100 |
| | - to other comprehensive income | - | (216) | - | 44 | (172) |
| | - Deferred tax on basis adjustment | - | - | - | (64) | (64) |
| | **At 31 March 2016** | **650** | **1,636** | **187** | **689** | **3,162** |
| | (Charged)/credited: | | | | | |
| 12(81)(g)(ii) | - to profit or loss | 820 | 57 | (385) | 172 | 664 |
| | - to other comprehensive income | - | (227) | - | 64 | (163) |
| | - Deferred tax on basis adjustment | - | - | - | (83) | (83) |
| | Acquisition of subsidiary (note 32) | - | 775 | 721 | - | 1,496 |
| | **At 31 March 2017** | **1,470** | **2,241** | **523** | **842** | **5,076** |

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 8: Other non-current assets

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| 1(77), Sch III | Capital advances | 21,244 | 10,055 | 7,200 |
| 1(77), Sch III | *Advances other than capital advances* | | | |
| | Advances to suppliers | - | 300 | - |
| | VAT recoverable | 342 | 210 | 266 |
| | **Total other non-current assets** | **21,586** | **10,565** | **7,466** |

## Note 9: Inventories

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| 2(37) | Raw materials | 16,547 | 15,786 | 18,700 |
| 2(37) | Work-in-progress | 9,890 | 7,896 | 8,954 |
| 2(37) | Finished goods | 30,765 | 27,658 | 24,322 |
| 2(37) | Traded goods | 10,322 | 9,455 | 8,655 |
| 2(36)(b) 1(77) | Stores and spares | 354 | 267 | 223 |
| | **Total inventories** | **67,878** | **61,062** | **60,854** |

*Amounts recognised in profit or loss*

2(36)(e) 36(126)(a) Write-downs of inventories to net realisable value amounted to INR 230 (31 March 2016 – Nil). These were recognised as an expense during the year and included in 'changes in value of inventories of work-in-progress, stock-in-trade and finished goods' in statement of profit and loss.

## Sch III, 1(77) Note 10: Other current assets

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Prepayments | 459 | 543 | 366 |

## Note 11: Assets classified as held for sale

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Building | 210 | - | - |
| Disposal group (note 33) | - | 19,310 | - |
| **Total assets classified as held for sale** | **210** | **19,310** | - |

105(41)(a),(b),(d) In November 2016, the directors of Value Ind AS Limited decided to sell a factory building which was originally acquired for an expansion of the MIDC factory. There are several interested parties and the sale is expected to be completed before the end of June 2017. The asset is presented within total assets of the India Furniture manufacturing segment.

Refer to note 33 for information about assets and liabilities of a disposal group that were classified as held for sale at 31 March 2016.

113(91)(a),(93)(b),(d) *Non-recurring fair value measurements*

105(41)(c) Building classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a write down of INR 40 as impairment loss in the statement of profit and loss. The fair value of the building was determined using the sales comparison approach. This is a level 2 measurement as per the fair value hierarchy set out in fair value measurement disclosures (note 28). The key inputs under this approach are price per square metre of comparable lots of building in the area of similar location and size.

# Note 12: Equity share capital and other equity

## 12(a) Equity share capital

1(79)(a)(i), Sch III

Authorised equity share capital

| | Number of shares (in lakhs) | Amount |
|---|---|---|
| As at 1 April 2015 | 8,000 | 80,000 |
| Increase during the year | - | - |
| **As at 31 March 2016** | **8,000** | **80,000** |
| Increase during the year | - | - |
| **As at 31 March 2017** | **8,000** | **80,000** |

1(106)(d)

*(i) Movements in equity share capital*

| | | Notes | Number of shares (in lakhs) | Equity share capital (par value) |
|---|---|---|---|---|
| 1(79)(a)(iv) | As at 1 April 2015 | | 1,200 | 12,000 |
| | Exercise of options - proceeds received | 39 | 60 | 600 |
| 1(79)(a)(iv) | **As at 31 March 2016** | | **1,260** | **12,600** |
| | Exercise of options - proceeds received | 39 | 130 | 1,300 |
| | Acquisition of subsidiary | 32 | 200 | 2,000 |
| | Rights issue | | 650 | 6,500 |
| 1(79)(a)(iv) | **As at 31 March 2017** | | **2,240** | **22,400** |

*Terms and rights attached to equity shares*

1(79)(a)(iii), (v) Sch III

Equity shares have a par value of INR 10. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

*Shares reserved for issue under options*

1(79)(a)(vii), Sch III

Information relating to Value Ind AS Limited Employee Option Plan, including 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 39.

*Rights issue*

1(106)(d)(iii), (112)(c)

On 1 October 2016, the company invited its shareholders to subscribe to a rights issue of 65,000,000 equity shares at an issue price of INR 38 per share, with such shares to be issued on and rank for dividends after, 4 November 2016. The issue was fully subscribed.

Sch III

*(ii) Shares of the company held by holding/ultimate holding company*

| | 31 March 2017 (in lakhs) | 31 March 2016 (in lakhs) | 1 April 2015 (in lakhs) |
|---|---|---|---|
| Value Ind AS Conglomerate Limited (immediate and ultimate holding company) | 1,150 | 816 | 816 |

Sch III

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

| | 31 March 2017 | | 31 March 2016 | | 1 April 2015 | |
|---|---|---|---|---|---|---|
| | *Number of shares (in lakhs)* | *% holding* | *Number of shares (in lakhs)* | *% holding* | *Number of shares (in lakhs)* | *% holding* |
| Value Ind AS Conglomerate Limited | 1,150 | 51% | 816 | 65% | 816 | 68% |
| ZZZ Investments Limited | 166 | 7% | 113 | 9% | - | - |

Sch III

*(iv) Aggregate number of shares issued for consideration other than cash*

| | 31 March 2017 *Number of shares (in lakhs)* | 31 March 2016 *Number of shares (in lakhs)* | 1 April 2015 *Number of shares (in lakhs)* |
|---|---|---|---|
| Shares issued as consideration for acquisition of subsidiary (refer note 32) | 200 | - | - |

*(All amounts in INR lakhs, unless otherwise stated)*

Sch III

## 12(b) Reserves and surplus

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Securities premium reserve | 58,950 | 31,800 | 30,000 |
| Debenture redemption reserve | 8,925 | 8,750 | 8,750 |
| Share options outstanding account | 3,685 | 2,445 | 1,590 |
| Retained earnings | 144,532 | 117,801 | 88,553 |
| **Total reserves and surplus** | **216,092** | **160,796** | **128,893** |

Sch III 1(106)(d)

### (i) Securities premium reserve

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 1(79)(a)(iv) | Opening balance | 31,800 | 30,000 |
| | Exercise of options - proceeds received | 4,160 | 1,800 |
| | Acquisition of subsidiary | 5,000 | - |
| 32(35),(39) | Rights issue | 18,200 | - |
| 1(79)(a)(iv) | Transaction costs arising on share issues, net of tax of INR 90 | (210) | - |
| 1(79)(a)(iv) | **Closing balance** | **58,950** | **31,800** |

Sch III 1(106)(d)

### (ii) Debenture redemption reserve

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Opening balance | 8,750 | 8,750 |
| Appropriations during the year | 175 | - |
| **Closing balance** | **8,925** | **8,750** |

Sch III 1(106)(d)

### (iii) Share options outstanding account

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Opening balance | 2,445 | 1,590 |
| Employee stock option expense | 1,240 | 855 |
| **Closing balance** | **3,685** | **2,445** |

Sch III 1(106)(d)

### (iv) Retained earnings

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 1(106)(d) | Opening balance | 117,801 | 88,553 |
| | Net profit for the period | 28,165 | 30,182 |
| 1(106)(d)(ii) | *Items of other comprehensive income recognised directly in retained earnings* | | |
| | - Remeasurements of post-employment benefit obligation, net of tax | 458 | 539 |
| | - Share of OCI of associates and joint ventures, net of tax | 22 | 27 |
| | - Transfer to retained earnings of FVOCI equity investments, net of tax | 91 | - |
| | - Transactions with NCI | (150) | - |
| | - Transfer to debenture redemption reserve | (175) | - |
| | Dividends | (1,680) | (1,500) |
| | **Closing balance** | **144,532** | **117,801** |

*(All amounts in INR lakhs, unless otherwise stated)*

Sch III 1(106)(d)

## 12(c) Other reserves

| Ref | | Notes | FVOCI - Equity investments | Cash flow hedging reserve | Costs of hedging reserve | Foreign currency translation reserve | Total other reserves |
|---|---|---|---|---|---|---|---|
| 21(52)(b) | | | | | | | |
| | **As at 1 April 2015** | | **1,580** | **872** | **(32)** | **-** | **2,420** |
| 109(B6.5.34)(a) | Deferred hedging gains/(losses) and costs of hedging transferred to the carrying value of inventory purchased in the year | 29 | - | 187 | 25 | - | **212** |
| 12(81)(ab) 1(90) | Deferred tax | | - | (56) | (7) | - | **(63)** |
| 109(5.75) 107(20)(a)(vii) | Change in fair value of FVOCI equity instruments | 6(a) | 440 | - | - | - | **440** |
| 12(81)(ab) 1(90) | Deferred tax | | (132) | - | - | - | **(132)** |
| 107(24C)(b)(i) | Change in fair value of hedging instruments | 29 | - | 1,986 | (381) | - | **1,605** |
| 12(81)(ab) 1(90) | Deferred tax | | - | (596) | 114 | - | **(482)** |
| 1(92),(95) 107(24C)(b)(iv) | Reclassification to profit or loss | 29 | - | (1,095) | 255 | - | **(840)** |
| 12(81)(ab) 1(90) | Deferred tax | | - | 329 | (77) | - | **252** |
| 28(10) | Currency translation adjustments relating to associates | | - | - | - | 44 | **44** |
| 12(81)(ab) 1(90) | Deferred tax | | - | - | - | (13) | **(13)** |
| 21(52)(b) | Other currency translation differences | | - | - | - | (310) | **(310)** |
| 21(41) | Non-controlling interest share in translation differences | | - | - | - | 82 | **82** |
| | **As at 31 March 2016** | | **1,888** | **1,627** | **(103)** | **(197)** | **3,215** |
| 109(B6.5.34)(a) | Deferred hedging gains/(losses) and costs of hedging transferred to the carrying value of inventory purchased in the year | 29 | - | 242 | 33 | - | **275** |
| 12(81)(ab) 1(90) | Deferred tax | | - | (73) | (10) | - | **(83)** |
| 107(11A)(e) | Transfer of gain on FVOCI equity investments | 32 | (130) | - | - | - | **(130)** |
| | Deferred tax | | 39 | - | - | - | **39** |
| 109(5.75) 107(20)(a)(vii) | Changes in fair value of FVOCI equity instruments | 6(a) | 221 | - | - | - | **221** |
| 12(81)(ab) 1(90) | Deferred tax | | (66) | - | - | - | **(66)** |
| 107(24C)(b)(ii) | Changes in fair value of hedging instruments | 29 | - | 2,432 | (720) | - | **1,712** |
| 12(81)(ab) 1(90) | Deferred tax | | - | (730) | 216 | - | **(514)** |
| 1(92),(95), 107(24C) (iv) | Reclassification to profit or loss | 29 | - | (1,449) | 450 | - | **(999)** |
| 12(81)(ab) 1(90) | Deferred tax | | - | 435 | (135) | - | **300** |
| 28(10) | Currency translation adjustments relating to associates | | - | - | - | 59 | **59** |
| 12(81)(ab) 1(90) | Deferred tax | | - | - | - | (17) | **(17)** |
| 21(52)(b) | Other currency translation differences | | - | - | - | (238) | **(238)** |
| 21(52)(b) 1(92),(95) | Reclassification to profit or loss on disposal of discontinued operation | | - | - | - | 65 | **65** |
| 21(52)(b) | Net investment hedge | 29 | - | - | - | 480 | **480** |
| 21(41) | Non-controlling interest share in translation differences | | - | - | - | (86) | **(86)** |
| | **As at 31 March 2017** | | **1,952** | **2,484** | **(269)** | **66** | **4,233** |

1(79)(b)

### Nature and purpose of other reserves

*Securities premium reserve*

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

109(5.7.5)
107(11A)(e)

*FVOCI equity investments*

The group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

109(6.5.11)(d)(i)

*Cash flow hedging reserve*

The group uses hedging instruments as part of its management of foreign currency risk associated with its highly probable forecast sale and inventory purchases and interest rate risk associated with variable interest rate borrowings as described within note 29. For hedging foreign currency risk, the group uses foreign currency forward contracts and foreign currency option contracts, both of which are designated as cash flow hedges. For hedging interest rate risk, the group uses interest rate swaps which is also designated as cash flow hedges. To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to profit or loss when the hedged item affects profit or loss (e.g. sales and interest payments). When the forecast transaction results in the recognition of a non-financial asset (e.g. inventory), the amount recognised in the cash flow hedging reserve is adjusted against the carrying amount of the non-financial asset.

109(6.5.15)(b)

*Costs of hedging reserve*

The group designates the spot component of foreign currency forward contracts and the intrinsic value of foreign currency option contracts as hedging instruments in cash flow hedge relationships. The group defers changes in the forward element of foreign currency forward contracts and the time value element of foreign currency option contracts in the costs of hedging reserve. The deferred costs of hedging are included in the initial cost of the related inventory when it is recognised or reclassified to profit or loss when the hedged item affects profit or loss.

*Share options outstanding account*

The share options outstanding account is used to recognise the grant date fair value of options issued to employees under Value Ind AS Employee stock option plan.

*Foreign currency translation reserve*

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

*Debenture redemption reserve*

The group is required to create a debenture redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

## Commentary - Share capital and other equity

**Securities premium reserve**

1(79)(a) Sch III 1. Ind AS 1 requires disclosure of the par value of shares (if any), but does not prescribe a particular form of presentation for the securities premium. Schedule III requires separate presentation of securities premium reserve as part of reserves and surplus in the statement of changes in equity.

**Treasury shares**

32(33) 2. Ind AS 32 *Financial Instruments: Presentation* states that treasury shares must be deduced from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares. However, the standard does not specify where in equity the treasury shares should be presented.

**Other reserves**

1(106)(d) 3. An entity shall present, either in the statement of changes in equity or in the notes, for each accumulated balance of each class of other comprehensive income a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each item of other comprehensive income and transactions with owners.

1(92),(94) 4. Reclassification adjustments relating to components of other comprehensive income must also be disclosed, either in the statement of profit and loss or in the notes. Value Ind AS Limited has elected to make both disclosures in the notes.

1(7),(95) 5. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation or when a hedged forecast transaction affects profit or loss.

*Nature and purpose*

1(79)(b) 6. A description of the nature and purpose of each reserve within equity must be provided either in the balance sheet or in the notes. This applies to each reserve, including general reserves, capital profits reserves and any others reserves in existence.

7. In providing a description of the nature and purpose of the reserves it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. In the case of:

16(77)(f) (a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders

38(124)(b) (b) the amount of the revaluation reserve that relates to intangible assets; there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

*Transfer from share options outstanding account to share capital on exercise of options*

8. The accounting standards do not distinguish between different components of equity. Although Ind AS 102 *Share-based Payment* permits to transfer an amount from one component of equity to another (e.g. retained earnings) upon the exercise of options, there is no requirement to do so. Value Ind AS Limited has established a share options outstanding account but does not transfer any amounts from this reserve upon the exercise or lapse of options.

Sch III **Disclosures not illustrated: not applicable to Value Ind AS Limited:**

9. Schedule III disclosure requirements:
   (a) preferences and restrictions attached to each class of shares including restrictions on the distribution of dividends and repayment of capital;
   (b) shares held by subsidiary or associate of the holding company or ultimate holding company;
   (c) contracts or commitments for the sale of shares or disinvestment, including the terms and amounts;
   (d) aggregate number and class of shares allocated as fully paid up by way of bonus shares;
   (e) aggregate number and class of shares bought back;
   (f) calls unpaid (showing aggregate value of calls unpaid by directors and officers); and
   (g) forfeited shares (amount originally paid up).
   (h) The disclosures mentioned in (d) and (e) shall be for the period of five years immediately preceding the date at which the balance sheet is prepared.

10. Ind AS presentation and disclosure requirements:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 1(80) | Entities without share capital | Disclose information equivalent to that required by paragraph 79(a) of Ind AS 1 |
| 1(136A),(80A) | Puttable financial instruments | Various disclosures, see Ind AS 1 (136A) and (80A) for details. |
| 1(138)(d) | Limited life entities | Disclose length of the entity's life |
| 109 (App D)(11) | Entity has issued equity instruments to extinguish financial liabilities | Disclose any gain or loss recognised as separate line item in profit or loss or in the notes |

# Note 13: Financial liabilities

107(6),(7) Sch III 1(77)

## 13(a) Non-current borrowings

| | | Maturity date | Terms of repayment | Coupon/ Interest rate | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|---|---|---|
| Sch III | **Secured** | | | | | | |
| | **Debentures** | | | | | | |
| | 200 lakhs 7% Debentures | 31 December 2019 | Single repayment at the end of the term | 7% | 20,321 | 20,311 | 20,302 |
| Sch III | **Term loans** | | | | | | |
| | *From banks* | | | | | | |
| | Rupee loan | 30 June 2018 | Semi-annually in eight equal instalments | MIBOR+175 bps | 462 | 771 | 1,079 |
| | Foreign currency loan (USD) | 30 June 2018 | Repayable in two equal instalments on 1 August 2016 and 30 August 2018 | LIBOR +150 bps | 1,741 | 3,327 | 3,196 |
| Sch III | **Long-term maturities of finance lease obligations** | | | | | | |
| | Obligations under finance leases | 2015-2020 | Monthly instalments | 9.5%-11% | 1,221 | 1,075 | 1,046 |
| | | | | | **23,745** | **25,484** | **25,623** |
| Sch III | **Unsecured** | | | | | | |
| | **Bonds** | | | | | | |
| | 150 lakhs Zero coupon bonds | 30 June 2018 | Single repayment at the end of the term | - | 13,791 | 12,828 | 11,933 |
| | **Term loans** | | | | | | |
| | Foreign currency loan (RMB) | 30 November 2020 | Quarterly in sixteen equal instalments | LIBOR+135 bps | 2,026 | - | - |
| | **Liability component of compound financial instruments** | | | | | | |
| | 350 lakhs 6% optionally convertible bonds (i) | 1 April 2021 | Single repayment at the end of the term | 6% | 3,266 | - | - |
| | | | | | **19,083** | **12,828** | **11,933** |
| | **Total non-current borrowings** | | | | **42,828** | **38,312** | **37,556** |
| | Less: Current maturities of long-term debt (included in note 13(b)) | | | | 425 | 2,092 | 300 |
| | Less: Current maturities of finance lease obligations (included in note 13(b)) | | | | 188 | 143 | 214 |
| | Less: Interest accrued (included in note 13(b)) | | | | 760 | 512 | 505 |
| | **Non-current borrowings (as per balance sheet)** | | | | **41,455** | **35,565** | **36,537** |

*(All amounts in INR lakhs, unless otherwise stated)*

*(i) Convertible bonds*

107(17) 1(79)(a)(vii) The parent entity issued 3,500,000 6% convertible bonds for INR 3,500 on 2 April 2016. The bonds are convertible into equity shares of the parent entity, at the option of the holder, or repayable on 1 April 2021. The conversion rate is 2 shares for each bond held. The convertible bonds are presented in the balance sheet as follows:

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Face value of bonds issued | 3,500 | - |
| Equity component of convertible bonds – value of conversion rights # | (531) | - |
| | **2,969** | - |
| Interest expense * | 297 | - |
| Interest paid | - | - |
| Non-current borrowings | **3,266** | - |

* Interest expense is calculated by applying the effective interest rate of 10 % to the liability component.

# The equity component of convertible bonds has been presented on the face of the balance sheet net of deferred tax of INR 159.

107(6),(7) Sch III 1(77)

## 13(a) Current borrowings

| | | Maturity date | Terms of repayment | Coupon/ Interest rate | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|---|---|---|
| Sch III | **Loans repayable on demand** | | | | | | |
| | **Secured** | | | | | | |
| | *From banks* | | | | | | |
| | Bank overdrafts | Payable on demand | Payable on demand | LIBOR + 75 bps | 1,584 | 1,755 | 708 |
| | Factored receivables | - | - | 9% | 850 | 953 | 755 |
| | | | | | **2,434** | **2,708** | **1,463** |
| | **Unsecured** | | | | | | |
| Sch III | *From related parties* | | | | | | |
| Sch III | Loans from associates | 30 August 2017 | Single repayment at the end of the term. | 8% | 403 | - | - |
| | **Total current borrowings** | | | | **2,837** | **2,708** | **1,463** |
| | Less: Interest accrued (included in note 13(b)) | | | | 30 | 23 | 30 |
| | **Current borrowings (as per balance sheet)** | | | | **2,807** | **2,685** | **1,433** |

Sch III, 107(14)(b) *Secured borrowings and assets pledged as security*

(a) The 7% debentures are secured by a first charge on freehold buildings.
(b) Rupee term loan from bank is secured by a floating charge on trade receivables and cash and bank balances.
(c) The foreign currency loan (USD) is secured by first charge on freehold land.
(d) Bank overdraft is secured by first charge on inventory.
107(42D) (e) Factored receivables is secured by first charge on trade receivables subject to factoring arrangement.
(f) Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

107(14)(a) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 42.

*(All amounts in INR lakhs, unless otherwise stated)*

107(6),(7)
Sch III
1(77)

## 13(b) Other financial liabilities

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| **Non-current** | | | |
| *Derivatives not designated as hedges* | | | |
| Principal swap | 220 | 199 | 312 |
| *Others* | | | |
| Contingent consideration (note 32) | 1,450 | - | - |
| **Total other non-current financial liabilities** | **1,670** | **199** | **312** |
| **Current** | | | |
| Sch III Current maturities of long-term debt | 425 | 2,092 | 300 |
| Sch III Current maturities of finance lease obligations | 188 | 143 | 214 |
| Interest accrued | 790 | 535 | 535 |
| Capital creditors | 7,112 | 5,358 | 9,216 |
| *Derivatives designated as hedges* | | | |
| Foreign-exchange forward contracts | 394 | 475 | 560 |
| *Derivatives not designated as hedges* | | | |
| Principal swap | - | 234 | - |
| **Total other current financial liabilities** | **8,909** | **8,837** | **10,825** |

1(77)
Sch III

## 13(c) Trade payables

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | 37,653 | 28,765 | 33,212 |
| Trade payables to related parties (note 35) | 358 | 212 | 983 |
| **Total trade payables** | **38,011** | **28,977** | **34,195** |

1(77)

## Note 14: Provisions

| | 31 March 2017 | | | 31 March 2016 | | | 1 April 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total | Current | Non-current | Total |
| Service warranties (i) | 150 | - | 150 | 163 | - | 163 | 130 | - | 130 |
| Legal claim (i) | 55 | - | 55 | 140 | - | 140 | - | - | - |
| Restructuring costs (i) | 448 | 241 | 689 | 140 | 91 | 231 | - | - | - |
| Volume discounts and returns (i) | 90 | - | 90 | 88 | - | 88 | 355 | - | 355 |
| Contingent liability (note 32) | 759 | - | 759 | - | - | - | - | - | - |
| **Total** | **1,502** | **241** | **1,743** | **531** | **91** | **622** | **485** | **-** | **485** |

*(All amounts in INR lakhs, unless otherwise stated)*

*(i) Information about individual provisions and significant estimates*

Service warranties

37(85)(a),(b) Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

1(125) The group generally offers 6 to 12 months warranties for its high-end furniture products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives. As at 31 March 2017, this particular provision had a carrying amount of INR 150 (31 March 2016 – INR 163, 1 April 2015- INR 130). Were claims costs to differ by 10% from management's estimates, the warranty provisions would be an estimated INR 15 higher or lower (31 March 2016 – INR 16 higher or lower, 1 April 2015- INR 13 higher or lower).

Legal claim

37(85)(a),(b) In November 2015, an unfavourable judgement was handed down against the group in respect of a legal claim made by a customer of the IT consulting segment. The judgement requires a payment of INR 140 to the claimant. A provision has been recognised for this amount. An amount of INR 85 was paid to the claimant as per order during 31 March 2017. However, after taking appropriate legal advice, the directors have decided to appeal against the decision. The balance payment has not yet been made to the claimant pending outcome of the appeal. The court of appeal is expected to consider this matter in August 2017.

Restructuring costs

37(85)(a),(b) The reduction in output in the furniture manufacturing division resulted in the loss of 155 jobs at two factories. An agreement was reached with the local union representatives in December 2015, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant. The total estimated staff restructuring costs to be incurred are INR 200 which were fully provided for during 31 March 2016. Out of INR 200, a provision of INR 140 is expected to be fully utilised over the next 12 months. The group has also incurred other direct costs attributable to the restructuring, including lease termination, amounting to INR 50 which has been settled during the year ended 31 March 2016.

For restructuring obligations acquired as part of business combinations, refer note 32.

37(85)(a),(b) Volume discounts and returns

When a customer has a right to return the product within a given period, the group recognises a provision for returns INR 45 as at 31 March 2017 (31 March 2016 - INR 17, 1 April 2015 - INR 85). This is measured on a net basis at the margin on the sale. Revenue is adjusted for the expected value of the returns and cost of sales are adjusted for the value of the corresponding goods to be returned. The group also recognises a provision for volume discounts INR 45 as at 31 March 2017 (31 March 2016 - INR 71, 1 April 2015 - INR 270).

*(ii) Movements in provisions*

37(84) Movements in each class of provision during the financial year, are set out below:

| | | Service warranties | Legal claim | Restructuring costs | Volume discounts and returns | Contingent liability arising on business combination | Total |
|---|---|---|---|---|---|---|---|
| 37(84)(a) | **As at 1 April 2016** | **163** | **140** | **231** | **88** | - | **622** |
| | Acquired through business combination (note 32) | - | - | 1,290 | - | 713 | **2,003** |
| | Charged/(credited) to profit or loss | | | | | | |
| 37(84)(b) | additional provisions recognised | 187 | - | 190 | 312 | - | **689** |
| 37(84)(d) | unused amounts reversed | - | - | (125) | (45) | - | **(170)** |
| 37(84)(e) | unwinding of discount | - | - | 153 | - | 46 | **199** |
| 37(84)(c) | Amounts used during the year | (200) | (85) | (1,050) | (265) | - | **(1,600)** |
| 37(84)(a) | **As at 31 March 2017** | **150** | **55** | **689** | **90** | **759** | **1,743** |

(All amounts in INR lakhs, unless otherwise stated)

## Note 15: Employee benefit obligations

1(77)

| | 31 March 2017 | | | 31 March 2016 | | | 1 April 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total | Current | Non-current | Total |
| Leave obligations (i) | 430 | 1,870 | 2,300 | 378 | 1,656 | 2,034 | 256 | 1,544 | 1,800 |
| Share-appreciation rights (refer note 39) | - | 246 | 246 | - | - | - | - | - | - |
| Defined pension benefits (ii) | - | 836 | 836 | - | 1,297 | 1,297 | - | 1,335 | 1,335 |
| Post-employment medical benefits (ii) | - | 289 | 289 | - | 348 | 348 | - | 501 | 501 |
| Gratuity (ii) | - | 4,045 | 4,045 | - | 1,775 | 1,775 | - | 1,565 | 1,565 |
| **Total employee benefit obligations** | **430** | **7,286** | **7,716** | **378** | **5,076** | **5,454** | **256** | **4,945** | **5,201** |

### *(i) Leave obligations*

The leave obligations cover the group's liability for sick and earned leave.

The amount of the provision of INR 430 (31 March 2016 – INR 378, 1 April 2015 – INR 256) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

1(61)

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Current leave obligations expected to be settled within the next 12 months | 375 | 325 | 212 |

### *(ii) Post-employment obligations*

*a) Gratuity*

19(139)(a) 1(112)(c) The group provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan and the group makes contributions to recognised funds in India. The group does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

*b) Pension benefits*

19(139)(a) 1(112)(c) The group operates defined benefit pension plans in US and China under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The group funds the pension liability through trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition. Responsibility for governance of the plans – including investment decisions and contributions schedules – lies jointly with the group and the board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plan's regulations.

*c) Post-employment medical benefits*

199(138) (139)(a), (144) 1(112)(c) The group operates post-employment medical benefit schemes in the US. The plan is a funded plan. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 8.0% (31 March 2016 – 7.6%, 1 April 2015 – 7.2%) and claim rates of 6% (31 March 2016 – 5.2%, 1 April 2015 – 5.1%).

### *(iii) Defined contribution plans*

19(53) The group also has certain defined contribution plans. Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the group is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is INR 1,647 (31 March 2016 – INR 1,497).

*(All amounts in INR lakhs, unless otherwise stated)*

Balance sheet amounts - Pension plan (US and China)

19(140)(a)(i), (ii),(141) The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

| | | Present value of obligation | Fair value of plan assets | Total | Impact of minimum funding requirement/ asset ceiling | Net amount |
|---|---|---|---|---|---|---|
| | **1 April 2015** | **3,479** | **(2,264)** | **1,215** | **120** | **1,335** |
| 19(141)(a) | Current service cost | 319 | - | 319 | - | 319 |
| 19(141)(d) | Past service cost | 176 | - | 176 | - | 176 |
| 19(141)(b) | Interest expense/(income) | 190 | (122) | 68 | 5 | 73 |
| | **Total amount recognised in profit or loss** | **685** | **(122)** | **563** | **5** | **568** |
| 19(141)(c) | *Remeasurements* | | | | | |
| | Return on plan assets, excluding amounts included in interest expense/(income) | - | (9) | (9) | - | (9) |
| | (Gain)/loss from change in demographic assumptions | (144) | - | (144) | - | (144) |
| | (Gain)/loss from change in financial assumptions | 61 | (24) | 37 | - | 37 |
| | Experience (gains)/losses | (101) | - | (101) | - | (101) |
| | Change in asset ceiling, excluding amounts included in interest expense | - | - | - | 80 | 80 |
| | **Total amount recognised in other comprehensive income** | **(184)** | **(33)** | **(217)** | **80** | **(137)** |
| 19(141)(e) | Exchange differences | (143) | 85 | (58) | - | (58) |
| 19(141)(f) | Contributions: | | | | | - |
| | Employers | - | (411) | (411) | - | (411) |
| | Plan participants | 30 | (30) | - | - | - |
| 19(141)(g) | Benefit payments | (127) | 127 | - | - | - |
| | **31 March 2016** | **3,740** | **(2,648)** | **1,092** | **205** | **1,297** |

*(All amounts in INR lakhs, unless otherwise stated)*

Balance sheet amounts – Pension plan (US and China)

| | | Present value of obligation | Fair value of plan assets | Total | Impact of minimum funding requirement/ asset ceiling | Net amount |
|---|---|---|---|---|---|---|
| | **1 April 2016** | **3,740** | **(2,648)** | **1,092** | **205** | **1,297** |
| 19(141)(a) | Current service cost | 751 | - | 751 | - | 751 |
| 19(141)(d) | (Gains) and losses on curtailment and settlement | 65 | - | 65 | - | 65 |
| 19(141)(b) | Interest expense/(income) | 220 | (141) | 79 | 10 | 89 |
| | **Total amount recognised in profit or loss** | **1,036** | **(141)** | **895** | **10** | **905** |
| 19(141)(c) | *Remeasurements* | | | | | |
| | Return on plan assets, excluding amounts included in interest expense/(income) | - | (7) | (7) | - | (7) |
| | (Gain)/loss from change in demographic assumptions | 32 | - | 32 | - | 32 |
| | (Gain)/loss from change in financial assumptions | (189) | - | (189) | - | (189) |
| | Experience (gains)/losses | (312) | - | (312) | - | (312) |
| | Change in asset ceiling, excluding amounts included in interest expense | - | - | - | 55 | 55 |
| | **Total amount recognised in other comprehensive income** | **(469)** | **(7)** | **(476)** | **55** | **(421)** |
| 19(141)(e) | Exchange differences | (61) | 24 | (37) | - | (37) |
| 19(141)(f) | Contributions: | | | | | |
| | Employers | - | (908) | (908) | - | (908) |
| | Plan participants | 55 | (55) | - | - | - |
| | Payments from plan: | | | | | |
| 19(141)(g) | Benefit payments | (566) | 566 | - | - | - |
| 19(141)(g) | Settlements | (280) | 280 | - | - | - |
| | **31 March 2017** | **3,455** | **(2,889)** | **566** | **270** | **836** |

19(141) The pension plan in China has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund due to local regulations.

19(139)(c) In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 May 2016, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the group made minor amendments to the terms of the plan, resulting in past service cost of INR 176.

19(138)(e) The net liability disclosed above relates to funded and unfunded plans are as follows:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Present value of funded obligations | 3,455 | 3,740 | 3,479 |
| Fair value of plan assets | (2,889) | (2,648) | (2,264) |
| **Deficit of funded plans** | **566** | **1,092** | **1,215** |
| Unfunded plans | - | - | - |
| **Deficit before asset ceiling** | **566** | **1,092** | **1,215** |

1(112)(c) The group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. The group intends to continue to contribute the defined benefit plans at a rate of 14% of salaries in line with the actuary's latest recommendations.

19(137)(a) As at the last valuation date, the present value of the defined benefit obligation included approximately INR 1,173 (31 March 2016 - INR 1,147, 1 April 2015 - INR 1,740) relating to active employees, INR 1,390 (31 March 2016 - INR 1,537, 1 April 2015 - INR 1,043) relating to deferred members and INR 892 (31 March 2016 - INR 1,056, 1 April 2015 - INR 696) relating to members in retirement.

*(All amounts in INR lakhs, unless otherwise stated)*

Balance sheet amounts - Post employment medical plan (US)

19(140)(a)(i), (ii),(141) The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

| | | Present value of obligation | Fair value of plan assets | Net amount |
|---|---|---|---|---|
| | **1 April 2015** | **708** | **(207)** | **501** |
| 19(141)(a) | Current service cost | 107 | - | 107 |
| 19(141)(b) | Interest expense/(income) | 40 | (13) | 27 |
| | **Total amount recognised in profit or loss** | **147** | **(13)** | **134** |
| 19(141)(c) | *Remeasurements* | | | |
| | Return on plan assets, excluding amounts included in interest expense/(income) | - | (1) | (1) |
| | (Gain)/loss from change in demographic assumptions | 14 | - | 14 |
| | (Gain)/loss from change in financial assumptions | (48) | (21) | (69) |
| | Experience (gains)/losses | (145) | - | (145) |
| | **Total amount recognised in other comprehensive income** | **(179)** | **(22)** | **(201)** |
| 19(141)(e) | Exchange differences | (31) | 18 | (13) |
| 19(141)(f) | Employer contributions/premiums paid | - | (73) | (73) |
| 19(141)(g) | Benefit payments | (8) | 8 | - |
| | **31 March 2016** | **637** | **(289)** | **348** |

| | | Present value of obligation | Fair value of plan assets | Net amount |
|---|---|---|---|---|
| | **1 April 2016** | **637** | **(289)** | **348** |
| 19(141)(a) | Current service cost | 153 | - | 153 |
| 19(141)(b) | Interest expense/(income) | 36 | (19) | 17 |
| | **Total amount recognised in profit or loss** | **189** | **(19)** | **170** |
| 19(141)(c) | *Remeasurements* | | | |
| | Return on plan assets, excluding amounts included in interest expense/(income) | - | (3) | (3) |
| | (Gain)/loss from change in demographic assumptions | (53) | - | (53) |
| | (Gain)/loss from change in financial assumptions | 13 | (5) | 8 |
| | Experience (gains)/losses | (16) | - | (16) |
| | **Total amount recognised in other comprehensive income** | **(56)** | **(8)** | **(64)** |
| 19(141)(e) | Exchange differences | 37 | (17) | 20 |
| 19(141)(f) | Employer contributions/premiums paid | - | (185) | (185) |
| 19(141)(g) | Benefit payments | (7) | 7 | - |
| | **31 March 2017** | **800** | **(511)** | **289** |

19(138)(e) The net liability disclosed above relates to funded and unfunded plans are as follows:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Present value of funded obligations | 800 | 637 | 708 |
| Fair value of plan assets | (511) | (289) | (207) |
| **Deficit of funded plans** | **289** | **348** | **501** |
| Unfunded plans | - | - | - |
| **Deficit of post-employment medical plans** | **289** | **348** | **501** |

*(All amounts in INR lakhs, unless otherwise stated)*

Balance sheet amounts – Gratuity (India)

19(140)(a)(i),(ii),(141) The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

| | | Present value of obligation | Fair value of plan assets | Net amount |
|---|---|---|---|---|
| | **1 April 2015** | **3,754** | **(2,189)** | **1,565** |
| 19(141)(a) | Current service cost | 821 | - | 821 |
| 19(141)(b) | Interest expense/(income) | 322 | (195) | 127 |
| | **Total amount recognised in profit or loss** | **1,143** | **(195)** | **948** |
| 19(141)(c) | *Remeasurements* | | | |
| | Return on plan assets, excluding amounts included in interest expense/(income) | - | (3) | (3) |
| | (Gain)/loss from change in demographic assumptions | 30 | - | 30 |
| | (Gain)/loss from change in financial assumptions | (247) | 32 | (215) |
| | Experience (gains)/losses | (194) | - | (194) |
| | **Total amount recognised in other comprehensive income** | **(411)** | **29** | **(382)** |
| 19(141)(f) | Employer contributions | - | (356) | (356) |
| 19(141)(g) | Benefit payments | (228) | 228 | - |
| | **31 March 2016** | **4,258** | **(2,483)** | **1,775** |

| | | Present value of obligation | Fair value of plan assets | Net amount |
|---|---|---|---|---|
| | **1 April 2016** | **4,258** | **(2,483)** | **1,775** |
| 19(141)(a) | Current service cost | 723 | - | 723 |
| 19(141)(b) | Interest expense/(income) | 468 | (254) | 214 |
| | **Total amount recognised in profit or loss** | **1,191** | **(254)** | **937** |
| 19(141)(c) | *Remeasurements* | | | |
| | Return on plan assets, excluding amounts included in interest expense/(income) | - | (57) | (57) |
| | (Gain)/loss from change in demographic assumptions | 35 | - | 35 |
| | (Gain)/loss from change in financial assumptions | (75) | - | (75) |
| | Experience (gains)/losses | (174) | - | (174) |
| | **Total amount recognised in other comprehensive income** | **(214)** | **(57)** | **(271)** |
| 19(141)(f) | Employer contributions | - | (981) | (981) |
| 19(141)(g) | Benefit payments | (7) | 7 | - |
| 19(141)(h) | Acquired through business combinations (refer note 32) | 3,691 | (1,106) | 2,585 |
| | **31 March 2017** | **8,919** | **(4,874)** | **4,045** |

19(138)(e) The net liability disclosed above relates to funded and unfunded plans are as follows:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Present value of funded obligations | 8,919 | 4,258 | 3,754 |
| Fair value of plan assets | (4,874) | (2,483) | (2,189) |
| **Deficit of funded plan** | **4,045** | **1,775** | **1,565** |
| Unfunded plans | - | - | - |
| **Deficit of gratuity plan** | **4,045** | **1,775** | **1,565** |

*(All amounts in INR lakhs, unless otherwise stated)*

**The following table shows a breakdown of the defined benefit obligation and plan assets by country:**

19(138) (a),(b)

| | 31 March 2017 | | | | | 31 March 2016 | | | | | 1 April 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan type | Gratuity | Pension | | Medical | Total | Gratuity | Pension | | Medical | Total | Gratuity | Pension | | Medical | Total |
| | India | US | China | US | | India | US | China | US | | India | US | China | US | |
| Present value of obligation | 8,919 | 2,533 | 922 | 800 | 13,174 | 4,258 | 2,922 | 818 | 637 | 8,635 | 3,754 | 2,748 | 731 | 708 | 7,941 |
| Fair value of plan assets | (4,874) | (1,697) | (1,192) | (511) | (8,274) | (2,483) | (1,625) | (1,023) | (289) | (5,420) | (2,189) | (1,413) | (851) | (207) | (4,660) |
| | 4,045 | 836 | (270) | 289 | 4,900 | 1,775 | 1,297 | (205) | 348 | 3,215 | 1,565 | 1,335 | (120) | 501 | 3,281 |
| Asset ceiling | - | - | 270 | | 270 | - | - | 205 | - | 205 | - | - | 120 | - | 120 |
| **Total liability** | **4,045** | **836** | **-** | **289** | **5,170** | **1,775** | **1,297** | **-** | **348** | **3,420** | **1,565** | **1,335** | **-** | **501** | **3,401** |

**(iv) Post-Employment benefits (pension, medical and gratuity)**

*Significant estimates: actuarial assumptions and sensitivity*

19(144) The significant actuarial assumptions were as follows:

| | 31 March 2017 | | | 31 March 2016 | | | 1 April 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | India | US | China | India | US | China | India | US | China |
| Discount rate | 9.0% | 5.2% | 4.2% | 8.1% | 5.7% | 4.5% | 8.4% | 5.6% | 4.5% |
| Inflation | 5.0% | 2.0% | 2.5% | 4.5% | 2.2% | 2.9% | 4.5% | 2.2% | 2.4% |
| Salary growth rate | 8.0% | 6.5% | 5.3% | 7.5% | 5.5% | 6.0% | 7.5% | 5.5% | 6.0% |
| Pension growth rate | - | 2.8% | 3.0% | - | 2.7% | 3.2% | - | 2.7% | 3.2% |
| Long-term increase in health care cost (medical) | - | 8.0% | - | - | 7.6% | - | - | 7.6% | - |
| Claim rates (medical) | - | 6.2% | - | - | 5.2% | - | - | 5.2% | - |

Assumptions regarding future mortality for pension and medical benefits are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

| | US | China | US | China | US | China |
|---|---|---|---|---|---|---|
| Retiring at the end of the reporting period: | | | | | | |
| Male | 22 | 23 | 22 | 23 | 22 | 23 |
| Female | 24 | 24 | 24 | 24 | 24 | 24 |
| Retiring 20 years after the end of the reporting period: | | | | | | |
| Male | 24 | 24 | 24 | 24 | 24 | 24 |
| Female | 26 | 26 | 26 | 26 | 26 | 26 |

*(All amounts in INR lakhs, unless otherwise stated)*

### (v) Sensitivity analysis

19(145)(a) The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | | | Impact on defined benefit obligation | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Change in assumption | | Increase in assumption | | | Decrease in assumption | | |
| | 31 March 2017 | 31 March 2016 | | 31 March 2017 | 31 March 2016 | | 31 March 2017 | 31 March 2016 |
| Discount rate | 0.50% | 0.3% | Decrease by | 8.2% | 6.6% | Increase by | 9.0% | 7.2% |
| Salary growth rate | 0.50% | 0.7% | Increase by | 1.8% | 2.3% | Decrease by | 1.7% | 2.1% |
| Pension growth rate | 0.25% | 0.3% | Increase by | 4.7% | 5.2% | Decrease by | 4.4% | 5.1% |
| Life expectancy | +/- 1 year | | Increase by | 2.8% | 2.5% | Decrease by | 2.9% | 2.7% |
| Long-term increase in health care cost | 0.50% | 0.4% | Increase by | 5.5% | 5.2% | Decrease by | 4.8% | 4.3% |
| Claim rates | 0.50% | 0.4% | Increase by | 6.3% | 5.9% | Decrease by | 6.8% | 6.4% |

19(145)(b) The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

19(145)(c) The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

*(All amounts in INR lakhs, unless otherwise stated)*

19(142) **(vi) The major categories of plans assets are as follows:**

| | 31 March 2017 | | | | 31 March 2016 | | | | 1 April 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Quoted | Unquoted | Total | in % | Quoted | Unquoted | Total | in % | Quoted | Unquoted | Total | in % |
| **Equity instruments** | | | | | | | | | | | | |
| Blue chip companies | 827 | - | 827 | 10% | 650 | - | 650 | 12% | 559 | - | 559 | 12% |
| Mid cap companies | 579 | - | 579 | 7% | 271 | - | 271 | 5% | 233 | - | 233 | 5% |
| Small cap companies | 249 | - | 249 | 3% | 163 | - | 163 | 3% | 140 | - | 140 | 3% |
| | **1,655** | **-** | **1,655** | **20%** | **1,084** | **-** | **1,084** | **20%** | **932** | **-** | **932** | **20%** |
| **Debt instruments** | | | | | | | | | | | | |
| Government bonds | 2,896 | - | 2,896 | 35% | 2,060 | - | 2,060 | 38% | 1,771 | - | 1,771 | 38% |
| Corporate bonds | 1,242 | - | 1,242 | 15% | 759 | - | 759 | 14% | 652 | - | 652 | 14% |
| | **4,138** | **-** | **4,138** | **50%** | **2,819** | **-** | **2,819** | **52%** | **2,423** | **-** | **2,423** | **52%** |
| **Asset backed securities** | | | | | | | | | | | | |
| Real estate investment trusts | - | 579 | 579 | 7% | - | 163 | 163 | 3% | - | 140 | 140 | 3% |
| Mortgage backed securities | - | 496 | 496 | 6% | - | 379 | 379 | 7% | - | 326 | 326 | 7% |
| | **-** | **1,075** | **1,075** | **13%** | **-** | **542** | **542** | **10%** | **-** | **466** | **466** | **10%** |
| **Investment funds** | | | | | | | | | | | | |
| Mutual funds | 662 | **-** | **662** | **8%** | 541 | - | **541** | **10%** | 466 | - | **466** | **10%** |
| **Derivatives** | | | | | | | | | | | | |
| Interest rate swaps | - | 165 | 165 | 2% | - | 163 | 163 | 3% | - | 140 | 140 | 3% |
| Equity futures | 165 | - | 165 | 2% | - | - | - | - | - | - | - | - |
| | **165** | **165** | **330** | **4%** | **-** | **163** | **163** | **3%** | **-** | **140** | **140** | **3%** |
| **Cash and cash equivalents** | 414 | **-** | **414** | **5%** | 271 | **-** | **271** | 5% | 233 | **-** | **233** | 5% |
| **Total** | **7,034** | **1,240** | **8,274** | **100%** | **4,715** | **705** | **5,420** | **100%** | **4,054** | **606** | **4,660** | **100%** |

*(All amounts in INR lakhs, unless otherwise stated)*

### (vii) Risk exposure

19(139)(b) Through its defined benefit plans, the group is exposed to a number of risks, the most significant of which are detailed below:

| | |
|---|---|
| Asset volatility | The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk with derivatives to minimise risk to an acceptable level. A portion of the funds are invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The group has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The group intends to maintain the above investment mix in the continuing years. |
| Changes in bond yields | A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. |
| Inflation risks | In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk. |
| Life expectancy | The pension and medical plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy. |

19(146) The group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the employee benefit plans. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

The group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The group has not changed the processes used to manage its risks from previous periods. The group uses derivatives to manage some of its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets in 2017 consists of government and corporate bonds, although the group also invests in equities, cash and mutual funds. The group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in India, 30% in the US and the remainder in emerging markets. The plan asset mix is in compliance with the requirements of the respective local regulations.

### (viii) Defined benefit liability and employer contributions

19(147)(a) The group has agreed that it will aim to eliminate the deficit in defined benefit pension and gratuity plan over the next nine years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 12% of the basic salaries in India and 13% of pensionable salaries in US and China. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

19(147)(b) Expected contributions to post-employment benefit plans for the year ending 31 March 2018 are INR 2,711.

19(147)(c) The weighted average duration of the defined benefit obligation is 27.2 years (2016 – 23.8 years, 2015- 21.4 years). The expected maturity analysis of undiscounted pension, gratuity and post-employment medical benefits is as follows:

19(147)(c)

| | | Less than a year | Between 1 - 2 years | Between 2 - 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| | **31 March 2017** | | | | | |
| | Defined benefit obligation (pension and gratuity) | 628 | 927 | 2,004 | 21,447 | **25,006** |
| | Post-employment medical benefits | 127 | 174 | 614 | 4,775 | **5,690** |
| | **Total** | 755 | 1,101 | 2,618 | 26,222 | **30,696** |
| 1(38) | **31 March 2016** | | | | | |
| | Defined benefit obligation (pension and gratuity) | 816 | 450 | 1,103 | 16,320 | **18,689** |
| | Post-employment medical benefits | 159 | 276 | 1,033 | 3,588 | **5,056** |
| | **Total** | 975 | 726 | 2,136 | 19,908 | **23,745** |
| 1(38) | **1 April 2015** | | | | | |
| | Defined benefit obligation (pension and gratuity) | 540 | 370 | 1,540 | 14,322 | **16,772** |
| | Post-employment medical benefits | 199 | 344 | 1,344 | 3,699 | **5,586** |
| | **Total** | **739** | **714** | **2,884** | **18,021** | **22,358** |

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 16: Deferred tax liabilities

12(81)(g)(i) **The balance comprises temporary differences attributable to:**

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Property, plant and equipment and investment property | 6,111 | 4,751 | 3,675 |
| Intangible assets | 1,372 | 1,210 | 976 |
| Financial assets at fair value through profit or loss | 2,059 | 1,909 | 1,497 |
| Financial assets at FVOCI (including derivatives) | 2,348 | 2,044 | 1,639 |
| | **11,890** | **9,914** | **7,787** |
| *Other items* | | | |
| Investments in associates and joint ventures | 508 | 313 | 156 |
| Convertible bonds | 133 | - | - |
| Others | 32 | 25 | 77 |
| | **673** | **338** | **233** |
| Total deferred tax liabilities | 12,563 | 10,252 | 8,020 |
| 12(74) Set-off of deferred tax liabilities pursuant to set-off provisions | (478) | (388) | (244) |
| **Net deferred tax liabilities** | **12,085** | **9,864** | **7,776** |

*Movements in deferred tax liabilities*

| | Property, plant and equipment and investment property | Intangible assets | Financial assets at fair value through profit or loss | Financial assets at FVOCI (including derivatives) | Other items | Total |
|---|---|---|---|---|---|---|
| **At 1 April 2015** | 3,675 | 976 | 1,497 | 1,639 | 233 | 8,020 |
| Charged/(credited) | | | | | | |
| 12(81)(g)(ii) - to profit or loss | 1,076 | 234 | 412 | - | 80 | 1,802 |
| - to other comprehensive income | - | - | - | 405 | 25 | 430 |
| **At 31 March 2016** | **4,751** | **1,210** | **1,909** | **2,044** | **338** | **10,252** |
| Charged/(credited) | | | | | | |
| 12(81)(g)(ii) - to profit or loss | 895 | 27 | 150 | - | 148 | 1,220 |
| - to other comprehensive income | - | - | - | 343 | 28 | 371 |
| - transfer from other reserves to retained earnings | - | - | - | (39) | - | (39) |
| - directly to equity | - | - | - | - | 159 | 159 |
| Acquisition of subsidiary (note 32) | 465 | 135 | - | - | - | 600 |
| **At 31 March 2017** | **6,111** | **1,372** | **2,059** | **2,348** | **673** | **12,563** |

*(All amounts in INR lakhs, unless otherwise stated)*

1(77)

## Note 17: Current tax liabilities

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Opening balance | 1,905 | 850 |
| Add: Current tax payable for the year | 14,968 | 13,185 |
| Less: Taxes paid | 14,070 | 12,130 |
| **Closing balance** | **2,803** | **1,905** |

1(77)
20(39)

## Note 18: Government grants

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Opening balance | 3,567 | 4,090 |
| Grants during the year | 756 | 657 |
| Less: Released to profit or loss | (1,033) | (1,180) |
| **Closing balance** | **3,290** | **3,567** |

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Current portion | 938 | 1,017 | 1,166 |
| Non-current portion | 2,352 | 2,550 | 2,924 |

1(77)

## Note 19: Other current liabilities

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Deferred revenue | 833 | 866 | 810 |
| Payroll taxes | 219 | 199 | 163 |
| Statutory tax payables | 3,100 | 2,921 | 2,977 |
| **Total other current liabilities** | **4,152** | **3,986** | **3,950** |

## Commentary - Notes to the balance sheet

**Property, plant and equipment**

Sch III 1. As per Schedule III, property, plant and equipment shall be classified as follows:
   (a) land
   (b) buildings
   (c) plant and equipment
   (d) bearer plants
   (e) aircraft
   (f) vehicles
   (g) furniture and fixtures
   (h) office equipment
   (i) Assets under lease

16(37) As mentioned above, Schedule III requires land and buildings to be classified as two separate classes of property, plant and equipment. However, Ind AS 16 provides flexibility to classify land and building either as one class or as two separate classes. Paragraph 37 of Ind AS 16 defines 'a class of property, plant and equipment' as a grouping of assets of a similar nature and use in an entity's operations.

Sch III 2. Schedule III requires reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

Sch III **Goodwill and other intangible assets**

3. As per Schedule III, goodwill is required to be disclosed separately on the face of the balance sheet. Other intangible assets shall be classified as follows:
   (a) Brands or trademarks
   (b) Computer software
   (c) Mastheads and publishing titles
   (d) Mining rights
   (e) Copyrights, patents, other intellectual property rights, services and operating rights
   (f) Recipes, formulae, models, designs and prototypes
   (g) Licenses and franchises

ASB(FAQ) 4. Ind AS 101 provides an option to continue with the previous GAAP carrying values of property, plant and equipment, intangible assets and investment properties as the deemed cost on the date of transition. Once this option is elected, the provision for impairment recognised in the previous GAAP cannot be reversed. The entity may provide information regarding gross block of assets, accumulated depreciation and provision for impairment under previous GAAP by way of note forming part of the financial statements. This information can be disclosed only as additional disclosures and the same cannot be considered for subsequent recognition and/or measurement purposes.

**Impairment**

*Impairment testing – disclosure of assumptions*

36(132)
36(134) 5. An entity is encouraged to disclose the assumptions used to determine the recoverable amount of all significant assets and cash-generating units during the period. However, as a minimum, paragraph 134 of Ind AS 36 *Impairment of Assets* requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit.

*Prior year recoverable amount calculation*

36(136) 6. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraphs 24 or 99 of Ind AS 36, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 of Ind AS 36 relate to the carried forward calculation of recoverable amount.

**Classification of investment in preference shares**

7. Preference shares must be analysed carefully to determine if they contain features that cause the instrument not to meet the definition of an equity. If such shares meet the definition of equity, the entity may elect to carry them at FVOCI without recycling to profit or loss if not held for trading. If they do not, they must be further analysed to determine the underlying business model and whether the contractual cash flows are solely payments of principal and interest. The group undertook this analysis and concluded that the preference shares should be held at amortised cost, as their cash flows relating to interest cannot be deferred (such that the contractual cash flows are solely payment of interest and principal). Where the classification involves significant judgement and the relevant amounts are material, the entity should consider disclosing the rationale for classifying such shares as debt instruments.

## Commentary - Notes to the balance sheet

Sch III **Investments**

8. Schedule III requires investments to be classified as
   (a) Equity Instruments;
   (b) Preference Shares;
   (c) Government or trust securities;
   (d) Debentures or bonds;
   (e) Mutual Funds;
   (f) Partnership firms; or
   (g) Other investments.

   Under each classification, details shall be given of names of the bodies corporate that are subsidiaries, associates, joint ventures and structured entities in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid).

   The above clause indicates that the names of the body corporate (including nature and extent of the investment) is not required to be given where investments are made in instruments of parties other than subsidiaries, associates, joint ventures and structured entities. However, it is to be noted that Ind AS 107 *Financial Instruments: Disclosures* requires to disclose which investments in equity instruments have been designated to be measured at FVOCI.

   Value Ind AS Limited has voluntarily opted to provide the names of the bodies corporate (including nature and extent of the investment) for all its investments.

**Trade receivable and trade payables**

Sch III 9. A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.

Sch III 10. A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.

Sch III 11. Schedule III requires disclosure of receivables due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member.

Sch III **Cash and bank balances**

12. Additional disclosures required by Schedule III with respect to cash and bank balances:
    (a) Earmarked balances with banks (for example, for unpaid dividend).
    (b) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments
    (c) Repatriation restrictions, if any

**Biological assets other than bearer plants**

Sch III 13. Schedule III requires reconciliation of the carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments shall be disclosed separately.

**Deferred tax assets and liabilities**

*Offsetting*

12(74) 14. Deferred tax assets and liabilities shall be set off if, and only if:
    (a) there is a legally recognised right to set off current tax assets and liabilities, and
    (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:
        (i) the same taxable entity, or
        (ii) Different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

12(76) 15. The circumstances giving rise to a set off between entities in a consolidated entity are likely to be rare unless the entities are part of a tax consolidated group.

*Disclosure of reconciliation by type of temporary difference*

12(81)(g) 16. Ind AS 12 *Income Taxes* requires the following disclosures for each type of temporary difference and in respect of each type of unused tax loss and tax credit:
    (a) the deferred tax balances recognised for each period presented
    (b) the amounts of deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the balance sheet

17. This information can be presented in various ways. Value Ind AS Limited has chosen to provide the information in the form of a reconciliation by type of temporary difference. However, other formats are equally acceptable as long as all of the required disclosures are made.

## Commentary - Notes to the balance sheet

**Assets held for sale**

18. There is no requirement in either Ind AS 105 or Ind AS 1 to present assets of a disposal group separately from individual assets held for sale. Value Ind AS Limited has therefore combined the assets of a disposal group with individual assets held for sale as a single line item in the balance sheet, but provided the related disclosures in separate notes.

**Borrowings**

Sch III

19. Schedule III requires the following disclosures:
    - (a) borrowings shall be sub-classified as secured and unsecured. Nature of security needs to be specified.
    - (b) where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed
    - (c) bonds or debentures (along with the rate of interest, and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by installments, the date of maturity for this purpose must be reckoned as the date on which the first installment becomes due
    - (d) particulars of any redeemed bonds or debentures which the company has power to reissue shall be disclosed
    - (e) terms of repayment of term loans and other loans shall be stated; and
    - (f) period and amount of default as at the balance sheet date in repayment of borrowings and interest shall be specified separately in each case.

    The disclosures mentioned in (b), (d) and (f) above have not been made as these are not applicable to Value Ind AS Limited.

**Employee benefit obligations**

37(1)(c),(5)(d)

20. Ind AS 37 does not generally apply to employee benefits as these are dealt with by Ind AS 19. However, employee benefits may be classified as provisions in the balance sheet where either the amounts or the timing of the future payments in respect of these obligations is uncertain. Alternatively, they could either be classified as other payables (where the amount and timing is certain) or, as we have done in this publication, presented as a separate line item in the balance sheet. If the amounts recognised in relation to employee benefit obligations are material, entities should consider providing the information required by Ind AS 37 regardless of how the amounts are presented.

*Classification of employee benefits obligations as non-current*

1(69)

21. Irrespective of whether the employee benefit obligations are measured as short-term or long-term obligations, they can only be classified in the balance sheet as a non-current liability if there is no possibility the entity could have to pay out the obligation within the next 12 months. For example, this occurs when employees cannot avail more than certain number of leave in the next financial year, that portion of accumulated leave which cannot be availed in the next year but only in subsequent periods can be classified as non-current.

*Defined benefit obligations*

19(135)

22. There is an overriding objective in Ind AS 19 that the disclosures for defined benefit plans must:
    - (a) explain the characteristics of the plans and the associated risks
    - (b) identify and explain the amounts in the financial statements arising from the plans
    - (c) describe how the plans may affect the amount, timing and uncertainty of the entity's future cash flows.

19(136)-(138)

23. Entities will need to consider on a case-by-case basis how detailed the disclosures will have to be to satisfy these objectives. Additional information or further disaggregation may be necessary in some circumstances. However, preparers should also keep in mind that materiality applies to all of the disclosures required under Ind AS 19.

*Defined benefit assets*

19(App B)

24. Ind AS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. Paragraph 8 of Ind AS 19 defines the asset ceiling as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'. An entity shall determine the availability of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan and accordingly recognise the defined benefits assets.

**Provisions**

37(84)

25. Ind AS 37 does not mandate providing movement in provision for comparative years. However, entities can voluntarily disclose the movement for comparative year also if such information might be useful to the users.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

26. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

*Investment property*

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 40(75)(c) | Classification as investment property is difficult | Disclose criteria used to distinguish investment property from owner-occupied property and property held for sale in the ordinary course of business. |
| 17(56)(b) | Contingent rents recognised as income in the period | Disclose amounts where applicable. |
| 40(75)(g) | Restrictions | Disclose the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. |

## Commentary - Notes to the balance sheet

*Intangible assets*

| Reference | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 38(122)(a) | Intangible assets with indefinite useful lives | Disclose the carrying amount and factors that have played a significant role in assessing that the assets have an indefinite useful life. |
| 38(122)(b) | Individually material intangible assets | Describe the assets and disclose the carrying amount and remaining amortisation period. |
| 38(122)(c) | Intangible assets acquired by way of government grant | Disclose the fair value initially recognised, the current carrying amount and whether the assets are measured at cost or at revaluation. |
| 38(122)(d) | Intangible assets with restricted title and/or pledged as security for liabilities | Disclose existence and carrying amounts. |
| 38(122)(e) | Contractual commitments for the acquisition of intangible assets | Disclose amount. |
| 38(124) | Intangible assets measured under the revaluation model | Provide additional disclosures as set out in Ind AS 38(124). |

*Impairment and goodwill*

| Reference | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 36(126)(b) -(d),(129) | Impairment losses on revalued assets recognised in OCI and reversals of impairment losses | Disclose impairment losses recognised in OCI (by segment where applicable).<br>Disclose reversal of impairment losses (P&L and OCI; by segment where applicable). |
| 36(131) | Individual impairment losses or reversals are not material | Provide information about aggregate impairment losses and reversals. |
| 36(133) | Unallocated goodwill | Disclose the amount and the reasons why the goodwill remained unallocated. |
| 36(134) | Intangible assets with indefinite useful lives – impairment disclosures | Provide similar disclosures to those illustrated for goodwill in this publication. |
| 36(134)(d), (e) | Goodwill and intangible assets with indefinite useful lives: recoverable amount is based on fair value less costs of disposal (FVLCOD) | Provide additional information as set out in Ind AS 36(134). |
| 36(135) | Goodwill and indefinite life intangible assets allocated to multiple CGUs, where the amount allocated to each CGU is not significant | If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). |

*Other non-financial assets and liabilities*

| Reference | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 19(140)(b) | Defined benefit plans: reimbursement rights | These will need to be separately disclosed in the reconciliation of the amounts recognised in the balance sheet. |
| 19(148), (149) | Multi-employer and group plans | Provide additional information as specified in Ind AS 19(148) and (149). |
| 37(92) | Provisions: information omitted because disclosure would be prejudicial | In extremely rare cases, disclosure of some or all of the information required by Ind AS 37 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed. |
| 113(93)(i) | Fair value of non-financial assets: highest and best use differs from current use | Disclose that fact and why the asset is used in a manner that differs from its highest and best use. |

## Commentary - Notes to the balance sheet

27. The following additional illustrative disclosures may be useful where relevant to an entity:

*Intangible assets with indefinite useful lives*

38(122)(a) The trademark used to identify and distinguish (product name; carrying amount INR XXX) has a remaining legal life of five years but is renewable every ten years at little cost and is well established. The group intends to renew the trademark continuously and evidence supports its ability to do so. An analysis of product life cycle studies, market and competitive trends provides evidence that the product will generate net cash inflows for the group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment.

*Unallocated goodwill*

36(133) Shortly before the end of the reporting period, the group acquired XYZ Limited. There was INR XX of goodwill recognised on acquisition which is yet to be allocated to one or more CGUs. XYZ's business will be integrated into ABC Manufacturing CGU, but management has not yet finalised the allocation of the goodwill between the relevant CGUs.

*Recoverable amount is determined using fair value less cost of disposal*

36(134)(c) Management has determined the recoverable amount of the XYZ CGU by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. No impairment was identified.

Management's approach and the key assumptions used to determine the CGU's FVLCOD were as follows:

36(134)(e)(i), (ii)

| CGU | Unobservable inputs | Value assigned to key assumption 31 March 2017 | 31 March 2016 | Approach to determining key assumption |
|---|---|---|---|---|
| XYZ | Cost of disposal (INR ) | XX | XX | Estimated based on the group's experience with disposal of assets and on industry benchmarks. |
| | Sales volume (%) | 2.7 | 3.3 | Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development. |
| | Sales price (%) | 1.4 | 1.9 | Average annual growth rate over the five-year forecast period, based on current industry trends and includes long term inflation forecasts for each territory. |
| | Cost reductions from restructuring initiatives (INR) | XX | XX | Estimated cost reductions are based on management's judgement and past experience with similar restructuring initiatives. |
| | Cash flow forecast period | 5 years | 5 years | Board approved/ reviewed 5 year forecasts which are prepared by management |
| | Post-tax discount rate (%) | 11.7 | 11.4 | Reflects specific risks relating to the segments and the countries in which it operates. |
| | Long term growth rate (%) | 2.7 | 2.6 | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is consistent with forecasts included in industry reports. |

## Commentary - Notes to the balance sheet

Sch III

28. The following classification requirements of Schedule III are not illustrated in this publication as they are not applicable to Value Ind AS Limited

| **Financial statement line item** | **Relevant classification requirement** |
|---|---|
| Property, plant and equipment | (a) Vehicles<br>(b) Bearer plants |
| Other intangible assets | (a) Brands or trademarks<br>(b) Mastheads and publishing titles<br>(c) Mining rights<br>(d) Recipes, formulae, models, designs and prototypes<br>(e) Licenses and franchises |
| Investments | Investments in partnership firm |
| Loans | Security deposits. Value Ind AS Limited has determined its security deposits not to be in the nature of loans and accordingly have been classified as part of other financial assets. |
| Other financial assets | Bank deposit with more than 12 months maturity |
| Other non-current assets | (a) Advances to related parties<br>(b) Security deposits |
| Inventories | (a) Loose tools; and<br>(b) Goods-in-transit (to be separately disclosed under each class of inventory) |
| Cash and cash equivalents | Cheques, drafts on hand |
| Other current assets | (a) Advances to related parties<br>(b) Security deposits |
| Other reserves | Capital redemption reserve |
| Borrowings | (a) Deferred payment liabilities<br>(b) Deposits |
| Other non-current liabilities | Advances |
| Other financial liabilities | (a) Unpaid dividends<br>(b) Application money received for allotment of securities to the extent refundable and interest accrued thereon<br>(c) Unpaid matured deposits and interest accrued thereon<br>(d) Unpaid matured debentures and interest accrued thereon |
| Other current liabilities | Revenue received in advance |

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 20: Revenue from operations

The group derives the following types of revenue:

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 18(35)(b)(i), Sch III | Sale of products (including excise duty) | 157,230 | 125,435 |
| 18(35)(b)(ii) Sch III | Sale of services | 64,500 | 75,640 |
| Sch III | Other operating revenue | 53 | 32 |
| | **Total revenue from continuing operations** | **221,783** | **201,107** |

1(122)

*Critical judgements in calculating amounts*

The group has recognised revenue amounting to INR 2,745 for the sale of furniture to a wholesale customer during 31 March 2017. The buyer has the right to return the goods within 90 days if their customers are dissatisfied. The group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 4%. The group has, therefore, recognised revenue on this transaction with a corresponding provision against revenue for estimated returns. If the estimate changes by 1%, revenue will be reduced/increased by INR 27 and profit reduced/increased by INR 6. The right of return expires on 27 April 2017.

### Commentary – Revenue

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

1. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

   18(35)(c) (a) Revenue from exchanges of goods or services must be separately identified.

   GN on Real Estate (b) Disclosures related to real estate transactions as per Guidance Note on accounting for real estate transactions

*Multiple-element arrangements*

2. An accounting policy for multiple-element arrangements could read as follows:

   The group offers certain arrangements whereby a customer can purchase a personal computer together with a two-year servicing agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. The revenue relating to the computer is recognised when risks and rewards of the computer are transferred to the customer which occurs on delivery. Revenue relating to the service element is recognised on a straight-line basis over the service period.

*(All amounts in INR lakhs, unless otherwise stated)*

# Note 21: Other income and other gains/(losses)

1(112)(c)

## (a) Other income

| | | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|---|
| | Rental income | 4 | 1,548 | 1,239 |
| 107(20)(a) | Dividend income from investments mandatorily measured at fair value through profit or loss | | 252 | 332 |
| 107(11A)(d) | Dividend income from equity investments designated at fair value through other comprehensive income (i) | | 61 | 102 |
| 107(20)(a)(i) | Interest income from financial assets mandatorily measured at fair value through profit or loss | | 744 | - |
| 107(20)(a)(vi) | Interest income from financial assets at amortised cost | | 667 | 493 |
| | Unwinding of discount on security deposits | | 125 | 98 |
| 20(39)(b) | Government grants (ii) | 18 | 1,033 | 1,180 |
| | **Total other income** | | **4,430** | **3,444** |

107(11A)(d) (i) All dividends from equity investments designated at FVOCI relate to investments held at the end of the reporting period. There was no dividend income relating to investments derecognised during the reporting period.

20(39)(b)(c) (ii) Government grants are related to investments of the group in property, plant and equipment of the furniture manufacturing setup in Assam, India. There are no unfulfilled conditions or other contingencies attaching to these grants. The group did not benefit directly from any other forms of government assistance.

## (b) Other gains/(losses)

| | | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|---|
| | Net gain on disposal of property, plant and equipment (excluding property, plant and equipment sold as part of the discontinued operation) | 3 | 743 | 430 |
| 107(20)(a)(i) | Net gain on financial assets mandatorily measured at fair value through profit or loss | 6(a) | 993 | 1,519 |
| Sch III | Net gain on sale of investments | 6(a) | 495 | 147 |
| | Fair value losses on derivatives not designated as hedges | 13(b) | (132) | (121) |
| | Changes in fair value of contingent consideration | 13(b) | (400) | - |
| 21(52) | Net foreign exchange losses | | (485) | (795) |
| | Other items | | 19 | 23 |
| | **Total other gains/(losses)** | | **1,233** | **1,203** |

*(All amounts in INR lakhs, unless otherwise stated)*

Sch III, 1(99),(102)

## Note 22(a): Cost of materials consumed

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Raw materials at the beginning of the year | 15,786 | 18,700 |
| Add: Purchases | 79,143 | 73,125 |
| Less: Raw material at the end of the year | 16,547 | 15,786 |
| **Total cost of materials consumed** | **78,382** | **76,039** |

Sch III, 1(99),(102)

## Note 22(b): Changes in inventories of work-in-progress, stock-in-trade and finished goods

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| **Opening balance** | | |
| Work-in progress | 7,896 | 8,954 |
| Finished goods | 27,658 | 24,322 |
| Traded goods | 9,455 | 8,655 |
| **Total opening balance** | **45,009** | **41,931** |
| **Closing balance** | | |
| Work-in progress | 9,890 | 7,896 |
| Finished goods | 30,765 | 27,658 |
| Traded goods | 10,322 | 9,455 |
| **Total closing balance** | **50,977** | **45,009** |
| Total changes in inventories of work-in-progress, stock-in-trade and finished goods | **(5,968)** | **(3,078)** |

1(102)
Sch III

## Note 23: Employee benefit expense

| | | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|---|
| Sch III | Salaries, wages and bonus | | 14,576 | 13,245 |
| Sch III, 19(51) | Contribution to provident fund | | 1,647 | 1,497 |
| 102(50),(51), Sch III | Employee share-based payment expense | 39 | 1,486 | 855 |
| 19(35) | Gratuity | 15 | 937 | 948 |
| 19(156) | Leave compensation | 15 | 266 | 234 |
| 19(156)-(160) | Post-employment pension benefits | 15 | 905 | 568 |
| 19(156)-(160) | Post-employment medical benefits | 15 | 170 | 134 |
| Sch III | Staff welfare expenses | | 250 | 305 |
| | **Total employee benefit expense** | | **20,237** | **17,786** |

*(All amounts in INR lakhs, unless otherwise stated)*

1(102)

## Note 24: Depreciation and amortisation expense

| | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 16(48) Depreciation of property, plant and equipment | 3 | 8,950 | 8,150 |
| Depreciation on investment properties | 4 | 690 | 576 |
| 38(118)(d) Amortisation of intangible assets | 5 | 1,180 | 1,035 |
| **Total depreciation and amortisation expense** | | **10,820** | **9,761** |

1(102)

## Note 25: Other expenses

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Consumption of stores and spares | 187 | 144 |
| Repairs and maintenance | | |
| Plant and machinery | 134 | 176 |
| Buildings | 477 | 511 |
| Others | 18 | 9 |
| Telephone and communication charges | 1,776 | 1,464 |
| Water and electricity charges | 765 | 634 |
| Rental charges | 1,555 | 1,224 |
| Rates and taxes | 45 | 38 |
| Legal and professional fees | 921 | 1,154 |
| Travel and conveyance | 1,412 | 1,210 |
| Insurance | 347 | 25 |
| Printing and stationery | 90 | 103 |
| Sales commission | 222 | 177 |
| Brokerage and commission | 111 | 69 |
| Provisions | | |
| Service warranties | 187 | 188 |
| Restructuring costs | 65 | 380 |
| Legal claims | - | 140 |
| Allowance for doubtful debts – trade receivables | 478 | 410 |
| Sch III Corporate social responsibility expenditure (refer note 25(b) below) | 730 | 690 |
| Sch III Payments to auditors (refer note 25(a) below) | 495 | 433 |
| Miscellaneous expenses | 34 | 48 |
| **Total other expenses** | **10,049** | **9,227** |

Sch III

## Note 25(a): Details of payments to auditors

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| **Payment to auditors** | | |
| **As auditor:** | | |
| Audit fee | 365 | 310 |
| Tax audit fee | 50 | 40 |
| | | |
| **In other capacities** | | |
| Taxation matters | 42 | 48 |
| Company law matters | 10 | 2 |
| Certification fees | 22 | 24 |
| Re-imbursement of expenses | 6 | 9 |
| **Total payments to auditors** | **495** | **433** |

*(All amounts in INR lakhs, unless otherwise stated)*

Sch III, GN on CSR

## Note 25(b): Corporate social responsibility expenditure

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Contribution to ABC charity foundation | 219 | 207 |
| Contribution to slum rehabilitation program | 511 | 483 |
| **Total** | **730** | **690** |
| Amount required to be spent as per Section 135 of the Act | 650 | 613 |
| *Amount spent during the year on* | | |
| (i) Construction/acquisition of an asset | - | - |
| (ii) On purposes other than (i) above | 730 | 690 |

## Note 26: Finance costs

| | | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|---|
| 107(20)(b) | Interest and finance charges on financial liabilities not at fair value through profit or loss | | 3,399 | 3,138 |
| 37(60) | Unwinding of discount on provisions | 14 | 199 | 31 |
| 107(23)(d) | Fair value changes on interest rate swaps designated as cash flow hedges – transfer from OCI | 29 | (227) | (231) |
| 21(52)(a) | Exchange differences regarded as an adjustment to borrowing costs | | 78 | 64 |
| | | | **3,449** | **3,002** |
| 23(26)(a) | *Less: Amount capitalised (see note below)* | | 246 | 208 |
| | **Finance costs expensed in profit or loss** | | **3,203** | **2,794** |

23(26)(b) Note: The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 7.25% (31 March 2016 – 7.18%).

## Commentary - Other income and expense items

**Employee benefits expenses**

19(25),(158),(171)
1. Although Ind AS 19 does not require specific disclosures about employee benefits other than post-employment benefits, other standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure under paragraph 97 of Ind AS 1. Similarly, termination benefits may result in an expense needing disclosure in order to comply with paragraph 97 of Ind AS 1.
2. While Ind AS 19 analyses the changes in the plan assets and defined benefit obligation into various components (such as current service cost, past service cost, interest expense, etc.) and provides guidance in respect of each, the standard does not prescribe how such components be reported within profit or loss. Accordingly, an entity may present the net of all components within a single line item or alternatively classify the net interest component separately within finance costs. Value Ind AS Limited has presented the net impact of changes in the plan assets and defined benefit obligations as part of employee benefit expense

**Finance costs**

3. Finance costs will normally include:

23(5),(6)
   (a) costs that are borrowing costs for the purposes of Ind AS 23 *Borrowing Costs:*
      (i) interest expense calculated using the effective interest rate method as described in Ind AS 109
      (ii) finance charges in respect of finance leases, and
      (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

37(60)
   (b) the unwinding of the effect of discounting provisions

32(35),(40)
   (c) dividends on preference shares that are classified as debt

109(B5.4.4)
   (d) the amortisation of discounts and premiums on debt instruments that are liabilities
   (e) interest on tax payable where the interest element can be identified separately.

21(52)(a)
4. Amounts disclosed under paragraph 3(a)(iii) above shall also be included in the net foreign exchange gain or loss disclosed under Ind AS 21 *The Effects of Changes in Foreign Exchange Rates* paragraph (52)(a).
5. Costs which may also be classified as finance cost include other costs associated with the entity's management of cash, cash equivalents and debt; for example, fair value changes on interest rate hedges, the ineffective portion of cash flow interest rate hedges or a loss on the extinguishment of a liability.

**Finance income**

18(7)
6. The classification of finance income depends on the entity's accounting policy for such items. Where earning interest income is part of the entity's main business objectives rather than an incidental benefit, the interest income should be included within the main 'revenue' heading. In other cases, entities may take the view that finance income is most appropriately included as 'other income' or as a separate line item in statement of profit and loss. Although entities have some discretion in the way in which finance income is included in the statement of profit and loss, the presentation policy adopted should be applied consistently and disclosed if material.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

7. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

107(20)(c)
   a) Where material, entities must separately disclose the fee income and expense arising from financial assets not at fair value through profit or loss and from trust and other fiduciary activities.

*(All amounts in INR lakhs, unless otherwise stated)*

# Note 27: Income tax expense

This note provides an analysis of the group's income tax expense, show amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax positions.

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 12(79),(81)(g)(ii) | **(a) Income tax expense** | | |
| | *Current tax* | | |
| 12(80)(a) | Current tax on profits for the year | 14,893 | 13,185 |
| 12(80)(b) | Adjustments for current tax of prior periods | 165 | - |
| | **Total current tax expense** | **15,058** | **13,185** |
| 12(80)(c) | *Deferred tax* | | |
| | Decrease (increase) in deferred tax assets | (664) | (1,100) |
| | (Decrease) increase in deferred tax liabilities | 1,220 | 1,802 |
| | **Total deferred tax expense/(benefit)** | **556** | **702** |
| | **Income tax expense** | **15,614** | **13,887** |
| | Income tax expense is attributable to: | | |
| | Profit from continuing operations | 15,351 | 13,257 |
| | Profit from discontinued operation | 263 | 630 |
| | | **15,614** | **13,887** |

**(b) Significant estimates**

1(125) In calculating the tax expense for the current period, the group has treated certain expenditures as being deductible for tax purposes. However, the tax legislation in relation to these expenditures is not clear and the group has applied for a private ruling to confirm their interpretation. If the ruling should not be favourable, this would increase the group's current tax payable and current tax expense by INR 970, respectively. The impact in the prior year would
1(38) have been an increase of INR 657.

12(81)(c)(i), (84),(85) **(c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:**

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | Profit from continuing operations before income tax expense | 47,561 | 44,224 |
| | Profit from discontinuing operation before income tax expense | 876 | 2,101 |
| | | **48,437** | **46,325** |
| 12(81)(d),(85) | **Tax at the Indian tax rate of 30% (2015-2016 – 30%) *** | **14,531** | **13,898** |
| | Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| | Goodwill impairment | 555 | - |
| | Amortisation of intangibles | 80 | 157 |
| | Weighted deduction on research and development expenditure | (200) | (120) |
| | Corporate social responsibility expenditure | 219 | 207 |
| | Employee share-based payment expense | 446 | 257 |
| | Contingent consideration | 120 | - |
| | Other items | 16 | 18 |
| 12(85) | Difference in overseas tax rates | (218) | (176) |
| 12(80)(b) | Adjustments for current tax of prior periods | 165 | - |
| | Tax losses for which no deferred income tax was recognised | - | 296 |
| 12(80)(e) | Previously unrecognised tax losses now recouped to reduce current tax expense | (100) | - |
| 12(80)(f) | Previously unrecognised tax losses used to reduce deferred tax expense (i) | - | (650) |
| | **Income tax expense** | **15,614** | **13,887** |

(i) Following a significant improvement in trading conditions in the furniture retail segment in 2017, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of INR 650 was recognised for these losses in 31 March 2016.

*(All amounts in INR lakhs, unless otherwise stated)*

### (d) Amounts recognised directly in equity

| | | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|---|
| 12(81)(a),(62A) | Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited/ (credited) to equity: | | | |
| | Current tax: share-issue transaction costs | 12 | (90) | - |
| | Deferred tax: Convertible bonds | 13(a) | 159 | - |
| | | | **69** | **-** |

### (e) Tax losses

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 12(81)(e) | Unused tax losses for which no deferred tax asset has been recognised | 654 | 986 |
| | Potential tax benefit @ 30% | **196** | **296** |

The unused tax losses were incurred by a subsidiary in US that is not likely to generate taxable income in the foreseeable future. The losses can be carried forward indefinitely and have no expiry date.

### (f) Unrecognised temporary differences

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 12(81)(f) | Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised: | | |
| | Undistributed earnings | 340 | 277 |
| 12(87) **Not mandatory** | Unrecognised deferred tax liabilities relating to the above temporary differences | **102** | **83** |

Certain subsidiaries of the group have undistributed earnings of INR 340 (31 March 2016: INR 277) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

** For the purposes of this illustration, the tax rate in India is assumed to be 30% flat.*

## Commentary - Income tax expense

**Relationship between tax expense and accounting profit**

12(81)(c),(85)

1. Entities can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between:
   (a) tax expense and the product of accounting profit multiplied by the applicable tax rate, or
   (b) the average effective tax rate and the applicable tax rate.

   The applicable tax rate can either be the domestic rate of tax in the country in which the entity is domiciled, or it can be determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction. Entities should choose the method that provides the most meaningful information to users.

**Initial recognition exemption – subsequent amortisation**

2. The amount shown in the reconciliation of accounting profit multiplied by tax rate to income tax expense as 'amortisation of intangibles' represents the amortisation of a temporary difference that arose on the initial recognition of the asset and for which no deferred tax liability has been recognised in accordance with paragraph 15(b) of Ind AS 12. The initial recognition exemption only applies to transactions that are not a business combination and do not affect either accounting profit or taxable profit.

**Taxation of share-based payments**

12(68A)-(68C)

3. Value Ind AS Limited has assumed that the no tax deductions can be claimed in relation to the employee share-based payments. However, this will not apply in all circumstances to all entities. The taxation of share-based payments and the accounting thereof is a complex area and specific advice should be obtained for each individual circumstance. Ind AS 12 provides further guidance on the extent to which deferred tax is recognised in profit or loss and in equity.

**Income tax recognised outside profit or loss**

1(90)
12(81)(a),(ab)
12(62A)

4. Under certain circumstances, current and deferred tax is recognised outside profit or loss either in other comprehensive income or directly in equity, depending on the item the tax relates to. Entities must disclose separately:
   (a) the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments (either in the statement of profit and loss or in the notes), and
   (b) the aggregate current and deferred tax relating to items that are charged directly to equity (without being recognised in other comprehensive income).

12(62A)

5. Examples of items that are charged directly to equity are:
   (a) the equity component on compound financial instruments
   (b) share issue costs
   (c) adjustments to retained earnings, e.g. as a result of a change in accounting policy.

**Unrecognised temporary differences**

6. The disclosure of unrecognised temporary differences in relation to the overseas subsidiary has been made for illustrative purposes only. The taxation of overseas subsidiaries will vary from case to case and tax advice should be obtained to assess whether there are any potential tax consequences and temporary differences that should be disclosed.

## Commentary: Income tax expense

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

7. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosure or reference |
|---|---|---|
| 12(81)(d) | Changes in the applicable tax rate | Explain the changes (see illustrative disclosure below) |
| 12(81)(e) | Deductible temporary differences and unused tax credits for which no deferred tax asset is recognised | Disclose amount and expiry date |
| 12(82A), (87A)-(87C) | The payment of dividends will affect the entity's income tax expense (e.g. a lower tax rate applies to distributed profits) | Explain the nature of the income tax consequences and disclose the amounts, if they are practicably determinable. |
| 12(81)(i) | Dividends were proposed or declared but not recognised as liability in the financial statements | Disclose the income tax consequences, if any |
| 12(88) | Tax-related contingent liabilities or contingent assets and changes in tax rates or tax laws enacted after the reporting period | Provide disclosures required under Ind AS 37 and Ind AS 10. |
| 12(81)(j) | Business combination: changes in the deferred tax assets of the acquirer recognised as a result of the combination | Disclose the amount of the change |
| 12(81)(k) | Deferred tax benefits acquired in a business combination but only recognised in a subsequent period | Describe the event or change in circumstances that caused the deferred tax asset to be recognised |

*Changes in tax rate*

12(81)(d) 8. Where the applicable tax rate changed during the year, the adjustments to the deferred tax balances appear as another reconciling item in the reconciliation of accounting profit multiplied by tax rate to income tax expense. The associated explanations could be along the following lines:

> The reduction of the Indian corporate tax rate from 30% to 28% was substantively enacted on 26 Feb 2017 and will be effective from 1 April 2017. As a result, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 March 2018 has been measured using the effective rate that will apply in India for the period (28%).
>
> Further reductions to the Indian tax rate have been announced which will reduce the rate by 1% per annum to 24% by 1 April 2020. However, these changes are expected to be enacted separately each year. As a consequence, they had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.
>
> The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the group, such items include in particular remeasurements of post-employment benefit liabilities.

# *Financial instruments and risk management*

**Description about section is not mandatory**

This section provides information relating to the following:

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 28: Fair value measurements

107(8)(a) **Financial instruments by category**

| | 31 March 2017 | | | 31 March 2016 | | | 1 April 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FVPL | FVOCI | Amortised cost | FVPL | FVOCI | Amortised cost | FVPL | FVOCI | Amortised cost |
| ***Financial assets*** | | | | | | | | | |
| Investments | | | | | | | | | |
| - Equity instruments | 12,570 | 13,775 | - | 11,367 | 12,820 | - | 11,350 | 11,620 | - |
| - Preference shares | - | - | 4,500 | - | - | 4,500 | - | - | 4,500 |
| - Bonds and debentures | 7,831 | - | 1,690 | - | - | - | - | - | - |
| - Mutual funds | 7,429 | - | - | 12,736 | - | - | 13,245 | - | - |
| - Government securities | - | - | 1,065 | - | - | - | - | - | - |
| Trade receivables | - | - | 30,712 | - | - | 30,078 | - | - | 28,210 |
| Loans | - | - | 1,656 | - | - | 1,396 | - | - | 1,330 |
| Cash and cash equivalents | - | - | 25,031 | - | - | 7,035 | - | - | 6,131 |
| Derivative financial assets | - | 3,643 | - | - | 2,718 | - | - | 1,806 | |
| Security deposits | - | - | 2,051 | - | - | 1,751 | - | - | 1,400 |
| Indemnification asset | 400 | - | - | - | - | - | - | - | - |
| **Total financial assets** | **28,230** | **17,418** | **66,705** | **24,103** | **15,538** | **44,760** | **24,595** | **13,426** | **41,571** |
| ***Financial liabilities*** | | | | | | | | | |
| Borrowings | - | - | 45,665 | - | - | 41,020 | - | - | 39,019 |
| Derivative financial liabilities | 614 | - | - | 908 | - | - | 872 | - | - |
| Contingent consideration | 1,450 | - | - | - | - | - | - | - | - |
| Trade payables | - | - | 38,011 | - | - | 28,977 | - | - | 34,195 |
| Capital creditors | - | - | 7,112 | - | - | 5,358 | - | - | 9,216 |
| **Total financial liabilities** | **2,064** | **-** | **90,788** | **908** | **-** | **75,355** | **872** | **-** | **82,430** |

*(All amounts in INR lakhs, unless otherwise stated)*

## (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

113(93)(b)

| ***Financial assets and liabilities measured at fair value - recurring fair value measurements*** **At 31 March 2017** | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| *Financial Investments at FVPL* | | | | | |
| Listed equity investments - utilities sector | 6(a) | 3,511 | - | - | **3,511** |
| Listed equity investments - technology sector | 6(a) | 6,812 | - | - | **6,812** |
| Listed equity investments - financial services sector | 6(a) | 2,247 | - | - | **2,247** |
| Listed corporate bonds - Pharma sector | 6(a) | 7,831 | - | - | **7,831** |
| Mutual funds - Growth plan | 6(a) | 3,270 | - | - | **3,270** |
| Mutual funds - Dividend plan | 6(a) | 4,159 | - | - | **4,159** |
| Indemnification asset | 6(e) | - | - | 400 | **400** |
| *Financial Investments at FVOCI* | | | | | |
| Unquoted equity investments - technology sector | 6(a) | - | - | 4,469 | **4,469** |
| Unquoted equity investments - electronics sector | 6(a) | - | - | 9,306 | **9,306** |
| *Derivatives designated as hedges* | | | | | |
| Foreign exchange forward contracts | 6(e) | - | 2,082 | 365 | **2,447** |
| Foreign currency options | 6(e) | - | 594 | - | **594** |
| Interest rate swaps | 6(e) | - | 602 | - | **602** |
| **Total financial assets** | | **27,830** | **3,278** | **14,540** | **45,648** |
| **Financial liabilities** | | | | | |
| *Derivatives designated as hedges* | | | | | |
| Foreign exchange forward contracts | 13(b) | - | 394 | - | **394** |
| *Derivatives not designated as hedges* | | | | | |
| Principal swap | 13(b) | - | 220 | - | **220** |
| Contingent consideration (note 32) | 13(b) | - | - | 1,450 | **1,450** |
| **Total financial liabilities** | | **-** | **614** | **1,450** | **2,064** |

113(97)

| ***Assets and liabilities which are measured at amortised cost for which fair values are disclosed*** **At 31 March 2017** | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| *Investments* | | | | | |
| Preference shares | 6(a) | - | - | 4,321 | **4,321** |
| Debentures | 6(a) | - | - | 1,741 | **1,741** |
| Government securities | 6(a) | 1,021 | - | - | **1,021** |
| *Loans* | | | | | |
| Loans to associates | 6(c) | - | - | 861 | **861** |
| Loans to employees | 6(c) | - | - | 73 | **73** |
| Loans to directors | 6(c) | - | - | 698 | **698** |
| Security deposits | 6(e) | - | - | 2,196 | **2,196** |
| **Total financial assets** | | **1,021** | **-** | **9,890** | **10,911** |
| **Financial Liabilities** | | | | | |
| Borrowings | 13(a) | - | - | 47,749 | 47,749 |
| **Total financial liabilities** | | **-** | **-** | **47,749** | **47,749** |

*(All amounts in INR lakhs, unless otherwise stated)*

1(38)

| ***Financial assets and liabilities measured at fair value - recurring fair value measurements At 31 March 2016*** | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| *Financial Investments at FVPL* | | | | | |
| Listed equity investments - utilities sector | 6(a) | 3,936 | - | - | **3,936** |
| Listed equity investments - technology sector | 6(a) | 5,832 | - | - | **5,832** |
| Listed equity investments - financial services sector | 6(a) | 1,599 | - | - | **1,599** |
| Mutual funds - Growth plan | 6(a) | 6,955 | - | - | **6,955** |
| Mutual funds - Dividend plan | 6(a) | 5,781 | - | - | **5,781** |
| *Financial Investments at FVOCI* | | | | | |
| Unquoted equity investments - technology sector | 6(a) | - | - | 4,360 | **4,360** |
| Unquoted equity investments - electronics sector | 6(a) | - | - | 7,760 | **7,760** |
| Unquoted equity investments - consumer durables sector | 6(a) | - | - | 700 | **700** |
| *Derivatives designated as hedges* | | | | | |
| Foreign exchange forward contracts | 6(e) | - | 1,962 | - | **1,962** |
| Foreign currency options | 6(e) | - | 322 | - | **322** |
| Interest rate swaps | 6(e) | - | 434 | - | **434** |
| **Total financial assets** | | **24,103** | **2,718** | **12,820** | **39,641** |
| **Financial liabilities** | | | | | |
| *Derivatives designated as hedges* | | | | | |
| Foreign exchange forward contracts | 13(b) | - | 475 | - | **475** |
| *Derivatives not designated as hedges* | | | | | |
| Principal swap | 13(b) | - | 433 | - | **433** |
| **Total financial liabilities** | | **-** | **908** | **-** | **908** |

1(38)

| ***Assets and liabilities which are measured at amortised cost for which fair values are disclosed At 31 March 2016*** | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| *Investments* | | | | | |
| Preference shares | 6(a) | - | - | 4,211 | **4,211** |
| *Loans* | | | | | |
| Loans to related parties | 6(c) | - | - | 564 | **564** |
| Loans to employees | 6(c) | - | - | 158 | **158** |
| Loans to directors | 6(c) | - | - | 648 | **648** |
| Security deposits | 6(e) | - | - | 1,871 | **1,871** |
| **Total financial assets** | | **-** | **-** | **7,452** | **7,452** |
| **Financial Liabilities** | | | | | |
| Borrowings | 13(a) | - | - | 42,299 | 42,299 |
| **Total financial liabilities** | | **-** | **-** | **42,299** | **42,299** |

(All amounts in INR lakhs, unless otherwise stated)

1(38)

| Financial assets and liabilities measured at fair value - recurring fair value measurements At 1 April 2015 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| *Financial Investments at FVPL* | | | | | |
| Listed equity investments - utilities sector | 6(a) | 3,500 | - | - | **3,500** |
| Listed equity investments - technology sector | 6(a) | 5,750 | - | - | **5,750** |
| Listed equity investments - financial services sector | 6(a) | 2,100 | - | - | **2,100** |
| Mutual funds - Growth plan | 6(a) | 7,125 | - | - | **7,125** |
| Mutual funds - Dividend plan | 6(a) | 6,120 | - | - | **6,120** |
| *Financial Investments at FVOCI* | | | | | |
| Unquoted equity investments - technology sector | 6(a) | - | - | 4,420 | **4,420** |
| Unquoted equity investments - electronics sector | 6(a) | - | - | 7,200 | **7,200** |
| *Derivatives designated as hedges* | | | | | |
| Foreign exchange forward contracts | 6(e) | - | 1,339 | - | **1,339** |
| Interest rate swaps | 6(e) | - | 467 | - | **467** |
| **Total financial assets** | | **24,595** | **1,806** | **11,620** | **38,021** |
| **Financial liabilities** | | | | | |
| *Derivatives designated as hedges* | | | | | |
| Foreign exchange forward contracts | 13(b) | - | 560 | - | **560** |
| *Derivatives not designated as hedges* | | | | | |
| Principal swap | 13(b) | - | 312 | - | **312** |
| **Total financial liabilities** | | **-** | **872** | **-** | **872** |

1(38)

| Assets and liabilities which are measured at amortised cost for which fair values are disclosed At 1 April 2015 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| *Investments* | | | | | |
| Preference shares | 6(a) | - | - | 4,610 | **4,610** |
| *Loans* | | | | | |
| Loans to related parties | 6(c) | - | - | 660 | **660** |
| Loans to employees | 6(c) | - | - | 114 | **114** |
| Loans to directors | 6(c) | - | - | 544 | **544** |
| Security deposits | 6(e) | - | - | 1,480 | **1,480** |
| **Total financial assets** | | **-** | **-** | **7,408** | **7,408** |
| **Financial Liabilities** | | | | | |
| Borrowings | 13(a) | - | - | 38,384 | 38,384 |
| **Total financial liabilities** | | **-** | **-** | **38,384** | **38,384** |

113(76) 113(91)(a) **Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

113(81) 113(91)(a) **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

113(86) **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

113(93)(c),(d) During the year ended 31 March 2017, the group transferred a hedging forward foreign exchange contract from level 2 into level 3 as the counterparty for the derivative encountered significant financial difficulties. This resulted in a significant increase to the discount rate which is not based on observable inputs, as it reflects credit risk specific to the counterparty.

There are no transfers between levels 1 and 2 during the year.

113(95) The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

*(All amounts in INR lakhs, unless otherwise stated)*

### (ii) Valuation technique used to determine fair value

113(93)(d) Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts and principal swap is determined using forward exchange rates at the balance sheet date
- the fair value of foreign currency option contracts is determined using the Black Scholes valuation model
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, contingent consideration and indemnification asset, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

### (iii) Fair value measurements using significant unobservable inputs (level 3)

113(93)(e) The following table presents the changes in level 3 items for the periods ended 31 March 2017 and 31 March 2016:

| | | Unlisted equity securities | Contingent consideration | Hedging derivative | Indemnification asset | Total |
|---|---|---|---|---|---|---|
| | **As at 1 April 2015** | 11,620 | - | - | - | **11,620** |
| | Acquisitions | 760 | - | - | - | **760** |
| | Gains/losses recognised in profit or loss | - | - | - | - | **-** |
| | Gains(losses) recognised in other comprehensive income | 440 | - | - | - | **440** |
| | **As at 31 March 2016** | **12,820** | **-** | **-** | **-** | **12,820** |
| | Acquisitions | 1,414 | - | - | - | **1,414** |
| | Disposal/acquisition of subsidiary (refer note 32) | (680) | 1,050 | - | 400 | **770** |
| | Losses recognised in profit or loss | - | 400 | - | - | **400** |
| | Gains/(losses) recognised in other comprehensive income | 221 | - | - | - | **221** |
| | Transfer from level 2 | - | - | 365 | - | **365** |
| | **As at 31 March 2017** | **13,775** | **1,450** | **365** | **400** | **15,990** |
| 113(93)(f) | Unrealised gains/(losses) recognised in profit and loss related to assets and liabilities held at the end of the reporting period | | | | | |
| | 31 March 2017 | **-** | (400) | **-** | **-** | **(400)** |
| | 31 March 2016 | **-** | - | **-** | **-** | **-** |

*(All amounts in INR lakhs, unless otherwise stated)*

### (iv) Valuation inputs and relationships to fair value

113(93)(d),(99) The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

113(91)(a),(93)(d),(h)(i),(ii),(99)

| Particulars | Fair value as at | | | Significant unobservable inputs* | Probability-weighted range | | | Sensitivity |
|---|---|---|---|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 1 April 2015 | | 31 March 2017 | 31 March 2016 | 1 April 2015 | |
| Unquoted equity shares | 13,775 | 12,820 | 11,620 | Earnings growth rate | 4%-6% | 4.2%-6.3% | 3.8%-5.7% | 2017: Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by INR 575; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by INR 560. |
| | | | | Risk adjusted discount rate | 8.5% -9.2% | 8.4%-9.5% | 8.7%-9.6% | 2016: increasing/decreasing the growth factor and the discount rate by +/- 50bps and 100 bps respectively would change the FV by + INR 480/- INR 470<br><br>2015: increasing/decreasing the growth factor and the discount rate by +/- 50bps and 100 bps respectively would change the FV by + INR 425 INR 420 |
| Contingent consideration | 1,450 | - | - | Expected cash outflows | INR 30,000-INR 45,000 | - | - | If expected cash flows were 10% higher or lower, the FV would increase/decrease by INR 135 |
| | | | | Risk-adjusted discount rate | 8.3%-8.6% | - | - | A change in the discount rate by 100 bps would increase/decrease the FV by INR 90 |
| Hedging derivative | 365 | 395 | - | Credit default rate | 25% | 30% | - | A shift of the credit default rate by +/- 5% results in a change in FV of INR 42 (2016: change in default rate by +/- 6% would result in a change in FV by INR 48) |
| Indemnification asset | 400 | - | - | Probability of outcome of litigation | 40%- 50% | - | - | Change in estimates by 10%, results in increase/decrease in FV by INR 45. |

113(93)(h)(i) * There were no significant inter-relationships between unobservable inputs that materially affect fair values.

### (v) Valuation processes

113(93)(g) The finance department of the group includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every three months, in line with the group's quarterly reporting periods.

The main level 3 inputs for unlisted equity securities, contingent considerations and indemnification asset used by the group are derived and evaluated as follows:

- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by the Group's internal credit risk management group.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.
- Contingent consideration – estimated based on expected cash outflows arising from the forecasted sales (note 32) and the entity's knowledge of the business and how the current economic environment is likely to impact it.
- Indemnification asset – estimated probability of the outcome of litigation based on the management's assessment supported by legal advice.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the quarterly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

*(All amounts in INR lakhs, unless otherwise stated)*

### (vi) Fair value of financial assets and liabilities measured at amortised cost

107(25)

| | 31 March 2017 | | 31 March 2016 | | 1 April 2015 | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** | | | | | | |
| **Investments** | | | | | | |
| Preference shares | 4,500 | 4,321 | 4,500 | 4,211 | 4,500 | 4,610 |
| Debentures | 1,690 | 1,741 | - | - | - | - |
| Government securities | 1,065 | 1,021 | - | - | - | - |
| **Loans** | | | | | | |
| Loan to related parties | 871 | 861 | 571 | 564 | 650 | 660 |
| Loan to directors | 76 | 73 | 166 | 158 | 120 | 114 |
| Loans to employees | 709 | 698 | 659 | 648 | 560 | 544 |
| Security deposits | 2,051 | 2,196 | 1,751 | 1,871 | 1,400 | 1,480 |
| **Total financial assets** | **10,962** | **10,911** | **7,647** | **7,452** | **7,230** | **7,408** |
| **Financial liabilities** | | | | | | |
| Borrowings | 45,665 | 47,749 | 41,020 | 42,299 | 39,019 | 38,384 |
| **Total financial liabilities** | **45,665** | **47,749** | **41,020** | **42,299** | **39,019** | **38,384** |

107(29)(a) The carrying amounts of trade receivables, trade payables, capital creditors and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

113(97), (93)(b),(d) The fair values for loans, security deposits and investment in preference shares were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

113(97), (93)(b),(d) The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

107(25) For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

*Significant estimates*

113(91)(a) 1(125) The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) and (iv) above.

## Commentary - Fair value measurements

### Classes of assets and liabilities

113(94) 1. The disclosures in Ind AS 113 *Fair Value Measurement* must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:
   (a) the nature, characteristics and risks of the asset or liability, and
   (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

113(94) 2. A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet.

### Unrealised gains and losses relating to recurring level 3 measures

113(93)(f) 3. Ind AS 113 does not provide guidance on how to calculate the unrealised gains and losses for recurring level 3 measures. There are three methods generally which would be acceptable under Ind AS provided they are consistently applied. The methods are:
   (a) Balance sheet view: determine unrealised gains and losses as the fair value of the security less its amortised cost base. Under this view, gains and losses are realised at maturity or sale date. Therefore the entire gain or loss is considered unrealised until maturity.
   (b) Statement of profit and loss view: determine unrealised gains and losses as the total gains and losses during the period less the cash received or paid for those items. Under this view each cash receipt or settlement represents a realised gain or loss in its entirety.
   (c) Cash flow view: first determine any realised gains or losses as the difference between the expected cash flows at the beginning of the period and the actual cash flows at the end of the period. Then, determine unrealised gains or losses for items still held at the reporting date as the remaining expected cash flows for future periods at the end of the period less the remaining expected cash flows for future periods at the beginning of the period.

### 107(25)(29) Fair value disclosures: Financial instruments carried at other than fair value

4. An entity shall disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. However, fair values do not need to be disclosed for the following:
   (a) where the carrying amount is a reasonable approximation of fair value (e.g. for cash, short-term trade receivables and payables)
   (b) a contract containing a discretionary participation feature (as described in Ind AS 104 *Insurance Contracts*) where the fair value of that feature cannot be measured reliably.

### Carrying amounts are a reasonable approximation of fair value

5. A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

### Disclosures not illustrated: not applicable to Value Ind AS Limited

6. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 113(96) | Financial assets and financial liabilities with offsetting positions in market risk or counterparty credit risk | Disclose the fact that the exception in Ind AS 113(48) is applied. |
| 113(98) | Financial liabilities with inseparable third-party credit enhancements | Disclose the existence of that enhancement and whether it is reflected in the FV measurement of the liability. |

## Note 29: Financial risk management

107(21C) The group's activities expose it to market risk, liquidity risk and credit risk. In order to minimise any adverse effects on the financial performance of the group, derivative financial instruments, such as foreign exchange forward contracts, foreign currency option contracts are entered to hedge certain foreign currency risk exposures and interest rate swaps to hedge variable interest rate exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements

107(31),(32),(33)

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, trade receivables, derivative financial instruments, financial assets measured at amortised cost. | Aging analysis<br>Credit ratings | Diversification of bank deposits, credit limits and letters of credit |
| Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |
| Market risk – foreign exchange | Future commercial transactions<br>Recognised financial assets and liabilities not denominated in Indian rupee (INR) | Cash flow forecasting<br>Sensitivity analysis | Forward foreign exchange contracts<br>Foreign currency options |
| Market risk – interest rate | Long-term borrowings at variable rates | Sensitivity analysis | Interest rate swaps |
| Market risk – security prices | Investments in equity securities | Sensitivity analysis | Portfolio diversification |

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### (A) Credit risk

107(33)(a),(b) Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to wholesale customers including outstanding receivables.

107(35F) *(i) Credit risk management*

Credit risk is managed on a group basis. For banks and financial institutions, only high rated banks/institutions are accepted.

For other financial assets, the group assesses and manages credit risk based on internal credit rating system. The finance function consists of a separate team who assess and maintain an internal credit rating system. Internal credit rating is performed on a group basis for each class of financial instruments with different characteristics. Value Ind AS Limited assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

VL 1 : High-quality assets, negligible credit risk

VL 2 : Quality assets, low credit risk

VL 3 : Standard assets, moderate credit risk

VL 4 : Substandard assets, relatively high credit risk

VL 5 : Low quality assets, very high credit risk

VL 6 : Doubtful assets, credit-impaired

109(B5.5.17) The group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increase in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as regulatory changes, market interest rate or growth rates) is incorporated as part of the internal rating model.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

107(35F)(b) A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

*(All amounts in INR lakhs, unless otherwise stated)*

*(ii) Provision for expected credit losses*

The group provides for expected credit loss based on the following:

107(35F) (b)-(e),(35G) (a), (35M)

<table>
<tr><th rowspan="2">Internal rating</th><th rowspan="2">Category</th><th rowspan="2">Description of category</th><th colspan="3">Basis for recognition of expected credit loss provision</th></tr>
<tr><th>Investments</th><th>Loans and deposits</th><th>Trade receivables</th></tr>
<tr><td>VL 1</td><td>High quality assets, negligible credit risk</td><td>Assets where the counter-party has strong capacity to meet the obligations and where the risk of default is negligible or nil</td><td rowspan="3">12-month expected credit losses</td><td rowspan="3">12-month expected credit losses</td><td rowspan="5">Life-time expected credit losses (simplified approach)</td></tr>
<tr><td>VL 2</td><td>Quality assets, low credit risk</td><td>Assets where there is low risk of default and where the counter-party has sufficient capacity to meet the obligations and where there has been low frequency of defaults in the past</td></tr>
<tr><td>VL 3</td><td>Standard assets, moderate credit risk</td><td>Assets where the probability of default is considered moderate, counter-party where the capacity to meet the obligations is not strong</td></tr>
<tr><td>VL 4</td><td>Substandard assets, relatively high credit risk</td><td>Assets where there has been a significant increase in credit risk since initial recognition. Assets where the payments are more than 30 days past due</td><td rowspan="2">Life-time expected credit losses</td><td rowspan="2">Life-time expected credit losses</td></tr>
<tr><td>VL 5</td><td>Low quality assets, very high credit risk</td><td>Assets where there is a high probability of default. In general, assets where contractual payments are more than 60 days past due are categorised as low quality assets. Also includes assets where the credit risk of counter-party has increased significantly though payments may not be more than 60 days past due</td></tr>
<tr><td>107(35F)(e) VL 6</td><td>Doubtful assets, credit-impaired</td><td>Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the group. The group categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.</td><td colspan="3">Asset is written off</td></tr>
</table>

**Year ended 31 March 2017:**

*(a) Expected credit loss for loans, security deposits and investments*

107 (35F) (b)-(e), (35G) (a), (35M)

<table>
<tr><th colspan="2">Particulars</th><th>Asset group</th><th>Internal credit rating</th><th>Estimated gross carrying amount at default</th><th>Expected probability of default</th><th>Expected credit losses</th><th>Carrying amount net of impairment provision</th></tr>
<tr><td rowspan="8">Loss allowance measured at 12 month expected credit losses</td><td rowspan="8">Financial assets for which credit risk has not increased significantly since initial recognition</td><td rowspan="2">Investments at amortised cost</td><td rowspan="2">VL1</td><td>7,255</td><td>0%</td><td>-</td><td>7,255</td></tr>
<tr><td>7,255</td><td></td><td></td><td></td></tr>
<tr><td rowspan="4">Loans</td><td>VL 1</td><td>1,079</td><td>0%</td><td>-</td><td>1,079</td></tr>
<tr><td>VL 2</td><td>409</td><td>2.2%</td><td>9</td><td>400</td></tr>
<tr><td>VL 3</td><td>212</td><td>16.5%</td><td>35</td><td>177</td></tr>
<tr><td></td><td>1,700</td><td></td><td>44</td><td>1,656</td></tr>
<tr><td>Security deposits</td><td>VL1</td><td>2,051</td><td>0%</td><td>-</td><td>2,051</td></tr>
<tr><td rowspan="2">Loss allowance measured at life-time expected credit losses</td><td>Financial assets for which credit risk has increased significantly and not credit-impaired *</td><td>NA</td><td>NA</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Financial assets for which credit risk has increased significantly and credit-impaired *</td><td>NA</td><td>NA</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

** These items are included only for illustrative purposes as they are not applicable to Value Ind AS Limited.*

*(All amounts in INR lakhs, unless otherwise stated)*

109(5.5.15) *(b) Expected credit loss for trade receivables under simplified approach*

| Ageing | Not due | 0-30 days past due | 31-60 days past due | 61-90 days past due | 91-120 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|---|---|
| Gross carrying amount | 24,372 | 5,711 | 814 | 716 | 524 | 407 | 32,544 |
| Expected loss rate | 1.7% | 6.0% | 30.6% | 39.3% | 55.2% | 61.0% | |
| Expected credit losses (Loss allowance provision) | 419 | 345 | 250 | 281 | 289 | 248 | 1,832 |
| **Carrying amount of trade receivables (net of impairment)** | **23,953** | **5,366** | **564** | **435** | **235** | **159** | **30,712** |

1(38) **Year ended 31 March 2016:**

*(a) Expected credit loss for loans, security deposits and investments*

| Particulars | | Asset group | Internal credit rating | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|---|---|---|
| Loss allowance measured at 12 month expected credit losses | Financial assets for which credit risk has not increased significantly since initial recognition | Investments at amortised cost | VL1 | 4,500 | 0% | - | 4,500 |
| | | | | **4,500** | | | |
| | | Loans | VL 1 | 409 | 0% | - | 409 |
| | | | VL 2 | 604 | 2.2% | 13 | 591 |
| | | | VL 3 | 460 | 17% | 64 | 396 |
| | | | | **1,473** | | **77** | **1,396** |
| | | Security deposits | VL1 | 1,751 | 0% | **-** | **1,751** |
| Loss allowance measured at life-time expected credit losses | Financial assets for which credit risk has increased significantly and not credit-impaired * | NA | NA | - | - | - | - |
| | Financial assets for which credit risk has increased significantly and credit-impaired * | NA | NA | - | - | - | - |

** These items are included only for illustrative purposes as they are not applicable to Value Ind AS Limited.*

*(b) Expected credit loss for trade receivables under simplified approach*

| Ageing | Not due | 0-30 days past due | 31-60 days past due | 61-90 days past due | 91-120 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|---|---|
| Gross carrying amount | 26,874 | 2,514 | 629 | 692 | 346 | 377 | 31,432 |
| Expected loss rate | 0.7% | 4.0% | 27.0% | 32.0% | 54.0% | 68.0% | |
| Expected credit losses (Loss allowance provision) | 418 | 101 | 171 | 221 | 187 | 256 | 1,354 |
| **Carrying amount of trade receivables (net of impairment)** | **26,456** | **2,413** | **458** | **471** | **159** | **121** | **30,078** |

*(All amounts in INR lakhs, unless otherwise stated)*

1(38) **As at 1 April 2015:**

*(a) Expected credit loss for loans, security deposits and investments*

| Particulars | | Asset group | Internal credit rating | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|---|---|---|
| Loss allowance measured at 12 month expected credit losses | Financial assets for which credit risk has not increased significantly since initial recognition | Investments at amortised cost | VL1 | 4,500 | 0% | - | 4,500 |
| | | | | **4,500** | | | |
| | | Loans | VL 1 | 528 | 0% | - | 528 |
| | | | VL 2 | 550 | 2.2% | 12 | 538 |
| | | | VL 3 | 317 | 17% | 53 | 264 |
| | | | | **1,395** | | **65** | **1,330** |
| | | Security deposits | VL1 | 1,400 | 0% | **-** | **1,400** |
| Loss allowance measured at life-time expected credit losses | Financial assets for which credit risk has increased significantly and not credit-impaired * | NA | NA | - | - | - | - |
| | Financial assets for which credit risk has increased significantly and credit-impaired * | NA | NA | - | - | - | - |

** These items are included only for illustrative purposes as they are not applicable to Value Ind AS Limited.*

*(b) Expected credit loss for trade receivables under simplified approach*

| Ageing | Not due | 0-30 days past due | 31-60 days past due | 61-90 days past due | 91-120 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|---|---|
| Gross carrying amount | 26,472 | 1,166 | 350 | 175 | 554 | 437 | 29,154 |
| Expected loss rate | 1.0% | 4.5% | 27.0% | 29.0% | 52.0% | 64.0% | |
| Expected credit losses (Loss allowance provision) | 178 | 52 | 94 | 51 | 289 | 280 | 944 |
| **Carrying amount of trade receivables (net of impairment)** | **26,294** | **1,114** | **256** | **124** | **265** | **157** | **28,210** |

107(35K)(a) The gross carrying amount of trade receivables is INR 32,544 (31 March 2016 – INR 31,432, 1 April 2015 – INR 29,154).

107(35I)(c) During the period, the group made no write-offs of trade receivables, it does not expect to receive future cash flows or recoveries from collection of cash flows previously written off.

*(All amounts in INR lakhs, unless otherwise stated)*

*(iii) Reconciliation of loss allowance provision- Loans and deposits*

| | Reconciliation of loss allowance | Loss allowance measured at 12 month expected losses | Loss allowance measured at life-time expected losses | |
|---|---|---|---|---|
| 107(35H) | | | Financial assets for which credit risk has increased significantly and not credit-impaired * | Financial assets for which credit risk has increased significantly and credit-impaired * |
| | **Loss allowance on 1 April 2015** | 65 | - | - |
| | Add (Less): Changes in loss allowances due to | | | |
| 107(35I)(a) | Assets originated or purchased | 33 | - | - |
| 107(35I)(b) | Modification of contractual cash flows that did not result in derecognition * | - | - | - |
| 107(35I)(c) | Write – offs | (4) | - | - |
| 107(35I)(c) | Recoveries | (17) | - | - |
| | Changes in risk parameters # | - | - | - |
| 107(35I)(d) | Change in measurement from 12-month to life-time expected losses or vice-versa # | - | - | - |
| | **Loss allowance on 31 March 2016** | **77** | **-** | **-** |
| | Add (Less): Changes in loss allowances due to | | | |
| 107(35I)(a) | Assets originated or purchased | 16 | - | - |
| 107(35I)(b) | Modification of contractual cash flows that did not result in derecognition * | - | - | - |
| 107(35I)(c) | Write – offs | (13) | - | - |
| 107(35I)(c) | Recoveries | (34) | - | - |
| | Changes in risk parameters # | (2) | - | - |
| 107(35I)(d) | Change in measurement from 12-month to life-time expected losses or vice-versa * | - | - | - |
| | **Loss allowance on 31 March 2017** | **44** | **-** | **-** |

*# The change in the loss allowance is due to changes in the probability of default used to calculate 12-month expected credit loss*

** These items are included only for illustrative purposes as they are not applicable to Value Ind AS Limited.*

*(iv) Reconciliation of loss allowance provision – Trade receivables*

| 107(35H) | | |
|---|---|---|
| | **Loss allowance on 1 April 2015** | 944 |
| 107(35I)(a) | Changes in loss allowance | 410 |
| | **Loss allowance on 31 March 2016** | **1,354** |
| 107(35I)(a) | Changes in loss allowance | 478 |
| | **Loss allowance on 31 March 2017** | **1,832** |

*Significant estimates and judgements*

*Impairment of financial assets*

109(5.5.17) 1(125) The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

*(All amounts in INR lakhs, unless otherwise stated)*

### (B) Liquidity risk

107(33)(a),(b),(39)(c),(B11E)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

107(34)(a)

Management monitors rolling forecasts of the group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the group in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

*(i) Financing arrangements*

107(7),(39)(c)
107(50)(a)

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| **Floating rate** | | | |
| - Expiring within one year (bank overdraft and other facilities) | 12,400 | 10,620 | 13,460 |
| - Expiring beyond one year (bank loans) | 9,470 | 8,100 | 5,150 |
| | **21,870** | **18,720** | **18,610** |

107(7),(39)(c)
107(50)(a)

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in INR and have an average maturity of 6.5 years (2016 – 6.9 years, 2015 - 5.9 years).

*(ii) Maturities of financial liabilities*

107(39)(a),(b),(B11B)

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

107(B11D)

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

107(39)(b),(c),(B11)

| Contractual maturities of financial liabilities<br>31 March 2017 | Less than 3 months | 3 months to 6 months | 6 months to 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Borrowings | 1,806 | 714 | 1,629 | 12,197 | 33,828 | 50,174 |
| Obligations under finance lease | 43 | 54 | 91 | 388 | 1,075 | 1,651 |
| Trade payables | 35,730 | 2,281 | - | - | - | 38,011 |
| Other financial liabilities | 7,112 | - | - | 1,520 | - | 8,632 |
| **Total non-derivative liabilities** | **44,691** | **3,049** | **1,720** | **14,105** | **34,903** | **98,468** |
| **Derivatives (net settled)** | | | | | | |
| Foreign exchange forward contracts | 134 | 185 | 154 | - | - | 473 |
| Principal swap | - | - | - | 285 | - | 285 |
| **Total derivative liabilities** | **134** | **185** | **254** | **285** | **-** | **758** |

*(All amounts in INR lakhs, unless otherwise stated)*

1(38)

| Contractual maturities of financial liabilities<br>31 March 2016 | Less than 3 months | 3 months to 6 months | 6 months to 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Borrowings | 191 | 1,820 | 1,583 | 10,985 | 34,035 | 48,614 |
| Obligations under finance lease | 37 | 44 | 62 | 228 | 906 | 1,277 |
| Trade payables | 26,369 | 2,608 | - | - | - | 28,977 |
| Other financial liabilities | 5,358 | - | - | - | - | 5,358 |
| **Total non-derivative liabilities** | **31,955** | **4,472** | **1,645** | **11,213** | **34,941** | **84,226** |
| **Derivatives (net settled)** | | | | | | |
| Foreign exchange forward contracts | 162 | 185 | 182 | - | - | 529 |
| Principal swap | - | 234 | - | 240 | - | 474 |
| **Total derivative liabilities** | **162** | **419** | **182** | **240** | **-** | **1,003** |

1(38)

| Contractual maturities of financial liabilities<br>1 April 2015 | Less than 3 months | 3 months to 6 months | 6 months to 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Borrowings | 132 | 1,855 | 1,564 | 10,331 | 28,090 | 41,972 |
| Obligations under finance lease | 37 | 44 | 53 | 198 | 940 | 1,272 |
| Trade payables | 32,485 | 1,710 | - | - | - | 34,195 |
| Other financial liabilities | 13,166 | - | - | - | - | 13,166 |
| **Total non-derivative liabilities** | **45,820** | **3,609** | **1,617** | **10,529** | **29,030** | **90,605** |
| **Derivatives (net settled)** | | | | | | |
| Foreign exchange forward contracts | 174 | 153 | 267 | - | - | 594 |
| Principal swap | - | - | - | 374 | - | 374 |
| **Total derivative liabilities** | **174** | **153** | **267** | **374** | **-** | **968** |

### (C) Market risk

### (i) Foreign currency risk

107(22A)(a) The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US$, EUR and Chinese renminbi (RMB). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimise the volatility of the INR cash flows of highly probable forecast transactions.

107(22A)(b)(c) The group's risk management policy is to hedge around 70% to 80% of forecasted foreign currency sales for the subsequent 15 months. As per the risk management policy, foreign exchange forward contracts are taken to hedge around 40% to 50% of the forecasted sales. The group's risk management policy also permits the use of foreign currency option contracts to hedge around 20% to 30% of forecasted sales to minimise the downside risk while retaining the upside by incurring a cost (option premium).

The group also imports certain materials which are denominated in EUR which exposes it to foreign currency risk. To minimise the risk of imports, the group hedges around 60% of forecasted imports up to 9 months in advance by entering into foreign exchange forward contracts.

107(22B) The group uses a combination of foreign currency option contracts and foreign exchange forward contracts to hedge its exposure in foreign currency risk. The group designates the spot element of forward contracts and the intrinsic value of foreign currency option contracts as the hedging instrument. The changes in the forward element that relate to the hedged item ('aligned forward element') and the changes in time value that relate to the hedged item ('aligned time value') are deferred in the costs of hedging reserve and recognised against the related hedged transaction when it occurs. The forward element and the time value relate to the respective hedged item if the critical terms of the forward or the option are aligned with hedged item. Any residual time value and forward points (the non-aligned portion) are recognised in the statement of profit and loss. During the years ended 31 March 2017 and 2016, the group did not have any hedging instruments with terms which were not aligned with those of the hedged items.

109(6.5.16) The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

109(6.5.15) The intrinsic value of foreign exchange option contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the spot market exchange rate is defined as the intrinsic value. Time value of the option is the difference between fair value of the option and the intrinsic value.

*(a) Hedge of net investment in foreign entity*

107(22),(24)(c) In 2017, the parent entity has entered into a bank loan amounting to INR 2,500 which is denominated in Chinese renminbi (RMB). This loan, which was taken to provide additional equity to the Chinese subsidiary, has been designated as a hedge of the net investment in this subsidiary. The fair value and carrying amount of the borrowing at 31 March 2017 is INR 2,026 (31 March 2016 – nil, 1 April 2015 - nil). The foreign exchange gain of INR 480 (31 March 2016 –nil 1 April 2015 – nil) on translation of the borrowing to INR at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve, in shareholders' equity (note 12). There was no ineffectiveness to be recorded from hedges of net investment in foreign entity.

*(All amounts in INR lakhs, unless otherwise stated)*

107(31), (34)(c)

*(b) Foreign currency risk exposure:*

*The groups exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows*

| | 31 March 2017 | | | 31 March 2016 | | | 1 April 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | USD | EUR | RMB | USD | EUR | RMB | USD | EUR | RMB |
| *Financial assets* | | | | | | | | | |
| Investment in bonds and debentures | 9,521 | - | - | - | - | - | - | - | - |
| Trade receivables | 4,300 | 1,843 | 1,228 | 3,609 | 2,707 | 902 | 3,667 | 1,693 | 846 |
| Bank balance in EEFC accounts | 7,750 | - | - | 3,473 | - | - | 2,263 | - | - |
| *Derivative assets* | | | | | | | | | |
| *Foreign exchange forward contracts* | | | | | | | | | |
| Sell foreign currency | (21,850) | - | - | (19,640) | - | - | (20,690) | - | - |
| *Foreign currency option contracts* | | | | | | | | | |
| Sell foreign currency | - | (9,300) | (13,500) | - | (11,300) | (13,200) | - | - | - |
| **Net exposure to foreign currency risk (assets)** | **(279)** | **(7,457)** | **(12,272)** | **(12,558)** | **(8,593)** | **(12,298)** | **(14,760)** | **1,693** | **846** |
| *Financial liabilities* | | | | | | | | | |
| Foreign currency loan | 1,741 | - | - | 3,327 | - | - | 3,196 | - | - |
| Bank loan | - | - | 2,026 | - | - | - | - | - | - |
| Trade payables | - | 8,743 | - | - | 6,375 | - | - | 7,181 | - |
| *Derivative liabilities* | | | | | | | | | |
| *Foreign exchange forward contracts* | | | | | | | | | |
| Buy foreign currency | - | (23,200) | - | - | (19,300) | - | - | (22,900) | - |
| *Principal swap* | | | | | | | | | |
| Buy foreign currency | (1,550) | - | - | (3,100) | - | - | (3,100) | - | - |
| **Net exposure to foreign currency risk (liabilities)** | **191** | **(14,457)** | **2,026** | **227** | **(12,925)** | **-** | **96** | **(15,719)** | **-** |

*(c) Sensitivity*

107(40)(a), (b),(c)

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts, foreign exchange option contracts designated as cash flow hedges.

| | Impact on profit after tax | | Impact on other components of equity | |
|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| USD sensitivity | | | | |
| INR/USD -Increase by 8% (31 March 2016-9%)* | (200) | (170) | (418) | (744) |
| INR/USD -Decrease by 8% (31 March 2016-9%)* | 200 | 170 | 418 | 744 |
| EUR sensitivity | | | | |
| INR/EUR-Increase by 9% (31 March 2016-10%)* | 267 | 369 | 205 | 222 |
| INR/EUR-Decrease by 9% (31 March 2016-10%)* | (267) | (369) | (205) | (222) |
| RMB sensitivity | | | | |
| INR/RMB-Increase by 6% (31 March 2016-7%)* | (177) | (664) | (307) | (571) |
| INR/RMB-Increase by 6% (31 March 2016-7%)* | 177 | 664 | 307 | 571 |

* Holding all other variables constant

*(All amounts in INR lakhs, unless otherwise stated)*

### (ii) Cash flow and fair value interest rate risk

107(33)(a), (b) The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain most of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 31 March 2017 and 31 March 2016, the group's borrowings at variable rate were mainly denominated in INR, USD and RMB.

107(App A) The group's fixed rate borrowings are carried at amortised cost. They 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.

107(22) The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly.

*(a) Interest rate risk exposure*

107(34)(a) The exposure of the group's borrowing to interest rate changes at the end of the reporting period are as follows:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Variable rate borrowings | 5,814 | 5,853 | 4,983 |
| Fixed rate borrowings | 39,851 | 35,167 | 34,126 |
| **Total borrowings** | **45,665** | **41,020** | **39,019** |

As at the end of the reporting period, the group had the following variable rate borrowings and interest rate swap contracts outstanding:

| | 31 March 2017 | | | 31 March 2016 | | | 1 April 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Weighted average interest rate | Balance | % of total loans | Weighted average interest rate | Balance | % of total loans | Weighted average interest rate | Balance | % of total loans |
| | % | | | % | | | % | | |
| Bank overdrafts, bank loans | 8.9% | 5,814 | 11.86% | 9.4% | 5,853 | 14.27% | 10.4% | 4,983 | 12.77% |
| Interest rate swaps (notional principal amount) | 8.1% | (4,010) | | 9.3% | (4,123) | | 8.4% | (3,850) | |
| **Net exposure to cash flow interest rate risk** | | 1,804 | | | 1,730 | | | 1,133 | |

An analysis by maturities is provided in note 29(B)(ii) above. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

*(b) Sensitivity*

107(40)(a) Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges related to borrowings.

| | Impact on profit after tax | | Impact on other components of equity | |
|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| Interest rates – increase by 70 basis points (60 bps) * | 82 | 59 | (187) | (143) |
| Interest rates – decrease by 70 basis points (60 bps) * | (82) | (59) | 187 | 143 |

* Holding all other variables constant

*(All amounts in INR lakhs, unless otherwise stated)*

### (iii) Price risk

*(a) Exposure*

107(33)(a) The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss (note 28).

107(33)(b) To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The majority of the group's equity investments are publicly traded and are included in the NSE Nifty 50 index.

*(b) Sensitivity*

107(40)(a), (b) The table below summarises the impact of increases/decreases of the index on the group's equity and profit for the period. The analysis is based on the assumption that the equity index had increased by 9% or decreased by 7% with all other variables held constant, and that all the group's equity instruments moved in line with the index.

| | Impact on profit after tax | | Impact on other components of equity | |
|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| NSE Nifty 50 – increase 9% (2016 – 6%) | 385 | 361 | 336 | 280 |
| NSE Nifty 50 – decrease 7% (2016 – 5%) | (257) | (193) | (224) | (180) |

Profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value though other comprehensive income.

*(All amounts in INR lakhs, unless otherwise stated)*

## Impact of hedging activities

*(a) Disclosure of effects of hedge accounting on financial position:*

107(24A)
(a-d)

107(24B)
(b)

| 31 March 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Type of hedge and risks | Nominal value | | Carrying amount of hedging instrument | | Maturity date | Hedge ratio* | Weighted average strike price/rate | Changes in fair value of hedging instrument | Change in the value of hedged item used as the basis for recognising hedge effectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | | |
| **Cash flow hedge** | | | | | | | | | |
| Foreign exchange risk | | | | | | | | | |
| (i) Foreign exchange forward contracts | 21,850 | 23,200 | 2,447 | 394 | April 2017 – June 2018 | 1:1 | US$ 1: INR 65<br>EUR 1: INR 73.5 | 1,211 | (1,211) |
| (ii) Foreign currency options | 22,800 | - | 594 | - | April 2017 – May 2018 | 1:1 | RMB 1: INR 9.65<br>EUR 1: INR 72.7 | 826 | (826) |
| Interest rate risk | | | | | | | | | |
| Interest rate swap | 4,010 | - | 602 | - | April 2017 – December 2018 | 1:1 | 8.1% | 395 | (395) |
| **Net investment hedge** | | | | | | | | | |
| Foreign exchange risk | | | | | | | | | |
| Foreign currency loan | 2,500 | - | - | 2,026 | November 2020 | 1:1 | - | 480 | (480) |

1(38)

| 31 March 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Type of hedge and risks | Nominal value | | Carrying amount of hedging instrument | | Maturity date | Hedge ratio* | Weighted average strike price/rate | Changes in fair value of hedging instrument | Change in the value of hedged item used as the basis for recognising hedge effectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | | |
| **Cash flow hedge** | | | | | | | | | |
| Foreign exchange risk | | | | | | | | | |
| (i) Foreign exchange forward contracts | 19,640 | 19,300 | 1,962 | 475 | April 2016 – May 2017 | 1:1 | US$ 1: INR 64<br>EUR 1: INR 72.8 | 1,295 | (1,295) |
| (ii) Foreign currency options | 24,500 | - | 322 | - | April 2016 – May 2018 | 1:1 | RMB 1: INR 9.15<br>EUR 1: INR 72.1 | 493 | (493) |
| Interest rate risk | | | | | | | | | |
| Interest rate swap | 4,123 | - | 434 | - | April 2016 – Aug 2017 | 1:1 | 9.3% | 198 | (198) |

*(All amounts in INR lakhs, unless otherwise stated)*

1(38)

| 1 April 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Type of hedge and risks | Nominal value | | Carrying amount of hedging instrument | | Maturity date | Hedge ratio* | Weighted average strike price/rate | Changes in fair value of hedging instrument | Change in the value of hedged item used as the basis for recognising hedge effectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | | |
| **Cash flow hedge** | | | | | | | | | |
| Foreign exchange risk | | | | | | | | | |
| Foreign exchange forward contracts | 20,690 | 22,900 | 1,339 | 560 | April 2015 – July 2016 | 1:1 | US$ 1: INR 64.5<br>EUR 1: INR 71.6 | NA | NA |
| Interest rate risk | | | | | | | | | |
| Interest rate swap | 3,850 | - | 467 | - | April 2015 – Sep 2016 | 1:1 | 8.4% | NA | NA |

*The foreign exchange forward and option contracts are denominated in the same currency as the highly probable future sales and purchases, therefore the hedge ratio is 1:1. The notional amount of interest rate swap is equal to the portion of variable rate loans that is being hedged, and therefore the hedge ratio for interest rate swap is also 1:1. The entire amount of foreign currency loan (RMB) is designated as hedge of net investment and hence the hedge ratio is 1:1.

***(b) Disclosure of effects of hedge accounting on financial performance***

107(24C) (b)

| 31 March 2017<br>Type of hedge | Change in the value of the hedging instrument recognised in other comprehensive income | Hedge ineffectiveness recognised in profit or loss | Amount reclassified from cash flow hedging reserve to profit or loss | Line item affected in statement of profit and loss because of the reclassification |
|---|---|---|---|---|
| **Cash flow hedge** | | | | |
| (i) Foreign exchange risk | 2,037 | - | 1,222 | Revenue |
| (ii) Interest rate risk | 395 | - | 227 | Finance cost |
| **Net investment hedge** | | | | |
| Foreign exchange risk | 480 | - | - | NA |

1(38)

| 31 March 2016<br>Type of hedge | Change in the value of the hedging instrument recognised in other comprehensive income | Hedge ineffectiveness recognised in profit or loss | Amount reclassified from cash flow hedging reserve to profit or loss | Line item affected in statement of profit and loss because of the reclassification |
|---|---|---|---|---|
| **Cash flow hedge** | | | | |
| (i) Foreign exchange risk | 1,788 | - | 864 | Revenue |
| (ii) Interest rate risk | 198 | - | 231 | Finance cost |

107(23D) The group's hedging policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

Ineffectiveness is recognised on a cash flow hedge and net investment hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of foreign currency forecast sale and purchase transactions, hedges of interest rate risk and hedges of net investment this may arise if:

107(23D)
- the critical terms of the hedging instrument and the hedged item differ (i.e. nominal amounts, timing of the forecast transaction, interest resets changes from what was originally estimated), or
- differences arise between the credit risk inherent within the hedged item and the hedging instrument.

There were no ineffectiveness recognised in the statement of profit and loss during 31 March 2017 and 31 March 2016.

*(All amounts in INR lakhs, unless otherwise stated)*

107(24E),(24F) *Movements in cash flow hedging reserve and costs of hedging reserve*

| Risk category | Foreign currency risk | | Interest rate risk | Total |
|---|---|---|---|---|
| Derivative instruments | Foreign exchange forward contracts | Foreign currency options | Interest rate swaps | |
| *(i) Cash flow hedging reserve* | | | | |
| **As at 1 April 2015** | 545 | - | 327 | **872** |
| Add: Changes in discounted spot element of foreign exchange forward contracts | 1,295 | - | - | **1,295** |
| Add: Changes in intrinsic value of foreign currency options | - | 493 | - | **493** |
| Add: Changes in fair value of interest rate swaps | - | - | 198 | **198** |
| Less: Amounts reclassified to profit or loss | (712) | (152) | (231) | **(1,095)** |
| Less: Amounts included in cost of inventory | 187 | - | - | **187** |
| Less: Deferred tax relating to above (net) | (231) | (102) | 10 | **(323)** |
| **As at 31 March 2016** | 1,084 | 239 | 304 | **1,627** |
| Add: Changes in discounted spot element of foreign exchange forward contracts | 1,211 | - | - | **1,211** |
| Add: Changes in intrinsic value of foreign currency options | - | 826 | - | **826** |
| Add: Changes in fair value of interest rate swaps | - | - | 395 | **395** |
| Less: Amounts reclassified to profit or loss | (809) | (413) | (227) | **(1,449)** |
| Less: Amounts included in cost of inventory | 242 | - | - | **242** |
| Less: Deferred tax relating to above (net) | (193) | (124) | (51) | **(368)** |
| **As at 31 March 2017** | 1,535 | 528 | 421 | **2,484** |
| *(ii) Costs of hedging reserve* | | | | |
| **As at 1 April 2015** | (32) | - | | **(32)** |
| *Add: Deferred costs of hedging-transaction related* | | | | |
| Deferred time value of foreign currency option contracts | - | (79) | - | **(79)** |
| Deferred forward points relating to foreign exchange forward contracts | (303) | - | - | **(303)** |
| Less: Included in the carrying amount of hedged item | 222 | 58 | - | **280** |
| Less: Deferred tax relating to above (net) | 25 | 6 | - | **31** |
| **As at 31 March 2016** | **(88)** | **(15)** | **-** | **(103)** |
| *Add: Deferred costs of hedging-transaction related* | | | | |
| Deferred time value of foreign currency option contracts | - | (291) | - | **(291)** |
| Deferred forward points relating to foreign exchange forward contracts | (429) | - | - | **(429)** |
| Less: Included in the carrying amount of hedged item | 333 | 150 | - | **483** |
| Less: Deferred tax relating to above (net) | 29 | 42 | - | **71** |
| **As at 31 March 2017** | **(155)** | **(114)** | **-** | **(269)** |

## Commentary - Financial risk management

**Classes of financial instruments**

107(6),(B1)-(B3)

1. Where Ind AS 107 requires disclosures by class of financial instrument, the entity shall group its financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The entity shall provide sufficient information to permit reconciliation to the line items presented in the balance sheet. Guidance on classes of financial instruments and the level of required disclosures is provided in Appendix B of Ind AS107.

32(11)

2. Ind AS 107 does not apply to the following items as they are not financial instruments as defined in paragraph 11 of Ind AS 32:
   (a) prepayments made/advances received (right to receive future good or service, not cash or a financial asset)
   (b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
   (c) deferred revenue and warranty obligations (obligation to deliver good or service, not cash or financial asset)

**Level of detail and selection of assumptions – information through the eyes of management**

107(34)(a)

3. The disclosures in relation to the financial risk management of an entity should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in these illustrative financial statements are only one example of the type of information that may be disclosed and you should consider carefully what may be appropriate in your individual circumstances.

**Derivative financial instruments**

*Classification as current or non-current*

1(66),(69)

4. Financial instruments which are held for trading does not mean that they must necessarily be presented as current in the balance sheet. Financial assets should only be presented as current assets if the entity expects to realise them within 12 months. If a financial liability is primarily held for trading purposes it should be presented as current. If it is not held for trading purposes, it should be presented as current or non-current on the basis of its settlement date.
5. The treatment of hedging derivatives will be similar. Where a portion of a financial asset is expected to be realised within 12 months of the end of the reporting period, that portion should be presented as a current asset; the remainder of the financial asset should be shown as a non-current asset. This suggests that hedging derivatives should be split into current and non-current portions. However, as an alternative, the full fair value of hedging derivatives could be classified as current if the hedge relationships are for less than 12 months and as non-current if those relationships are for more than 12 months. Value Ind AS Limited has elected the latter option.

**Market risk**

*Foreign currency risk*

107(B23)

6. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks. Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under Ind AS 21 is not fully eliminated.

*Interest rate risk – fixed rate borrowings*

7. Sensitivity to changes in interest rates is normally only relevant to financial assets or financial liabilities bearing floating interest rates. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities which are remeasured to fair value.

**Liquidity risk**

*Maturity analysis*

107(B11B)

8. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows. This could be the case for derivative contracts that are held for trading. For contracts such as interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments, the remaining contractual maturities will be essential for an understanding of the timing of the cash flows. These contracts must therefore be grouped based on their contractual maturities.

107(3),(B11D)

9. The amounts disclosed should be the amounts expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, Ind AS 107 does not specify whether current or forward rates should be used. The use of forward rates are a better approximation of future cash flows.

## Commentary - Financial risk management

107(B11C)(c) 10. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. For financial guarantee contracts, the maximum amount of the guarantee must be allocated to the earliest period in which the guarantee could be called.

11. As the amounts included in the maturity tables are the contractual undiscounted cash flows, including principal and interest payments, these amounts will not reconcile to the amounts disclosed in the balance sheet. This is in particular as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties into the balance sheet and a reconciling column if they so wish, but this is not mandatory.

*Financing arrangements*

7(50)(a)
107(39)(c) 12. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. Ind AS 7 also recommends disclosure of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

*Terms and conditions of financial instruments*

107(7),(31) 13. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. Under normal circumstances entities may not be required to disclose the significant terms and conditions for each of their major borrowings. Nevertheless, if an entity has a borrowing or other financial instrument with unusual terms and conditions, then some information should be provided to enable users to assess the nature and extent of risks associated with these instruments.

**Disclosure not illustrated: not applicable to Value Ind AS Limited**

14. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 107(15) | Collateral held by the entity which can be sold or repledged | Disclose the fair value of the collateral held, the fair value of collateral sold or repledged and whether it must be returned, and the terms and conditions associated with the collateral. |
| 107(23F) | Hedge accounting – forecast transaction is no longer expected to occur | Include a description of the transaction. |
| 107(35),(42) | Quantitative data is unrepresentative of the entity’s risk exposure | Provide further information as necessary. |
| 107(39)(a),(B10)(c), (B11C) (c) | Financial guarantee contract | This must be included in the maturity table in the earliest time bucket in which it can be called. |

15. Financial assets and liabilities at FVPL

| | Issue not illustrated | Relevant disclosures or reference |
|---|---|---|
| 107(8)(a) | The entity has financial assets measured at FVPL of which:<br>• some were designated as such upon initial recognition<br>• some were designated as such in accordance with IND AS109 (6.7.1)<br>• some are mandatorily measured at FVPL in accordance with the requirements of Ind AS 109. | Disclose each of these financial assets separately.<br>All of Value Ind AS’s financial assets which are measured at FVPL are mandatorily measured at FVPL in accordance with the requirements of Ind AS 109. Value Ind AS Limited does not have any financial assets which were designated as measured at FVPL on initial recognition or designated as measured at FVPL in accordance with paragraph 6.7.1 of Ind AS 109. Hence this disclosure does not apply. |
| 107(9) | The entity has designated financial assets at FVPL which would otherwise be measured at FVOCI. | Provide additional disclosures as per IND AS 107(9). |
| 107(11)(b) | The entity believes that the disclosures on how credit risk is calculated in relation to financial liabilities designated at FVPL do not faithfully represent the fair value changes due to credit risk. | Disclose the reason for reaching this conclusion and what alternative factors would be relevant. |
| 107(11)(c) | For financial liabilities designated at FVPL, there is an accounting mismatch which will be exacerbated by presenting changes of fair value due to credit risk in OCI. | Disclose a detailed economic relationship for the asset and liability as described in IND AS109 (B5.7.6). |

## Commentary - Financial risk management

16. Financial assets and liabilities at FVOCI

| | Issue not illustrated | Relevant disclosures or reference |
|---|---|---|
| 107(20)(a)(viii)<br>107(12D) | A gain or loss recognised on disposal of debt instruments held at FVOCI. | Show separately:<br>• the amount of gain or loss recognised in other comprehensive income during the period, and<br>• the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period. |

17. Financial assets at amortised cost

| | Issue not illustrated | Relevant disclosures or reference |
|---|---|---|
| 107(20A) | Disposal of financial assets at amortised cost. | Disclose an analysis of the gain or loss recognised and the reasons for derecognising the financial assets (showing separately the gains and losses). |
| 107(42N) | Disclosure in future periods for financial assets held at fair value reclassified to be held at amortised cost, where the new carrying amount is deemed to be the current fair value. | Disclose the effective interest rate determined at the date of reclassification and the interest revenue or expense recognised, each period, until the financial asset is derecognised. |
| 109(5.1.1A) | The transaction price at origination of the financial asset is different to its fair value at origination. | The entity should recognise the difference as a gain or loss only where the fair value is evidenced by a quoted price in an active market for an identical asset, or based on a valuation technique using only data from observable markets. In all other cases, the difference would be deferred and subsequently recognised as a gain or loss only to the extent that it arises from change in a factor that market participants would take into account when pricing the asset. |
| 107(12D)<br>109(4.1.1),(5.6.1)-(5.6.7) | Financial assets were reclassified to amortised cost, from FVOCI or FVPL during the period. | Disclose the change in business model, the fair value of the financial assets at the end of the reporting period and the fair value gain or loss which would have been recognised in OCI or profit or loss during the period had the financial assets not been reclassified. |

18. Hedge accounting disclosures

| | Issue not illustrated | Relevant disclosures or reference |
|---|---|---|
| 107(22C) | The entity has designated a specific risk component of an asset in a hedge relationship. | Provide information about how the entity has determined the risk component that is designated as the hedged item and how this component relates to the item in its entirety.<br>For example: The group purchases fuel for use in its manufacturing process. The fuel supplier charges the group for fuel delivered based on a formula which includes the spot price of Brent Crude oil at the delivery date. The future purchases of fuel are subject to market price risk, which the group hedges using Brent Crude Oil futures with critical terms matching the terms of the forecast purchase.<br>Brent Crude oil is a separately identifiable component of the forecast purchase as it is explicitly specified in the supply contract price. As there is a market for Brent Crude oil futures, the exposure is considered to be reliably measurable.<br>Accordingly, the Brent Crude oil futures are designated as cash flow hedges of the forecast purchases of fuel.<br>Historically, the Brent Crude oil component has accounted for 80% of the cost of fuel supplied. |
| 107(24B)(a),(24C)(a) | The entity has designated fair value hedges | Provide the disclosures required by IND AS 107 (24B (a)) and (24C (a)). |

## Commentary - Financial risk management

| | Issue not illustrated | Relevant disclosures or reference |
|---|---|---|
| 107(23F)<br>107(24C)(b)(iv)<br>107(24C)(b)(v) | The entity designated forecast future transactions in hedge relationships which are no longer expected to occur. | Provide the information required by IND AS 107 (23F).<br>The entity would also need to disclose:<br>• any amount reclassified from the cash flow hedging reserve and/or costs of hedging reserve into profit or loss as a reclassification adjustment, differentiating between amounts reclassified due to future transactions no longer being expected to occur and hedge ineffectiveness, and<br>• the line item in the statement of profit and loss containing the reclassification adjustment. |
| 107(24C)(b)(vi) | Designate net positions in hedge relationships. | Disclose the hedging gains or losses recognised in each separate line item in the statement of profit and loss. |
| 107(24G)-(30) | The entity has a credit derivative to manage the credit risk of a financial instrument and has designated the financial instrument, or a proportion of it, as measured at FVPL. | Provide the information required by IND AS 107 (24G) – (30) |
| 107(24B)(b)(iii) | Cessation of hedging relationships during the year. | Disclose the balances remaining in the cash flow hedging reserve and the foreign currency translation reserve for any hedge relationships which have been terminated. |
| 107(23E) | There are new sources of hedge ineffectiveness emerging in the hedge relationship that are not already disclosed in note 29. | Disclose the new sources of hedge ineffectiveness by risk category and explain the nature of the ineffectiveness. |
| 107(24D) | The entity believes that the volume of hedge relationships at the end of the reporting period is unrepresentative of normal volumes during the period. | Disclose that fact and the reason why the entity believes the volumes are unrepresentative. |
| 109(6.1.15), (B6.5.30) | Recognition of hedging gains/losses for cash flow hedges involving time period related hedge items (such as an interest rate cap covering a period of time) | Both the deferred hedging gains and losses and the aligned time value of the option contracts are reclassified to profit or loss as the hedged item affects earnings.<br>Example accounting policy disclosure:<br>Where the hedged item is a time-period related item (such as a currency swap contract hedging foreign currency interest payments) both the deferred hedging gains and losses and the aligned time value are reclassified to profit or loss as the hedged item affects earnings. |
| 109(B6.5.32) | Further information of the deferral of the aligned time value component | The accounting for the time value of options applies only to the extent that the time value relates to the hedged item (aligned time value). The time value of an option relates to the hedged item if the critical terms of the option (such as the notional amount, life and underlying) are aligned with the hedged item. Hence, if the critical terms of the option and the hedged item are not fully aligned, an entity shall determine the aligned time value, i.e. how much of the time value included in the premium (actual time value) relates to the hedged item. An entity determines the aligned time value using the valuation of an option that would have critical terms that perfectly match the hedged item. |

## Commentary - Financial risk management

19. Credit risk and impairment disclosures

| | Issue not illustrated | Relevant disclosures or reference |
|---|---|---|
| 107(35F)(c) | The entity has grouped financial instruments to measure expected credit losses on a collective basis. | Disclose how those instruments are grouped. |
| 107(35F)(f),(35J) | The entity has financial assets which are subject to the impairment requirements of IND AS 109 and which have had modifications to their contractual cash flows. | Provide the disclosures required by IND AS 107 (35F (f)) and (35J). |
| 107(35H)(c), 107(35I) | The entity has purchased or originated financial assets which are credit impaired. | Disclose the information required by IND AS 107 (35H(c)) and (35I). |
| 107(35K) | The entity has received collateral or other credit enhancements in relation to its financial assets. | Explain the effect of the collateral and other credit enhancements on the amounts arising from expected credit losses by disclosing the information set out in IND AS 107 (35K). |

20. Other items

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 107(28) | Fair value determined using valuation techniques – gain or loss on initial recognition | Disclose the accounting policy for recognising the difference in profit or loss, the aggregate difference yet to be recognised and why the transaction price was not the best evidence of fair value. |
| 107(42D) | Transferred financial assets not derecognised in their entirety | Provide additional disclosures where the entity has recognised the assets only to the extent of its continuing involvement and where the counterparty to the liabilities has recourse only to the transferred assets. |
| 107(42E)-(42H) | Transferred assets that are derecognised in their entirety but where the entity has continuing involvement | Various disclosures, see Ind AS 107(42E)-(42H) for details. |
| 107(8)-(11),(20)(a) | Financial assets and financial liabilities designated at fair value through profit or loss (FVPL) | Various balance sheet and profit and loss disclosures, see Ind AS 107 for details. |
| 107(20)(c) | Fee expense on financial liabilities that are not at FVPL | Disclose amount, if material. |
| 107(18),(19) | Defaults and breaches in relation to financial liabilities | Disclose details of defaults (see illustrative example below). |
| 107(29)(c),(30) | Fair values are not disclosed for financial liability contracts with discretionary participation features | Disclose information to help users make their own judgements about the extent of possible differences between the carrying amount and the fair value. |
| 107(36) | The entity has financial assets that are within the scope of IND AS 107 but which are not subject to the impairment requirements of IND AS 109. | Disclose the amount that best represent the maximum exposure to credit risk and describe any collateral held as security and other credit enhancements and their financial effect. |
| 107(35E) | The entity believes that the credit risk disclosures are not sufficient to meet the objective of IND AS 107(25B). | Provide additional disclosures relevant to the users of the financial statements. |

## Commentary – Financial risk management

21. The following illustrative disclosures may be useful where relevant to an entity:

*Put option arrangements*

(a) Entities that have put option arrangements should consider explaining the accounting for these, as the individual terms and conditions (and hence the accounting) may vary. An illustrative policy could read as follows (but will need to be tailored depending on the specific arrangements):

32(11),(23) The group has written put options over the equity of its XYZ subsidiary which permit the holder to put their shares in the subsidiary back to the group at their fair value on specified dates over a 5 year period. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

*Designation of financial assets or financial liabilities as at fair value through profit or loss*

107(B5)(a) (b) Entities that have designated financial assets or financial liabilities as at fair value through profit or loss must disclose the nature of the relevant assets and liabilities and provide additional information in relation to the designation. An illustrative policy could read as follows:

The group designates a financial asset or financial liability at fair value through profit or loss where designation significantly reduces a measurement inconsistency which may arise where a financial asset and a financial liability are measured using different methods.

During the reporting period, the group has financed fixed rate assets (not classified as amortised cost) with fixed rate debentures. Measurement inconsistency arises from measuring the assets at fair value through profit or loss and the debentures at amortised cost (no recognition of fair value changes). Management has therefore designated both the financial assets and financial liabilities as at fair value through profit or loss, as this designation will result in more relevant information through the consistent recognition of opposing movements in fair value.

*Defaults and breaches in relation to financial liabilities*

107(18) (c) Example disclosures for a default in relation to a borrowing could read as follows:

In the third quarter of 2017, the group was overdue paying interest on bank borrowings with a carrying amount of INR XXX. The group experienced a temporary shortage of cash because cash outflows in the second and third quarter were higher than anticipated due to business expansions. As a result, interest of INR XXX was not paid on the due date of 30 September 2016.

The company has since paid all outstanding amounts (including additional interest and penalties for late payment) during the fourth quarter of 2017.

Management expects that the company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

(All amounts in INR lakhs, unless otherwise stated)

## Note 30: Capital management

### (a) Risk management

1(134), (135),(136) The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents)

divided by

Total 'equity' (as shown in the balance sheet, including non-controlling interests).

1(134), (135),(136) The group's strategy is to maintain a gearing ratio within 30%. The gearing ratios were as follows:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Net debt | 20,634 | 33,985 | 32,888 |
| Total equity | 267,839 | 192,859 | 157,422 |
| **Net debt to equity ratio** | **8%** | **18%** | **21%** |

*(i) Loan covenants*

1(135)(d) Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants:

- the gearing ratio must be not more than 50%, and
- the ratio of net finance cost to EBITDA must be not more than 10%.

The group has complied with these covenants throughout the reporting period. As at 31 March 2017, the ratio of net finance cost to EBITDA was 4% (31 March 2016 – 3%).

### (b) Dividends

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | *(i) Equity shares* | | |
| 1(107),Sch III | Final dividend for the year ended 31 March 2016 of INR 0.25 (31 March 2015 – INR 0.50) per fully paid share | 315 | 600 |
| 1(107) | Interim dividend for the year ended 31 March 2017 of INR 0.90 (31 March 2016 – INR 0.73) per fully paid share | 1,365 | 900 |
| | *(ii) Dividends not recognised at the end of the reporting period* | | |
| 1(137)(a) 10(12) | In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of INR 0.30 per fully paid equity share (31 March 2016 – INR 0.25). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. | 672 | 315 |

## Commentary - Capital management

**Capital risk management**

1(134),(135) 1. Capital is not defined in any of the Ind AS. Entities must describe what they manage as capital based on the type of information that is provided internally to the key management personnel. It therefore depends on the individual entity as to whether capital includes interest-bearing debt or not. If such debt is included, however, and the loan agreements include capital requirements such as financial covenants that must be satisfied, then these need to be disclosed under paragraph 135(d) of Ind AS 1.

**Dividends**

*Parent vs consolidated information*

2. The dividends disclosed in this note are only those paid by the parent entity and do not include dividends paid by subsidiaries to non-controlling interests. Ind AS 1 requires disclosure of the dividends recognised as distribution to owners during the period (paragraph 107). The term 'owners' is generally used in Ind AS 1 in the context of owners of the parent entity (e.g. paragraphs 81B and 106). The focus of the financial statements is still on the parent entity shareholders and on that basis a disclosure of dividends per share is only relevant for the owners of the parent entity. This disclosure also correlates to the disclosure of the number of shares issued as required under paragraph 79 of Ind AS 1. Holders of non-controlling interests will receive their dividend information from the separate financial statements of the relevant subsidiaries.

**Disclosure not illustrated: not applicable to Value Ind AS Limited**

3. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or reference |
|---|---|---|
| 1(137)(b) | Cumulative preference dividends not recognised | Disclose amount |
| 10(App A) | Dividends in the form of non-cash assets | Various disclosures, see the illustrative example below for details. |
| | Externally imposed capital requirements | Disclose whether the entity complied with such requirements, including consequences of non-compliance, if any. |

4. The following illustrative disclosures may be useful where relevant to an entity:

Non-cash dividends

10(App A) (a) Where an entity distributes non-cash assets to its owners, an explanation could read as follows:

In November 2016, XYZ Limited transferred all of the shares held in its subsidiary, ABC Limited, to its shareholders as a non-cash dividend. The dividend was measured at the fair value of the subsidiary (INR XXXX). The difference between the fair value of the subsidiary's shares and their carrying amount (INR XXXX) is presented in profit or loss as other gains (INR XXXX).

# *Group information, acquisitions and disposals*

This section provides information regarding the following:

*(All amounts in INR lakhs, unless otherwise stated)*

# Note 31: Segment information

## (a) Description of segments and principal activities

108(22)
1(138)(b) The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, examines the group's performance both from a product and geographic perspective and has identified six reportable segments of its business:

**1, 2: Furniture manufacturing – India and China:** this part of the business manufactures and sells commercial office furniture, hardwood side boards, chairs and tables in India and China. The committee monitors the performance in those two regions separately.

108(22)(aa) **3: Furniture retail – India**: The manufacturing business has been supplemented by a chain of retail stores in India. While the committee receives separate reports for each region, the stores have been aggregated into one reportable segment as they have similar average gross margins and similar expected growth rates. Although this part of the business is not large enough to be required to be reported under the accounting standards, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to group revenue in the future.

**4, 5: IT consulting – US and Europe:** IT management, design, implementation and support services are provided in the US and in a number of European countries. Performance is monitored separately for those two regions.

**6: Electronic equipment – India:** This part of the business manufactures and sells electronic equipment, tablets and smartphones in India. This segment was established following the acquisition of Handy Electronics Limited during the year ended 31 March 2017.

108(16),(22) **All other segments** –The purchase and lease of commercial properties, principally in Bangalore and Hyderabad and the management of investment properties are not reportable operating segments, as they are not separately included in the reports provided to the strategic steering committee. The results of these operations are included in the 'all other segments' column. This column also includes head office and group services.

The engineering subsidiary was sold effective from 31 May 2016. Information about this discontinued segment is provided in note 33.

The steering committee primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA, see below) to assess the performance of the operating segments. However, the steering committee also receives information about the segments' revenue and assets on a monthly basis.

108(23)

## (b) Adjusted EBITDA

108(27)(b),(28) Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, impairments when the impairment is the result of an isolated, non-recurring event. It also excludes the effects of share-based payments and gains or losses on financial instruments.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

108(23)

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Furniture manufacturing | | |
| India | 28,635 | 31,583 |
| China | 6,847 | 6,095 |
| Furniture retail – India | 1,245 | 1,108 |
| IT Consulting | | |
| US | 9,337 | 8,311 |
| Europe | 6,225 | 5,541 |
| Electronic equipment – India | 6,847 | - |
| All other segments | 3,114 | 2,770 |
| **Total adjusted EBITDA** | **62,250** | **55,408** |

*(All amounts in INR lakhs, unless otherwise stated)*

108(28)(b) Adjusted EBITDA reconciles to profit before income tax as follows:

108(23)

| | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| **Total adjusted EBITDA** | | 62,250 | 55,408 |
| Inter-segment eliminations | | (265) | (652) |
| Finance costs | 26 | (3,203) | (2,794) |
| Interest income from investments | 21(a) | 1,411 | 493 |
| Dividend income from investments | 21(a) | 313 | 434 |
| Depreciation and amortisation expense | 24 | (10,820) | (9,761) |
| Impairment of goodwill and other non-current assets | 3, 5 | (2,100) | - |
| Net gain on financial assets mandatorily measured at fair value through profit or loss | 21(b) | 993 | 1,519 |
| Net gain on sale of investments | 21(b) | 495 | 147 |
| Fair value losses on derivatives not designated as hedges | 21(b) | (132) | (121) |
| Employee share-based payment expense | 39 | (1,486) | (855) |
| Restructuring costs | 14 | 65 | 380 |
| Others | | 40 | 26 |
| **Profit before income tax from continuing operations** | | **47,561** | **44,224** |

108(23) **(c) Segment revenue**

108(27)(a) Sales between segments are carried out at arm's length and are eliminated on consolidation. The segment revenue is measured in the same way as in the statement of profit or loss.

108(23)(a),(b)
108(33)(a)

| | 31 March 2017 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|
| | Total segment revenue | Inter-segment revenue | Revenue from external customers | Total segment revenue | Inter-segment revenue | Revenue from external customers |
| Furniture manufacturing | | | | | | |
| India | 76,465 | (1,800) | 74,665 | 79,052 | (1,850) | 77,202 |
| China | 35,485 | - | 35,485 | 34,188 | - | 34,188 |
| Furniture retail – India | 10,430 | (1,000) | 9,430 | 15,378 | (1,300) | 14,078 |
| IT Consulting | | | | | | |
| US | 36,275 | (800) | 35,475 | 44,471 | (600) | 43,871 |
| Europe | 24,095 | (300) | 23,795 | 24,978 | (610) | 24,368 |
| Electronic equipment – India | 37,703 | - | 37,703 | - | - | - |
| All other segments | 5,630 | (400) | 5,230 | 7,500 | (100) | 7,400 |
| **Total segment revenue** | **226,083** | **(4,300)** | **221,783** | **205,567** | **(4,460)** | **201,107** |

108(32) Revenues from external customers comprises of sale of furniture on a wholesale and retail basis, from the provision of IT consulting services and from the sale of electronic equipment. The revenue from wholesale sales of furniture relates only to the group's own brand, Amazing Furniture. The retail sales relate to the group's own brand as well as other major retail brands.

108(34) Revenues of approximately INR 26,615 (31 March 2016 – INR 22,154) are derived from a single external customer. These revenues are attributed to the India furniture manufacturing segment.

108(33)(a) The company is domiciled in India. The amount of its revenue from external customers broken down by location of the customers is shown in the table below.

| Revenue from external customers | 31 March 2017 | 31 March 2016 |
|---|---|---|
| India | 127,028 | 98,680 |
| US | 35,475 | 43,871 |
| China | 35,485 | 34,188 |
| Other countries | 23,795 | 24,368 |
| **Total** | **221,783** | **201,107** |

*(All amounts in INR lakhs, unless otherwise stated)*

### (d) Segment assets

108(27)(c) Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

108(23),(24)

| | 31 March 2017 | | | 31 March 2016 | | | 1 April 2015 | |
|---|---|---|---|---|---|---|---|---|
| | Segment assets | Investments in associate and joint ventures | Additions to non-current assets * | Segment assets | Investments in associate and joint ventures | Additions to non-current assets * | Segment assets | Investments in associate and joint ventures |
| Furniture manufacturing | | | | | | | | |
| India | 167,545 | 1,590 | 30,837 | 128,588 | 1,250 | 17,758 | 119,360 | 882 |
| China | 42,621 | - | 12,335 | 35,128 | - | 4,972 | 33,075 | - |
| Furniture retail – India | 13,304 | - | 10,573 | 10,041 | - | 4,262 | 11,486 | - |
| IT Consulting | | | | | | | | |
| US | 41,103 | - | 7,049 | 28,832 | - | 1,421 | 26,227 | - |
| Europe | 34,253 | 801 | 10,573 | 24,027 | 611 | 4,262 | 21,856 | 432 |
| Electronic equipment - India | 20,801 | - | 9,692 | - | - | - | - | - |
| All other segments | 16,822 | 385 | 7,049 | 11,678 | 267 | 2,841 | 7,557 | 290 |
| **Total segment assets** | **336,449** | **2,776** | **88,108** | **238,294** | **2,128** | **35,516** | **219,561** | **1,604** |
| Intersegment eliminations | (1,070) | | | (1,009) | | | (1,060) | |
| Discontinued operation (engineering business – see note 33) | - | | | 19,310 | | | - | |
| Unallocated: | | | | | | | | |
| Deferred tax assets | 4,598 | | | 2,774 | | | 2,054 | |
| Investments | 48,860 | | | 41,423 | | | 40,715 | |
| Derivative financial instruments | 3,643 | | | 2,718 | | | 1,806 | |
| 108(28)(c) **Total assets as per the balance sheet** | **392,480** | | | **303,510** | | | **263,076** | |

* Other than financial assets and deferred taxes.

108(27)(c) Investments and derivative financial instruments held by the group are not considered to be segment assets, but are managed by the treasury function.

108(33)(b) The total of non-current assets other than financial instruments, investments accounted for using equity method and deferred tax assets, broken down by location of the assets, is shown below:

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| India | 98,019 | 62,647 | 55,745 |
| US | 44,925 | 27,991 | 24,907 |
| China | 42,883 | 23,993 | 21,349 |
| Other countries | 18,379 | 18,661 | 16,605 |
| **Total non-current assets** | **204,206** | **133,292** | **118,606** |

*(All amounts in INR lakhs, unless otherwise stated)*

### (e) Segment liabilities

108(27)(d) Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

108(27)(d) The group's borrowings and derivative financial instruments are not considered to be segment liabilities, but are managed by the treasury function.

108(23)

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Furniture manufacturing | | | |
| India | 33,735 | 27,414 | 32,487 |
| China | 6,216 | 5,086 | 6,822 |
| Furniture retail – India | 4,606 | 4,320 | 4,107 |
| IT Consulting | | | |
| US | 7,895 | 5,971 | 7,041 |
| Europe | 7,237 | 5,473 | 6,454 |
| Electronic equipment - India | 4,132 | - | - |
| All other segments | 1,972 | 1,494 | 1,760 |
| **Total segment liabilities** | **65,793** | **49,758** | **58,671** |
| Intersegment eliminations | (2,319) | (1,794) | (1,534) |
| Discontinued operation (engineering division – see note 33) | - | 8,990 | - |
| Unallocated: | | | |
| Deferred tax liabilities | 12,085 | 9,864 | 7,776 |
| Current tax liabilities | 2,803 | 1,905 | 850 |
| Current borrowings | 2,837 | 2,708 | 1,463 |
| Non-current borrowings | 42,828 | 38,312 | 37,556 |
| Derivative financial instruments | 614 | 908 | 872 |
| 108(28)(d) **Total liabilities as per the balance sheet** | **124,641** | **110,651** | **105,654** |

## Commentary - Segment information

**Description of segments**

108(22) 1. Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. Entities must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics.

**Non-GAAP segment measures**

108(25),(27) 2. The measure of profit or loss that must be disclosed is the measure that is reported to the chief operating decision maker (CODM). The standard is not prescriptive as to how this measure should be calculated and a non-GAAP or non-Ind AS measure is acceptable, as long as it is clear from the disclosures how the measure is calculated and there is a detailed reconciliation of the disclosed measure to the respective Ind AS amount.

**Other profit and loss disclosures**

108(23) 3. The disclosure of other profit and loss items such as depreciation, amortisation and income tax by segment is only required where these amounts are reviewed by, or are otherwise regularly provided to the CODM.

**Using graphs to disclose quantitative information**

4. There is nothing in the segment standard or any other Ind AS that would appear to prohibit the use of graphics for disclosing quantitative information. However, entities will need to confirm whether this is acceptable under their own local regulatory requirements.

**Discontinued operations**

5. A discontinued operation can meet the Ind AS 108 *Operating Segments* definition of an operating segment, if it continues to engage in business activities, the operating results are regularly reviewed by the CODM and there is discrete financial information available to facilitate the review. This might be the case where an operation is being wound down, even if no strategic or long-term planning decisions are being made with respect to the operation. If the CODM continues to review the operation's results for the purpose of short-term management, it could still meet the definition of an operating segment.

**Errors**

6. There are no specific requirements relating to disclosure of the impact of errors on segment information. However, the impact of a material error on segment information is likely to be relevant to the understanding of segment information, and additional disclosures may be necessary to adequately explain the information presented.

**Scope**

108(4) 7. If a financial report contains both the consolidated financial statements of a parent as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

8. The following disclosures are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

108(23)(c),(d) (a) information about interest revenue and interest expense for each reportable segment (if provided to the CODM)

108(27)(f) (b) the nature and effect of asymmetrical allocations to reportable segments

108(28)(e) (c) reconciliations for other material amounts disclosed in the segment note

108(29),(30) (d) explanations regarding restatements of previously reported information following an internal reorganisation.

(e) If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. The determination of whether the information is not available and the cost to develop it would be excessive shall be made for each individual item of disclosure. Following a change in the composition of its reportable segments, an entity shall disclose whether it has restated the corresponding items of segment information for earlier periods.

(f) If an entity has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change and if segment information for earlier periods, including interim periods, is not restated to reflect the change, the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation, unless the necessary information is not available and the cost to develop it would be excessive.

36(129)(b) (g) reversal of impairment losses by reportable segment

7(50)(d) (h) cash flows by reportable segment (encouraged but not mandatory), and

108(27)(e) (i) changes in measurement methods (explain impact on reported segment profit or loss).

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 32: Business combinations

### (a) Summary of acquisition

103(B64)(a)-(d) On 2 April 2016 the parent entity acquired 70% of the issued share capital of Handy Electronics limited, a manufacturer of electronic equipment. This acquisition will enable the group to enter into the electronics market in India.

103(B64)(a)-(d) On 30 August 2016 the parent entity acquired a further 60.35% of the issued share capital of Ambrosia Furniture Limited, a manufacturer of furniture and fittings having significant presence in north east India. The acquisition was made to increase the group's base in these areas through inorganic growth.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

103(B64)(f)

| Purchase consideration | Handy Electronics Limited | Ambrosia Furniture Limited |
|---|---|---|
| Cash paid | 5,400 | 4,250 |
| Equity shares issued | 6,998 | - |
| Contingent consideration | 1,050 | - |
| **Total purchase consideration** (107(40)(a)) | **13,448** | **4,250** |

103(B64)(f)(iv),(m) The fair value of the 20,000,000 shares issued as part of the consideration paid for Handy Electronics Group (INR 7,000) was based on the published share price on date of acquisition of INR 35 per share. Issue costs of INR 2 which were directly attributable to the issue of the shares have been netted against the deemed proceeds.

103(B64)(i) 7(40)(d) The assets and liabilities recognised as a result of the acquisition are as follows:

| | Handy Electronics Limited | Ambrosia Furniture Limited |
|---|---|---|
| | **Fair value** | **Fair value** |
| Freehold buildings | 7,560 | 1,076 |
| Plant and machinery | 3,895 | 2,190 |
| Intangible assets: Patents | 878 | - |
| Intangible assets: Non-compete fees | 560 | - |
| Inventories | 1,303 | 1,036 |
| Trade receivables | 1,890 | 1,750 |
| Cash | 1,566 | 950 |
| Deferred tax assets | 750 | 746 |
| Trade payables | (1,529) | (1,455) |
| Bank overdraft | (450) | (230) |
| Deferred tax liabilities | (460) | (140) |
| Post-employee benefit obligations, net of plan assets | (1,210) | (1,375) |
| Restructuring liability | (1,290) | - |
| Indemnification asset | - | 400 |
| Contingent liability | - | (713) |
| **Net identifiable assets acquired** | **13,463** | **4,235** |

| Calculation of goodwill | Handy Electronics Limited | Ambrosia Furniture Limited |
|---|---|---|
| Consideration transferred | 13,448 | 4,250 |
| Non-controlling interest in the acquired entity (103(B64)(o)(i)) | 4,039 | 1,271 |
| Acquisition date fair value of previously held equity interest | - | 680 |
| Less: Net identifiable assets acquired | (13,463) | (4,235) |
| **Goodwill** | **4,024** | **1,966** |

*(All amounts in INR lakhs, unless otherwise stated)*

103(42) The group previously held around 9.65% interest in Ambrosia Furniture Limited which was classified as an FVOCI Investment during the previous year and change in fair value of INR 150 was recognised in OCI during the year ended 31 March 2016. Total change in fair value till date of acquisition accumulated in OCI amounted to INR 130 (negative change in fair value of INR 20 in the current year up to the date of acquisition) was transferred to retained earnings.

103(B64)(e),(k) The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

1(38) There were no acquisitions in the year ending 31 March 2016.

*Significant estimate: contingent consideration*

103(B64)(g) In the event that certain pre-determined sales volumes are achieved by the Handy Electronics Limited for the year ended 31 March 2017 and 2018 respectively, additional consideration of up to INR 1,750 may be payable in cash on 30 July 2018.

103(B67)(b)(iii) The potential undiscounted amount payable under the agreement is between INR 575 for sales between INR 30,000 and INR 40,000 and INR 1,750 for sales above INR 40,000. The fair value of the contingent consideration of INR 1,050 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted sales of acquired subsidiary of between INR 30,000 and INR 45,000.

103(B67)(b) As at 31 March 2017, the contingent consideration has been fair valued resulting in an increase, as the actual sales revenue achieved by Handy Electronics was higher than the initial estimates of forecasted revenue levels. A loss on re-measurement of contingent consideration of INR 400 was included in other gains/(losses).

*Significant judgement:*

*(i) Contingent liability*

103(B64)(j)
37(85) A contingent liability of INR 713 was recognised on the acquisition of Ambrosia Furniture Limited for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by December 2017. The
103(B67)(c) potential undiscounted amount of all future payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between INR 500 to INR 1,000. As at 31 March 2017, there has been no change in the amount recognised for the liability in August 2016 (except for the unwinding of the discount of INR 46), as there has been no change in the probability of the outcome of the lawsuit.

*(ii) Indemnification asset*

103(B64)(g) The former shareholders of Ambrosia Furniture Limited have agreed to reimburse the group up to an amount of INR 400 for the pending law-suit mentioned above. The group has recognised this as indemnification asset at the date of acquisition. There has been no change to the value of indemnification asset subsequent to the date of acquisition.

*(iii) Acquired receivables*

103(B64)(h) The fair value of acquired trade receivables is INR 1,890 and INR 1,750 with respect to Handy Electronics Limited and Ambrosia Furnitures Limited respectively. The gross contractual amount for trade receivables due is INR 1,930 and INR 1,780 with respect to Handy Electronics Limited and Ambrosia Furnitures Limited respectively, of which INR 40 and INR 30 is expected to be uncollectible.

*(iv) Accounting policy choice for non-controlling interests*

103(B64)(o)(i) The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For both the non-controlling interests in Handy Electronics Group and Ambrosia Furniture Limited, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

(v) *Revenue and profit contribution*

103(B64)(q) The acquired business contributed revenues and profits to the group for the period 31 March 2017 as follows:

(a) Handy Electronics Limited: Revenue of INR 37,703 and profit of INR 2,896 for the period 2 April 2016 to 31 March 2017.

(b) Ambrosia Furniture Limited: Revenue of INR 15,525 and profit of INR 1,813 for the period from 30 August 2016 to 31 March 2017.

If the acquisitions had occurred on 1 April 2016, consolidated pro-forma revenue and profit for the year ended 31 March 2017 would have been INR 236,833 and INR 34,900 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 April 2016, together with the consequential tax effects.

*(All amounts in INR lakhs, unless otherwise stated)*

**(b) Purchase consideration – cash outflow**

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | Outflow of cash to acquire subsidiaries, net of cash acquired | | |
| 7(40)(b) | Cash consideration | 9,650 | - |
| 7(40)(c) | Less: Balances acquired | | |
| | Cash | 2,516 | - |
| | Bank overdraft | (680) | |
| | **Net outflow of cash – investing activities** | **7,814** | **-** |

*Acquisition related costs*

103(B64)(m) Acquisition related costs of INR 22 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

## Commentary - Business combination

**Comparatives**

1(38) 1. Under Ind AS 1, comparative information must be given for all numerical information reported in the financial statements, including narratives. However, Ind AS 103 does not separately require comparative information in respect of business combinations. In our view, the Ind AS 103 disclosures are required only for business combinations occurring during the period. This means that in the period following the combination, the disclosures required in paragraph B64 of Ind AS 103 do not need to be repeated. However, the disclosures that are required in relation to a prior business combination in paragraph B67 of Ind AS 103 must be made.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

*Additional disclosures*

2. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 103(B64)(l),(52) | Transactions that are recognised separately from the business combination. For example, the acquirer and acquiree in a business combination may have a relationship (seller and customer, licensor and licensee or plaintiff and defendant) before the business combination occurs. | Disclose a description of the transaction and how it was accounted for, the amounts recognised and other information as specified in Ind AS 103. |
| 103(B64)(n) | The entity has made a bargain purchase | Where the entity is able to identify the reason for making bargain purchase, it is recognised in other comprehensive income and accumulate the same in equity as capital reserve. Where the entity is not able to identify the reason for bargain purchase, it is recognised directly in equity (capital reserve). Also disclose the gain recognised in other comprehensive and explain why the transaction resulted in a gain. |
| 103(B67)(a) | The initial accounting for the business combination is incomplete | Explain why the initial accounting is incomplete, which items are affected and any adjustments recognised during the reporting period. |
| 103(B67)(e) | The entity has recognised a gain or loss in the current reporting period relating to identifiable assets acquired or liabilities assumed in a business combination from the current or a prior period | Disclose the amount and provide an explanation of the gain or loss. |
| 103(63) | The objectives of Ind AS 103 are not satisfied with the required disclosures | Provide additional explanations as necessary. |

(All amounts in INR lakhs, unless otherwise stated)

## Note 33: Discontinued operation

### (a) Description

105(41)(a),(b),(d) On 30 March 2016, the group announced its intention to exit the engineering business in Germany and initiated an active program to locate a buyer for its German subsidiary, Value Ind AS Engineering GmbH. The associated assets and liabilities were consequently presented as held for sale in financial statements for the year ended 31 March 2016.

105(30) The subsidiary was subsequently sold on 31 May 2016 and has been reported as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

### (b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the two months ended 31 May 2016 (31 March 2017 column) and the year ended 31 March 2016.

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 105(33)(b)(i) | Revenue | 2,934 | 19,105 |
| 105(33)(b)(i) | Expenses | (2,523) | (17,004) |
| 105(33)(b)(i) | **Profit before income tax** | 411 | 2,101 |
| 105(33)(b)(ii) 12(81)(h)(ii) | Income tax expense | (123) | (630) |
| | **Profit after income tax** | 288 | 1,471 |
| | Gain on sale of the subsidiary after income tax (see (c) below) | 325 | - |
| | **Profit from discontinued operation*** | **613** | **1,471** |
| 105(38) | Exchange differences on translation of discontinued operations | 65 | (30) |
| | **Other comprehensive income from discontinued operations** | **65** | **(30)** |
| | | | |
| 105(33)(c) | Net cash inflow from operating activities | 288 | 710 |
| 105(33)(c) | Net cash inflow (outflow) from investing activities (31 March 2017 includes inflow of INR 11,138 from the sale of the division) | 11,138 | (190) |
| 105(33)(c) | Net cash (outflow) from financing activities | - | (280) |
| | **Net increase in cash generated from discontinued operation** | **11,426** | **240** |

105(33)(d) * *The entire amount is attributable to equity holders of the company*

### (c) Details of the sale of the subsidiary

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | Consideration received: | | |
| 7(40)(b) | Cash | 11,138 | - |
| | Carrying amount of net assets sold | (10,608) | - |
| | **Gain on sale before income tax and reclassification of foreign currency translation reserve** | **530** | **-** |
| 105(38) | Reclassification of exchange differences on foreign currency translation | (65) | - |
| 12(81)(h)(i) | Income tax expense on gain | (140) | - |
| | **Gain on sale after income tax** | **325** | **-** |

7(40)(d) The carrying amounts of assets and liabilities as at the date of sale (31 May 2016) were as follows:

| | 31 May 2016 |
|---|---|
| Property, plant and equipment | 7,130 |
| Trade receivables | 11,860 |
| Other current assets | 1,130 |
| **Total assets** | **20,120** |
| Trade payables | (8,652) |
| Other current liabilities | (860) |
| **Total liabilities** | **(9,512)** |
| **Net assets** | **10,608** |

(All amounts in INR lakhs, unless otherwise stated)

### (d) Assets and liabilities of disposal group classified as held for sale

105(38) The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 March 2016 :

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 1(77) | Assets classified as held for sale | | |
| | Property, plant and equipment | - | 7,230 |
| | Trade receivables | - | 10,540 |
| | Other current assets | - | 1,540 |
| | **Total assets of disposal group held for sale** | - | **19,310** |
| 1(77) | Liabilities directly associated with assets classified as held for sale | | |
| | Trade payables | - | (8,240) |
| | Other current liabilities | - | (750) |
| | **Total liabilities of disposal group held for sale** | - | **(8,990)** |

## Commentary - Discontinued operation

**Restating prior periods**

105(34) 1. An entity must re-present the disclosures for discontinued operations for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented. The discontinued operations presented in the statement of profit and loss and statement of cash flows in the comparative period should therefore include all operations that have been discontinued by the end of the most recent reporting period. This means that the statements of profit and loss and cash flows for the comparative period should show as discontinued operations both those reported as discontinued in the previous period together with those classified as discontinued in the current period. As a consequence, the restated prior year statements of profit and loss and cash flows figures will not be entirely comparable to the current year's figures.

105(40) 2. In contrast, the balance sheet information for the prior year is neither restated nor remeasured.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

3. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issues not illustrated | Relevant disclosures or references |
|---|---|---|
| 105(35) | Resolution of uncertainties relating to adjustments recognised as a result of the disposal of a discontinued operation | Disclose separately the nature and amount of the adjustments |
| 105(36),(42) | Asset or disposal group is no longer classified as held for sale | Reclassify the results previously presented as discontinued operations and provide appropriate explanations. |
| 105(41)(c) | Gains or losses recognised as a result of a remeasurement to fair value less costs to sell | Disclose the gain or loss recognised following the remeasurement and where the gain or loss is presented in the statement of profit and loss. |
| 10(App A) | Information about dividends in the form of non-cash assets | Disclose the following, if applicable:<br>(a) The carrying amount of the dividend payable at the beginning and end of the period; and<br>(b) The increase or decrease in the carrying amount of dividend payable recognised between the reporting period and settlement date as a result of a change in the fair value of the assets to be distributed.<br>Further, if, after the end of a reporting period but before the financial statements are approved for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose<br>(a) The nature of asset to be distributed;<br>(b) The carrying amount of asset to be distributed as at the end of the reporting period; and<br>(c) The fair value of the asset to be distributed if it is different from the carrying amount. |

(All amounts in INR lakhs, unless otherwise stated)

# Note 34: Interests in other entities

### (a) Subsidiaries

112(10)(a) The group's subsidiaries at 31 March 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

112(10)(a)(i),(ii)
112(12)(a)-(d)
24(13)

| Name of entity | Place of business/ country of incorporation | Ownership interest held by the group | | | Ownership interest held by non-controlling interests | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 | 1 April 2015 | |
| | | % | % | % | % | % | % | |
| Value Ind AS Retail Limited | India | 100 | 100 | 100 | - | - | - | Furniture retail stores |
| Ambrosia Furniture Limited | India | 70 | - | - | 30 | - | - | Furniture manufacture |
| Handy Electronics Limited | India | 80 | - | - | 20 | - | - | Electronic equipment manufacture |
| Value Ind AS Manufacturing Limited | India | 100 | 100 | 100 | - | - | - | Furniture manufacture |
| Value Ind AS Overseas Limited (i) | China | 45 | 45 | 45 | 55 | 55 | 55 | Furniture manufacture |
| Value Ind AS Consulting Inc. | US | 100 | 100 | 100 | - | - | - | IT consulting |
| Value Ind AS Services SA | France | 100 | 100 | 100 | - | - | - | IT consulting |
| Value Ind AS IT Solutions Inc. | US | 100 | 100 | 100 | - | - | - | IT development services |
| Value Ind AS Engineering Gmbh | Germany | - | 100 | 100 | - | - | - | Engineering business note 33 |

1(122)
112(7)(a),(9)(b)

*(i) Significant judgement: consolidation of entities with less than 50% voting interest*

The directors have concluded that the group controls Value Ind AS Overseas Limited, even though it holds less than half of the voting rights of this subsidiary. This is because the group is the largest shareholder with a 45% equity interest while the remaining shares are held by ten investors. Value Ind AS Limited directs the relevant activities (procurement, production and marketing) of Value Ind AS Overseas Limited by virtue of a shareholders' agreement. This agreement also grants Value Ind AS Limited the right to appoint, reassign or remove key managerial personnel comprising of chief executive officer and chief financial officer of Value Ind AS Overseas Limited and to establish and approve its financial and operating budgets. A 67% majority vote is required to change this agreement, which cannot be achieved without the group's consent as it holds 45% of the voting rights.

*(All amounts in INR lakhs, unless otherwise stated)*

## (b) Non-controlling interests (NCI)

112(12)(g) 112(B11) Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

112(B10)(b)

| Summarised balance sheet | Handy Electronics Limited | | | Value Ind AS Overseas Limited | | | Ambrosia Furniture Limited | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| Current assets | 6,799 | - | - | 15,444 | 19,366 | 14,799 | 6,221 | - | - |
| Current liabilities | 1,865 | - | - | 4,674 | 3,868 | 5,674 | 1,233 | - | - |
| **Net current assets** | **4,934** | **-** | **-** | **10,770** | **15,498** | **9,125** | **4,988** | **-** | **-** |
| Non-current assets | 14,322 | - | - | 27,728 | 16,183 | 18,555 | 3,899 | - | - |
| Non-current liabilities | 3,077 | - | - | 2,722 | 2,138 | 2,027 | 2,789 | - | - |
| **Net non-current assets** | **11,245** | **-** | **-** | **25,006** | **14,045** | **16,528** | **1,110** | **-** | **-** |
| **Net assets** | **16,179** | **-** | **-** | **35,776** | **29,543** | **25,653** | **6,098** | **-** | **-** |
| 112(12)(f) **Accumulated NCI** | 3,236 | - | - | 19,677 | 16,248 | 14,109 | 1,829 | - | - |

112(B10)(b)

| Summarised statement of profit and loss | Handy Electronics Limited | | Value Ind AS Overseas Limited | | Ambrosia Furniture Limited | |
|---|---|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| Revenue | 37,703 | - | 35,485 | 34,188 | 15,525 | - |
| Profit for the year | 2,896 | - | 6,032 | 4,103 | 1,813 | - |
| Other comprehensive income | 120 | - | 201 | (214) | 50 | - |
| **Total comprehensive income** | **3,016** | **-** | **6,233** | **3,889** | **1,863** | **-** |
| 112(12)(e) Profit allocated to NCI | 796 | - | 3,318 | 2,256 | 544 | - |
| 112(B10)(a) Dividends paid to NCI | 60 | - | - | - | - | - |

112(B10)(b)

| Summarised cash flows | Handy Electronics Limited | | Value Ind AS Overseas Limited | | Ambrosia Furniture Limited | |
|---|---|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| Cash flows from operating activities | 2,989 | - | 4,203 | 5,366 | 980 | - |
| Cash flows from investing activities | (1,760) | - | (3.584) | (3,455) | (870) | - |
| Cash flows from financing activities | 390 | - | 256 | (1,320) | (235) | - |
| **Net increase/ (decrease) in cash and cash equivalents** | **1,619** | **-** | **875** | **591** | **(125)** | **-** |

(All amounts in INR lakhs, unless otherwise stated)

### (c) Transactions with non-controlling interests

112(10)(b)(iii),(18) The group had acquired 70% stake in Handy Electronics Limited on 2 April 2016. On 2 January 2017, the group acquired an additional 10% stake for INR 1,721. Immediately prior to the purchase, the carrying amount of the existing 30% non-controlling interest was INR 4,713. The carrying amount of the 10% non-controlling interest acquired in Handy Electronics Limited was INR 1,571. The group recognised a decrease in non-controlling interests of INR 1,571 and a decrease in equity attributable to owners of the parent of INR 150. The effect on the equity attributable to the owners of Value Ind AS Limited during the year is summarised as follows:

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Carrying amount of non-controlling interests acquired | 1,571 | - |
| Consideration paid to non-controlling interests | (1,721) | - |
| Excess of consideration paid recognised in retained earnings within equity | **(150)** | - |

There were no transactions with non-controlling interests in 2016.

### (d) Joint operations

112(7)(b),(21)(a) The group has a 50% interest in a joint arrangement called the Fernwood Venture which was set up as a partnership together with Acacia Constructions Limited to develop properties for residential housing in south India.

112(21)(a)(iii) The principal place of business of the joint operation is in India.

*(i) Significant judgement: classification of joint arrangements*

112(7)(c) The joint venture agreements in relation to the Fernwood Venture require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

### (e) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the group as at 31 March 2017 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of equity shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

112(21)(a),(b)(i),(iii)

| Name of entity | Place of business | % of ownership interest | Relationship | Accounting method | Quoted fair value 31 March 2017 | Quoted fair value 31 March 2016 | Quoted fair value 1 April 2015 | Carrying amount 31 March 2017 | Carrying amount 31 March 2016 | Carrying amount 1 April 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | % | | | | | | | | |
| AB PTE SA | Brussels | 15 | Associate (1) | Equity method | 937 | 715 | 505 | 801 | 611 | 432 |
| SR India Private Limited | India | 25 | Associate (2) | Equity method | - * | - * | - * | 696 | 584 | 482 |
| SB India Limited | India | 30 | Joint Venture (3) | Equity method | - * | - * | - * | 739 | 508 | 335 |
| **Immaterial associates (iv) below** | | | | | | | | 540 | 425 | 355 |
| **Total equity accounted investments** | | | | | | | | **2,776** | **2,128** | **1,604** |

112(21)(a)(ii) (1) AB PTE SA is a software developer for the IT consulting division. It is a strategic investment which utilises the group's knowledge and expertise in the development of IT software.

(2) SR India Private Limited is a manufacturer of specialised furniture for the hospitality industry, including cafés and restaurants. Its product range complements the group's commercial furniture range and provides access to markets not previously serviced by the group.

(3) SB India Limited is a manufacturer of residential furniture with significant presence in eastern parts of India. Its products complement the retail segment of the group.

* Unlisted entity – no quoted price available.

*(All amounts in INR lakhs, unless otherwise stated)*

112(9)(e)

*(i) Significant judgement: existence of significant influence*

Through the shareholder agreement, Value Ind AS Limited is guaranteed two seats on the board of AB PTE SA and participates in all significant financial and operating decisions. The group has therefore determined that it has significant influence over this entity, even though it only holds 15% of the voting rights.

*(ii) Commitments and contingent liabilities in respect of associates and joint ventures*

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| 112(23)(a),(B18) | *Commitments – joint ventures* | | | |
| 112(B19)(a) | Commitment to provide funding for joint venture's capital commitments, if called | 250 | 200 | 130 |
| 112(23)(b) | *Contingent liabilities – associates* | | | |
| | Share of contingent liabilities incurred jointly with other investors of the associate | 150 | 120 | 115 |
| | Contingent liabilities relating to liabilities of the associate for which the group is severally liable | - | 80 | 65 |
| | *Contingent liabilities – joint ventures* | | | |
| | Share of joint venture's contingent liabilities in respect of a legal claim lodged against the entity | 200 | 180 | 140 |
| | **Total commitments and contingent liabilities** | **600** | **580** | **450** |

*(iii) Summarised financial information for associates and joint ventures*

112(21)(b)(ii), (B14)

The tables below provide summarised financial information for those joint ventures and associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not Value Ind AS Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

| | **Summarised balance sheet** | **AB PTE SA** | | | **SR India Private Limited** | | | **SB India Limited** | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 112(B12),(B13) | | **31 March 2017** | **31 March 2016** | **1 April 2015** | **31 March 2017** | **31 March 2016** | **1 April 2015** | **31 March 2017** | **31 March 2016** | **1 April 2015** |
| 112(B12)(b)(i) | Current assets | | | | | | | | | |
| 112(B13)(a) | Cash and cash equivalents | * | * | * | * | * | * | 75 | 18 | 37 |
| | Other assets | * | * | * | * | * | * | 1,810 | 1,347 | 1,653 |
| | **Total current assets** | **2,198** | **1,849** | **1,400** | **541** | **480** | **650** | **1,885** | **1,365** | **1,690** |
| 112(B12)(b)(ii) | **Total non-current assets** | **5,458** | **4,426** | **3,230** | **3,208** | **2,853** | **2,240** | **5,987** | **4,439** | **3,290** |
| 112(B12)(b)(iii) | Current liabilities | | | | | | | | | |
| 112(B13)(b) | Financial liabilities (excluding trade payables) | * | * | * | * | * | * | 350 | 290 | 420 |
| | Other liabilities | * | * | * | * | * | * | 1,760 | 1,460 | 1,332 |
| | **Total current liabilities** | **970** | **661** | **540** | **564** | **398** | **442** | **2,110** | **1,750** | **1,752** |
| 112(B12)(b)(iv) | Non-current liabilities | | | | | | | | | |
| 112(B13)(c) | Financial liabilities (excluding trade payables) | * | * | * | * | * | * | 2,650 | 1,930 | 1,870 |
| | Other liabilities | * | * | * | * | * | * | 650 | 431 | 243 |
| | **Total non-current liabilities** | **1,344** | **1,540** | **1,210** | **400** | **600** | **520** | **3,300** | **2,361** | **2,113** |
| | **Net assets** | **5,342** | **4,074** | **2,880** | **2,785** | **2,335** | **1,928** | **2,462** | **1,693** | **1,115** |

* Shading indicates disclosures that are not required for investments in associates.

*(All amounts in INR lakhs, unless otherwise stated)*

Reconciliation to carrying amounts

112(B14)(b)

| | AB PTE SA | | SR India Private Limited | | SB India Limited | |
|---|---|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| Opening net assets | 4,074 | 2,880 | 2,335 | 1,928 | 1,693 | 1,115 |
| Profit for the year | 1,114 | 1,008 | 450 | 407 | 739 | 535 |
| Other comprehensive income | 320 | 306 | - | - | 143 | 120 |
| Dividends paid | (166) | (120) | - | - | (113) | (77) |
| **Closing net assets** | **5,342** | **4,074** | **2,785** | **2,335** | **2,462** | **1,693** |
| | | | | | | |
| Group's share in % | 15% | 15% | 25% | 25% | 30% | 30% |
| Group's share in INR | 801 | 611 | 696 | 584 | 739 | 508 |
| Goodwill | - | - | - | - | - | - |
| **Carrying amount** | **801** | **611** | **696** | **584** | **739** | **508** |

Summarised statement of profit and loss

| | | AB PTE SA | | SR India Private Limited | | SB India Limited | |
|---|---|---|---|---|---|---|---|
| 112(B12),(B13) | | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| 112(B12)(b)(v) | Revenue | 7,956 | 7,198 | 4,092 | 3,702 | 5,683 | 4,113 |
| 112(B13)(e) | Interest income | * | * | * | * | - | - |
| 112(B13)(d) | Depreciation and amortisation | * | * | * | * | (1,540) | (1,240) |
| 112(B13)(f) | Interest expense | * | * | * | * | (460) | (420) |
| 112(B13)(g) | Income tax expense | * | * | * | * | (170) | (120) |
| 112(B12)(b)(vi) | **Profit from continuing operations** | **1,114** | **1,008** | **450** | **407** | **739** | **535** |
| 112(B12)(b)(vii) | Profit from discontinued operations | - | - | - | - | - | - |
| | **Profit for the year** | 1,114 | 1,008 | 450 | 407 | 739 | 535 |
| 112(B12)(b)(viii) | Other comprehensive income | 320 | 306 | - | - | 143 | 120 |
| 112(B12)(b)(ix) | **Total comprehensive income** | **1,434** | **1,314** | **450** | **407** | **882** | **655** |
| 112(B12)(a) | Dividends received | 25 | 18 | - | - | 34 | 23 |

* Shading indicates disclosures that are not required for investments in associates.

*(iv) Individually immaterial associates*

112(21)(c), (B16)

In addition to the interests in associates disclosed above, the group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Aggregate carrying amount of individually immaterial associates | 540 | 425 | 355 |
| Aggregate amounts of the group's share of: | | | |
| Profit/(loss) from continuing operations | 115 | 70 | * |
| Post-tax profit or loss from discontinued operations | - | - | * |
| Other comprehensive income | - | - | * |
| **Total comprehensive income** | **115** | **70** | * |

* Shading indicates disclosures that are not required.

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Share of profits from associates | 394 | 322 |
| Share of profits from joint ventures | 222 | 161 |
| **Total share of profits from associates and joint ventures** | **616** | **483** |

## Commentary - Interests in other entities

**Joint operations – summary of assets and employed/liabilities incurred**

1(112)(c) 1. If an entity has significant interests in joint operations, it should consider disclosing the group's interests in the assets employed and liabilities incurred in relation to these joint operations. This information will assist users in assessing the extent and financial impact of the joint operations and may in certain circumstances be required on the basis that it is relevant to an understanding of the financial statements (Ind AS 1 paragraph 112(c)). Value Ind AS Limited has not disclosed this information as its joint operation in Fernwood Venture is not significant.

**Summarised financial information of associates and joint ventures**

2. The disclosure requirements in relation to summarised financial information of joint ventures are more onerous than those for interests in associates. Where certain information is not required for interests in associates, the relevant parts of the table have been shaded. We have chosen this form of presentation primarily to illustrate the similarities and differences in the disclosures for associates and joint ventures. This form of presentation may not be suitable or required in all circumstances.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

3. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 112(14)-(17) | Consolidated structured entities | Provide information as specified in Ind AS 112 paragraphs 14 – 17. |
| 112(10)(b)(iv),(19)<br>1(106)(d),(97) | Loss of control over a subsidiary | Provide information about the gain or loss recognised on the loss of control.<br>Consider also the requirement to reclassify any components of other comprehensive income that are attributable to the subsidiary from equity to profit or loss or directly to retained earnings. Any amounts transferred from equity reserves on the loss of control of a subsidiary will need to be reflected in the reconciliation of reserves as reclassification adjustments. Where the amounts reclassified are material, consider providing additional explanations. |
| 112(11),(22)(b) | Subsidiaries, associates or joint ventures with different reporting dates | Disclose the reporting date and the reasons for using a different date or period. The difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall be no more than three months. Similarly, the difference between the end of the reporting period of the associate or joint venture and that of the entity shall be no more than three months. |
| 112(21)(c),(B16) | Individually immaterial joint ventures | Disclose the same information as illustrated in note 34(e) for immaterial associates. |
| 112(22)(a) | Significant restrictions – associates or joint ventures | Disclose the nature and extent of the restrictions on the ability of a joint venture or associate to transfer funds in the form of cash dividends, or to repay loans or advances made by the entity. |
| 112(22)(c) | Unrecognised share of losses of joint ventures and associates | Disclose the unrecognised amounts both for the reporting period and cumulatively. |
| 112(B15)<br>28(18) | Interests in associates and joint ventures held by venture capital organisation or a mutual fund or similar entities and measured at fair value | The summarised financial information that must be provided for each material associate or joint venture may be presented based on non-Ind AS compliant financial statements if preparation of Ind AS compliant financial statements would be impracticable or cause undue cost. In such case, the entity shall disclose the basis on which the summarised financial information has been prepared. |
| 112(B17) | Interest in subsidiary, associate or joint venture classified as held for sale | Summarised financial information does not need to be provided for associates or joint ventures that are held for sale. |
| 112(B19)(b) | Commitment to acquire another party's ownership interest in a joint venture | Disclose as part of the disclosures of unrecognised commitments. |
| 112(24)-(31) | Information about unconsolidated structured entities | Various disclosures, see Ind AS 112 paragraphs 24 – 31 for details. |
| 112(9A),(9B),(19A)-(19G),(25A) | Investment entities – information about unconsolidated subsidiaries | Various disclosures, see Ind AS 112 paragraphs (9A), (9B), (19A)-(19G) and (25A) for details. |
| 112(7),(9)(a) | Holding more than 50% of voting rights without control | Ind AS 112 requires disclosure of the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control. |
| 112(10)(b)(i)(13) | Significant restrictions on the ability to access or use assets, and settle liabilities | Disclose the nature and extent of significant restrictions. An illustrative example could read as follows *Cash and short-term deposits held in XX country is subject to local exchange control regulations. These regulations provide for restrictions on repatriation of funds from the country, other than through normal dividends.* |

(All amounts in INR lakhs, unless otherwise stated)

# Note 35: Related party transactions

## (a) Parent entities

1(138)(c) The group is controlled by the following entity:

| | Name | Type | Place of incorporation | Ownership interest 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|---|---|
| 24(13) 1(138)(c) | Value Ind AS Conglomerate Limited | Immediate and Ultimate parent entity | India | 51% | 65% | 68% |

## (b) Subsidiaries

24(13) Interests in subsidiaries are set out in note 34.

24(17)

## (c) Key management personnel compensation

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 24(17)(a) | Short-term employee benefits | 623 | 524 |
| 24(17)(b) | Post-employment benefits | 264 | 225 |
| 24(17)(c) | Long-term employee benefits | 60 | 55 |
| 24(17)(d) | Termination benefits | 78 | - |
| 24(17)(e) | Employee share-based payment | 340 | 230 |
| | **Total compensation** | **1,365** | **1,034** |

24(18)

## (d) Transactions with related parties

24(18)(a) The following transactions occurred with related parties:

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | *Sales and purchases of goods and services* | | |
| 24(19)(d) | Sale of goods to associates | 1,380 | 2,100 |
| 24(19)(d) | Purchases of raw materials from associates | 650 | 340 |
| 24(19)(a) | Purchase of management services from parent | 325 | 288 |
| 24(19)(f) | Purchases of various goods and services from entities controlled by key management personnel: | | |
| 24(18) | (i) Construction of a warehouse building | 2,810 | 4,090 |
| 24(18) | (ii) Professional services | 1,500 | 2,200 |
| | *Other transactions* | | |
| 24(19)(a) | Dividends paid to parent entity | 938 | 1,004 |
| 24(19)(a) | Subscriptions for new equity shares by parent entity as a result of rights issue (note 12 (a)) | 12,692 | - |
| 24(19)(f) | Subscription for new equity shares by key management personnel as a result of the rights issue (note 12 (a)) | 1,359 | - |

*(All amounts in INR lakhs, unless otherwise stated)*

### (e) Outstanding balances arising from sales/purchases of goods and services

24(18)(b) The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| | Trade payables (purchases of goods and services) | | | |
| 24(19)(a) | Value Ind AS Conglomerate Limited | 87 | 77 | 64 |
| 24(19)(d) | Associates | 210 | 99 | 752 |
| 24(19)(f) | Entities controlled by key management personnel | 61 | 36 | 167 |
| | **Total payables to related parties** (note 13(c)) | **358** | **212** | **983** |

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| | Trade receivables (sale of goods and services) | | | |
| 24(19)(d) | Associates (note 6(b)) | 270 | 1,300 | 578 |

### (f) Loans to/from related parties

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 24(19)(f) | *Loans to key management personnel* | | |
| 24(18)(b) | Beginning of the year | 166 | 120 |
| 24(18)(a) | Loans advanced | 20 | 152 |
| 24(18)(a) | Loan repayments received | (110) | (106) |
| 24(18)(a) | Interest charged | 13 | 12 |
| 24(18)(a) | Interest received | (13) | (12) |
| 24(18)(b) | **End of the year** (note 6(c)) | **76** | **166** |

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 24(19)(d) | *Loans to associates* | | |
| 24(18)(b) | Beginning of the year | 571 | 650 |
| 24(18)(a) | Loans advanced | 457 | 880 |
| 24(18)(a) | Loan repayments received | (157) | (959) |
| 24(18)(a) | Interest charged | 132 | 184 |
| 24(18)(a) | Interest received | (132) | (184) |
| 24(18)(b) | **End of the year** (note 6(c)) | **871** | **571** |

24(18)(c),(d) There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 24(19)(d) | *Loans from associates* | | |
| 24(18)(b) | Beginning of the year | - | - |
| 24(18)(b) | Loans received | 400 | - |
| 24(18)(a) | Loan repayments made | - | - |
| 24(18)(a) | Interest charged * | 3 | - |
| 24(18)(a) | Interest paid | - | - |
| 24(18)(b) | **End of the year** (note 13(a)) | **403** | **-** |

* *Disclosed as part of interest accrued within other financial liabilities.*

### (g) Terms and conditions

24(18)(b)(i) Transactions relating to dividends, subscriptions for new equity shares were on the same terms and conditions that applied to other shareholders.

The loans to key management personnel are generally for periods of 2-3 years repayable in quarterly instalments at interest rates of 8% per annum. Goods were sold to associates during the year based on the price lists in force and terms that would be available to third parties. Management services were bought from the immediate parent entity on a cost-plus basis, allowing a margin ranging from 15% to 30% (31 March 2016 – 10% to 24%). All other transactions were made on normal commercial terms and conditions and at market rates. The average interest rate on the other loans during the year was 8.5% (31 March 2016 – 8.25%).

24(18)(b)(i) All outstanding balances are unsecured and are repayable in cash.

## Commentary - Related party transactions

**Presentation**

1. All of the related party information required by Ind AS 24 *Related Party Disclosures* that is relevant to Value Ind AS Limited has been presented, or referred to, in one note. This is considered to be a convenient and desirable method of presentation, but there is no requirement to present the information in this manner. Compliance with the standard could also be achieved by disclosing the information in relevant notes throughout the financial statements.

**Disclosure**

24(13)

2. In consolidated financial statements, disclosure is not required of any transactions or balances between group entities that have been eliminated on consolidation. But disclosure of control is not exempted and so relationships between parents and subsidiaries have to be disclosed irrespective of whether there have been transactions between those related parties.

**Materiality**

1(7)

3. The disclosures required by Ind AS 24 apply to the financial statements when the information is material. According to Ind AS 1, materiality depends on the size and nature of an item. It may be necessary to treat an item or a group of items as material because of their nature, even if they would not be judged material on the basis of the amounts involved. This may apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

**Key management personnel compensation**

4. While the disclosures under Ind AS 24 paragraph 17 are subject to materiality, this must be determined based on both quantitative and qualitative factors. In our view, it will not be appropriate to omit the aggregate compensation disclosures based on materiality.

**Related party definition**

24(9)

5. The definition of a related party includes the following persons and entities:
   (a) A person (or a close member of that person's family) is related to the reporting entity if the person:
      (i) has control or joint control over the reporting entity
      (ii) has significant influence over the reporting entity, or
      (iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity
   (b) The reporting entity (A) is related to another entity (B) if:
      (i) A and B are members of the same group (that is all entities within a group are related to each other)
      (ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to
      (iii) A and B are joint ventures of the same third party, C
      (iv) A is a joint venture of C and B is an associate of C (or vice versa)
      (v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A
      (vi) B is controlled or jointly controlled by a person identified in (a) above
      (vii) A person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B, or
      (viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

24(12)

In this definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

**Superannuation plans**

24(9)(b)(v)
19(151)

6. Post-employment benefit plans for the benefit of employees of the entity, or of any entity that is a related party of the entity, are related parties as per the definition in Ind AS 24 paragraph 9. This means that contributions made to such plans by the entity or any other entity in the consolidated group must be disclosed as a related party transaction, regardless of whether the plans are defined contribution or defined benefit plans.

**Transactions with related parties**

24(9),(21)
37(3)

7. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). As per Ind AS 37, executory contracts are contracts under which neither party has performed any of its obligations, or both parties have partially performed their obligations to an equal extent.

## Commentary - Related party transactions

24(24),(24A) 8. Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity. Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this should be done in such a manner such that it does not obscure significant transactions. For example, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.

**Comparatives**

1(38) 9. Ind AS 24 is silent on comparatives. Under Ind AS 1 comparative information must be provided for all amounts reported in the financial statements, except when a standard provides otherwise, which is not the case with Ind AS 24. As the notes are part of the financial statements (see Ind AS 1(10)), comparative information should be included for all amounts that provide further analysis of the line items in the financial statements.

10. Ind AS 1 further states that comparative information should also be provided for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. In the case of related party disclosures, comparative information is likely to be relevant for all narrative and descriptive information. The comparative information should disclose transactions with parties that were related at the time the transaction took place, but need not include information about transactions with parties that were unrelated at that time.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

11. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 24(18),(18A) | KMP services are provided by a separate management entity | Disclose fee paid to the management entity for the KMP services and any other transactions with that entity. |
| 24(25)-(27) | The entity applies the exemption for government related entities. | Provide the information required by Ind AS 24(25) – (27). |
| 110(31) | An investment entity is exempt from consolidating certain subsidiaries and measures them at fair value through profit or loss instead. | Disclose any transactions and outstanding balances with those subsidiaries, as they are not eliminated on consolidation. |

# *Unrecognised items*

Description about section is not mandatory

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

(a) Unrecognised tax amounts – see note 27

(b) Non-cash investing and financing transactions – see cash flow statement.

(All amounts in INR lakhs, unless otherwise stated)

# Note 36: Contingent liabilities and contingent assets

## (a) Contingent liabilities

The group had contingent liabilities at 31 March 2017 in respect of:

*(i) Claims against the group not acknowledged as debts*

37(86),(91) A claim for unspecified damages was lodged against Value Ind AS Retail Limited in December 2015 in relation to alleged non-performance under a sales contract. The group has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim, but legal advice indicates that it is not probable that a significant liability will arise.

37(86) In September 2016, a claim was lodged against Value Ind AS Manufacturing Limited asserting that the entity had breached certain registered patents of a competitor. The matter is currently being considered by the courts and the group expects judgement before the end of August 2017. The group considers it to be probable that the judgement will be in its favour and has therefore not recognised a provision in relation to this claim. The potential undiscounted amount of the total payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately INR 1,375.

The disputed demands for excise duty, custom duty, sales tax and other matters amounts to INR 2,560, INR 2,338 and INR 1,898 as of 31 March 2017, 31 March 2016 and 1 April 2015, respectively.

*(ii) Associates and joint ventures*

112(23)(b) For contingent liabilities relating to associates and joint ventures refer to note 34.

## (b) Contingent assets

37(89) A subsidiary has lodged a claim against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset amounting to INR 1,250 (31 March 2016: Nil, 1 April 2015: Nil) has not been recognised as a receivable at 31 March 2017 as its receipt is dependent on the outcome of the arbitration process.

## Commentary - Contingent liabilities and contingent assets

**Definitions**

37(10) *Application of definitions*

1. Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that has:
   (a) incurred liabilities in acting as trustee for a trust: if the liabilities of the trust are insignificant compared to the assets in the trust and the chances of the trustee being called to meet those liabilities is remote, no contingent liability and asset disclosures will need to be made. It is likely that it will be possible to demonstrate remoteness where the entity is acting as trustee for an equity trust that has no borrowings and holds investments that can be readily sold to meet any liabilities that do arise. Remoteness is unlikely to be demonstrated where an entity acts as trustee for a trust that is carrying on a business and the trustee is incurring liabilities and undertaking the risks relating to the business
   (b) provided a guarantee or indemnity to another party: it will be more difficult to demonstrate the probability of having to meet the potential liabilities as being remote because there are likely to be commercial risks which gave rise to the need for the guarantee or indemnity.

Sch III 2. As per Schedule III, contingent liabilities shall be classified as:
   (a) claims against the company not acknowledged as debt;
   (b) guarantees excluding financial guarantees; and
   (c) other money for which the company is contingently liable.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

3. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 37(88) | Provisions and contingent liabilities arising from the same set of circumstances | Make the required disclosures in a way such that the link between the provision and the contingent liability is clear. |
| 37(91) | Information cannot be disclosed because it is not practicable to do so | Disclose the fact. |
| 37(92) | Disclosure of information can be expected to seriously prejudice the position of the entity | Disclose the general nature of the dispute together with the fact that, and the reasons why, the information has not been disclosed. |
| 19(152) | Contingent liabilities arising from post-employment benefit plans | Provide information about these contingent liabilities. |
| Sch III | Guarantees excluding financial guarantees | Provide information about these guarantees. |

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 37: Commitments

### (a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| 16(74)(c) | Property, plant and equipment | 11,340 | 10,450 | 8,540 |
| 40(75)(h) | Investment property | 430 | 320 | 220 |
| 38(122)(e) | Intangible assets | 120 | 80 | 70 |

*Fernwood venture*

112(23)(a) The above commitments include capital expenditure commitments of INR 350 (31 March 2016 – nil, 1 April 2015 - nil) relating to the Fernwood Venture (refer to note 34).

### (b) Non-cancellable operating leases

17(35)(d) The group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| 17(35)(a) | Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | | |
| 17(35)(a)(i) | Within one year | 850 | 750 | 600 |
| 17(35)(a)(ii) | Later than one year but not later than five years | 2,300 | 2,300 | 2,200 |
| 17(35)(a)(iii) | Later than five years | 3,940 | 3,770 | 3,400 |
| | | **7,090** | **6,820** | **6,200** |

17(35)(c) *Rental expense relating to operating leases*

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Minimum lease payments | 1,555 | 1,224 |
| Total rental expense relating to operating leases | 1,555 | 1,224 |

### (c) Repairs and maintenance: investment property

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| 40(75)(h) | Contractual obligation for future repairs and maintenance – not recognised as a liability | 540 | 389 | 320 |

## Commentary – Commitments

Sch III

1. As per Schedule III, commitments shall be classified as-
   (a) estimated amount of contracts remaining to be executed on capital account and not provided for;
   (b) uncalled liability on shares and other investments partly paid; and
   (c) other commitments

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

*Arrangements containing a lease - payments cannot be separated*

17(App C)(15)(b)(i), (ii)

2. Where an arrangement contains an operating lease but the lessee cannot reliably separate the payments, all payments under the arrangement must be treated as lease payments for the purpose of complying with the disclosure requirements in Ind AS 17 *Leases*. In addition, the lessee must:
   (a) disclose those payments separately from other lease payments that do not include non-lease elements
   (b) state that the payments include payments for non-lease elements.

17(App A)

*Lease incentives provided by the lessor*

3. Where a lessor provides the right to use certain assets free of cost as part of lease arrangement, the lessee shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

   ***An illustrative example is provided below:***

   A number of lease agreements for the retail stores include free fit-outs provided by the lessor as a lease incentive. The assets obtained by the group have been recognised as furniture and equipment at fair value and are depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities and is recognised on a straight line basis over the lease term by reducing the rental expense.

17(35)(b)

*Non-cancellable sub-lease arrangements*

4. Where assets under operating leases are sub-let, disclose the amount of future minimum sub-lease payments expected to be received in relation to non-cancellable operating leases.

   Also disclose the rental expenditure related to such sub-leases arrangements

17(35)(d)(i)

*Contingent rentals*

5. Where a lease arrangement contains contingent rental provision, disclose the amount of contingent rent which will be payable and the basis on which the contingent rent is determined.

   ***An illustrative disclosure is provided below***

   Contingent rental payments may arise relating to leased assets in the event that units produced by the leased assets exceed a pre-determined production capacity. The contingent rental payable is 1% of sales revenue from the excess production.

6. *Finance leases*

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 17(31)(d) | Finance leases of lessees – sub-leases | Disclose expected future minimum sub-lease payments expected to be received. |
| 17(47),(48) | Finance leases of lessors | Various disclosures, see Ind AS 17 for details. |

(All amounts in INR lakhs, unless otherwise stated)

## Note 38: Events occurring after the reporting period

### (a) Refinancing of borrowing

10(21) 109(3.3.2), (B3.3.6)

At the beginning of May 2017, the group renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility was increased by INR 1,175, which is expected to be drawn down over the next 12 months. The facility is now repayable in three annual instalments, commencing 1 June 2018. As the terms and conditions of the facility remain largely unchanged, the refinancing did not result in recognition of settlement gain or loss.

### (b) Other events

10(21)

Refer to note 30 for the final dividend recommended by the directors which is subject to the approval of shareholders in the ensuing annual general meeting.

## Commentary - Events occurring after the reporting period

1(74)

1. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

1(75)

2. An entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

3. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 10(21),(22)(a) 103(B64) | Major business combination after the reporting period | Provide information about acquired receivables, recognised or unrecognised contingent liabilities, equity instruments issued or issuable, transactions that are recognised separately from the business combination, a bargain purchase and business combinations achieved in stages. |
| 10(21),(22)(c) 105(12),(41)(a),(b),(d) | Discontinued operations or assets held for sale where the criteria as held for sale were met after the end of the reporting period | Provide a description of the non-current asset or disposal group, the facts and circumstances and expected timing of the sale or disposal and the reportable segment in which the asset(s) are presented (where applicable). |

# *Other information*

This section provides information regarding the following

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 39: Share-based payments

### (a) Employee option plan

102(44),(45)(a) The establishment of the Value Ind AS Limited Employee Option Plan was approved by shareholders at the 2013 annual general meeting. The Employee Option Plan is designed to provide incentives to employees above the designation of managers to deliver long-term returns. Under the plan, participants are granted options which vest upon completion of two years of service from the grant date. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Once vested, the options remain exercisable for a period of two years.

Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one equity share. The exercise price of the options is based on the weighted average exercise price which the company's shares are traded on the stock exchange during the week up to and including the date of the grant.

Set out below is a summary of options granted under the plan:

102(45)(b)(i),(ii),(iii),(iv),(vii)

| | 31 March 2017 | | 31 March 2016 | |
|---|---|---|---|---|
| | Average exercise price per share option (INR) | Number of options | Average exercise price per share option (INR) | Number of options |
| Opening balance | 42 | 40,960,557 | 40 | 28,392,857 |
| Granted during the year | 44 | 20,150,000 | 43 | 19,000,000 |
| Exercised during the year * | 42 | (13,000,000) | 40 | (6,000,000) |
| Forfeited during the year | 40 | (745,321) | 42 | (432,300) |
| **Closing balance** | | **47,365,236** | | **40,960,557** |
| Vested and exercisable | | 21,960,557 | | 12,776,786 |

102(45)(c) * The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2017 was INR 48 (31 March 2016 – INR 46).

102(45)(b)(v) No options expired during the periods covered in the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

102(45)(a),(b)(vi),(d)

| Grant Date | Expiry date | Exercise price (INR) | Share options 31 March 2017 | Share options 31 March 2016 | Share options 1 April 2015 |
|---|---|---|---|---|---|
| 1 November 2013 | 31 October 2017 | 39 | 311,484 | 6,344,486 | 12,776,786 |
| 1 November 2014 | 31 October 2018 | 41 | 7,903,752 | 15,616,071 | 15,616,071 |
| 1 November 2015 | 31 October 2019 | 43 | 19,000,000 | 19,000,000 | - |
| 1 November 2016 | 31 October 2020 | 44 | 20,150,000 | - | - |
| **Total** | | | **47,365,236** | **40,960,557** | **28,392,857** |
| Weighted average remaining contractual life of options outstanding at end of period | | | 2.9 years | 2.8 years | 2.1 years |

#### *(i) Fair value of options granted*

102(46),(47)(a)(i) The fair value at grant date of options granted during the year ended 31 March 2017 was INR 5.75 per option (31 March 2016 – INR 5.21). The fair value at grant date is determined using the Black Scholes Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

102(47)(a)(i) The model inputs for options granted during the year ended 31 March 2017 included:

a) options are granted for no consideration and vest upon completion of service for a period of two years. Vested options are exercisable for a period of two years after vesting.
b) exercise price: INR 44 (31 March 2016 – 43)
c) grant date: 1 November 2016 (31 March 2016 – 1 November 2015)
d) expiry date: 31 October 2020 (31 March 2016 – 30 October 2019)
e) share price at grant date: 47 (31 March 2016 – 46)
f) expected price volatility of the company's shares: 35% (31 March 2016 – 33%)
g) expected dividend yield: 2.2% (31 March 2016 – 2.1%)
h) risk-free interest rate: 7% (31 March 2016 – 7%)

102(47)(a)(ii) The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

*(All amounts in INR lakhs, unless otherwise stated)*

### (b) Share appreciation rights

102(44),(45)(a) In July 2016, the remuneration committee decided to reward divisional managers for their contribution to the performance of the group by granting them 5,090,000 share appreciation rights (SARs). The rights entitle the employees to a cash payment after three years of service. The amount payable will be determined based on the increase of Value Ind AS Limited's share price between the two-year average share-price of INR 41 computed on grant date (4 July 2016) and the share price on vesting date (3 July 2019).

102(46) The fair value of the SARs was determined using the Black-Scholes model using the following inputs at the grant date and as at 31 March 2017:

| | | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|
| | Share price at measurement date (INR per share) | 46 | - | - |
| | Expected volatility (%) | 35 | - | - |
| | Dividend yield (%) | 2.2 | - | - |
| | Risk-free interest rate (%) | 7 | - | - |
| 102(51)(b)(i) | Carrying amount of liability – included in employee benefit obligations (note 15) (INR) | 246 | - | - |

102(51)(b)(ii) There were no SARs granted in prior years and none of the SARs had vested as at 31 March 2017.

### (c) Expense arising from share-based payment transactions

102(50),(51)(a) Total expenses arising from share-based payment transactions recognised in profit or loss as part of employee benefit expense were as follows:

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Employee option plan | 1,240 | 855 |
| Share appreciation rights | 246 | - |
| **Total employee share-based payment expense** | **1,486** | **855** |

## Commentary - Share-based payments

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

*Fair value of goods or services received, or of equity instruments granted*

1. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 102(47)(b) | Fair value of equity instruments was not measured on basis of an observable market price | Explain how the fair value was determined |
| 102(47)(c) | Modification of share-based payment arrangements | Explain the modifications, disclose the incremental fair value granted and how this was measured (see below). |
| 102(49) | Rebuttal of the presumption that the fair value of goods or services received from parties other than employees can be measured reliably | Disclose that fact and explain why the presumption was rebutted. |
| 102(52) | The information disclosed does not satisfy the principles in Ind AS 102 paragraphs 44, 46 and 50 | Provide additional information as necessary. |

2. The following illustrative disclosures may be useful where relevant to an entity:

*Modification of share-based payment arrangements*

102(47)(c) In May 2016, Value Ind AS Limited reduced the exercise price of stock options to INR 30 to reflect the recent fall in the company's share price. The incremental fair value being the difference between the fair value of the modified equity instrument and that of the original equity instrument estimated at the date of modification amounted to INR 180. This amount together with the original grant date fair value of the options will be recognised as an expense over the remaining vesting period. The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs [provide details].

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 40: Earnings per share

| Ref | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | **(a) Basic earnings per share** | **INR** | **INR** |
| | From continuing operations attributable to the equity holders of the company | 15.07 | 22.88 |
| 33(68) | From discontinued operation | 0.33 | 1.17 |
| | Total basic earnings per share attributable to the equity holders of the company | 15.40 | 24.05 |
| | **(b) Diluted earnings per share** | | |
| | From continuing operations attributable to the equity holders of the company | 14.26 | 22.19 |
| 33(68) | From discontinued operation | 0.31 | 1.13 |
| | Total diluted earnings per share attributable to the equity holders of the company | 14.57 | 23.32 |

### (c) Reconciliations of earnings used in calculating earnings per share

| Ref | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 33(70)(a) | *Basic earnings per share* | | |
| | Profit attributable to the equity holders of the company used in calculating basic earnings per share: | | |
| | From continuing operations | 27,552 | 28,711 |
| | From discontinued operation | 613 | 1,471 |
| | | **28,165** | **30,182** |
| 33(70)(a) | *Diluted earnings per share* | | |
| | Profit from continuing operations attributable to the equity holders of the company: | | |
| | Used in calculating basic earnings per share | 27,552 | 28,711 |
| 33(70)(a) | Add: interest savings on convertible bonds | 208 | - |
| | Used in calculating diluted earnings per share | 27,760 | 28,711 |
| | Profit from discontinued operation | 613 | 1,471 |
| | **Profit attributable to the equity holders of the company used in calculating diluted earnings per share** | **28,373** | **30,182** |

### (d) Weighted average number of shares used as the denominator

| Ref | | 31 March 2017 Number of shares | 31 March 2016 Number of shares |
|---|---|---|---|
| 33(70)(b) | Weighted average number of equity shares used as the denominator in calculating basic earnings per share | 182,833,333 | 125,500,000 |
| 33(70)(b) | Adjustments for calculation of diluted earnings per share: | | |
| | Options | 4,869,367 | 3,901,995 |
| | Convertible bonds | 7,000,000 | - |
| 33(70)(b) | **Weighted average number of equity shares and potential equity shares used as the denominator in calculating diluted earnings per share** | **194,702,700** | **129,401,995** |

*(All amounts in INR lakhs, unless otherwise stated)*

### (e) Information concerning the classification of securities

*(i) Options*

33(72) Options granted to employees under the Value Ind AS Limited Employee Option Plan are considered to be potential equity shares. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 39.

*(ii) Convertible bonds*

33(72) Convertible bonds issued during the year are considered to be potential equity shares and have been included in the determination of diluted earnings per share from their date of issue. The bonds have not been included in the determination of basic earnings per share. Details relating to the notes are set out in note 13(a).

## Commentary - Earnings per share

33(12) 1. Where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with Indian Accounting Standards is debited or credited to securities premium account/other reserves, the amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share.

**Disclosures not illustrated: not applicable to Value Ind AS Limited**

2. The following requirements are not illustrated in this publication as they are not applicable to Value Ind AS Limited:

| | Issue not illustrated | Relevant disclosures or references |
|---|---|---|
| 33(70)(c) | Antidilutive instruments | Disclose instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented. |
| 33(70)(d) | Share transactions after the end of the reporting period | Provide a description of material share transactions that occurred after the end of the reporting period and that were not retrospectively adjusted in the calculation of EPS. |
| 33(73) | EPS based on alternative earnings | Indicate the basis on which the alternative earnings are determined, including whether the amounts are before or after tax. Provide a reconciliation between the earnings used and a line item that is reported in the statement of profit and loss, where necessary. |
| 1(112)(c) | Major capital restructuring | Consider providing appropriate explanations in the notes where the restructuring had a significant impact on the EPS information that was calculated in accordance with the requirements of Ind AS 33. |
| 33(64) | The number of ordinary or potential ordinary shares changes as a result of a capitalisation, bonus issue, share split or reverse share split | Retrospectively adjust the calculation of basic and diluted EPS for all periods presented and explain the changes made.<br>This applies regardless of whether the change occurred during the reporting period or after the end of the period before the financial statements are authorised for issue. |
| | Rights issue with bonus element | Retrospectively adjust the calculation of basic and diluted EPS for all periods presented. |

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 41: Offsetting financial assets and financial liabilities

107(13C) The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 March 2017, 31 March 2016 and 1 April 2015. The column 'net amount' shows the impact on the group's balance sheet if all set-off rights were exercised.

| | Effects of offsetting on the balance sheet | | | Related amounts not offset | | |
|---|---|---|---|---|---|---|
| | Gross amounts | Gross amounts set off in the balance sheet | Net amounts presented in the balance sheet | Amounts subject to master netting arrangements | Financial instrument collateral | Net amount |
| **31 March 2017** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 25,031 | - | 25,031 | - | (320) | 24,711 |
| Trade receivables (i) | 32,034 | (1,322) | 30,712 | - | (1,520) | 29,192 |
| Other financial assets (ii) | 3,951 | (1,500) | 2,451 | - | - | 2,451 |
| Derivative financial instruments | 3,643 | - | 3,643 | (340) | - | 3,303 |
| **Total** | **64,659** | **(2,822)** | **61,837** | **(340)** | **(1,840)** | **59,657** |
| **Financial liabilities** | | | | | | |
| Trade payables (i) | 39,333 | (1,322) | 38,011 | - | - | 38,011 |
| Borrowings (ii) | 45,762 | (1,500) | 44,262 | - | (1,840) | 42,422 |
| Derivative financial instruments | 614 | - | 614 | (340) | - | 274 |
| **Total** | **85,709** | **(2,822)** | **82,887** | **(340)** | **(1,840)** | **80,707** |
| **31 March 2016** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 7,035 | - | 7,035 | - | (420) | 6,615 |
| Trade receivables (i) | 31,122 | (1,044) | 30,078 | - | (1,783) | 28,295 |
| Other financial assets (ii) | 3,251 | (1,500) | 1,751 | - | - | 1,751 |
| Derivative financial instruments | 2,718 | - | 2,718 | (432) | - | 2,286 |
| **Total** | **44,126** | **(2,544)** | **41,582** | **(432)** | **(2,203)** | **38,947** |
| **Financial liabilities** | | | | | | |
| Trade payables (i) | 30,021 | (1,044) | 28,977 | - | - | 28,977 |
| Borrowings (ii) | 39,750 | (1,500) | 38,250 | - | (2,203) | 36,047 |
| Derivative financial instruments | 908 | - | 908 | (432) | - | 476 |
| **Total** | **70,679** | **(2,544)** | **68,135** | **(432)** | **(2,203)** | **65,500** |

*(All amounts in INR lakhs, unless otherwise stated)*

| | Effects of offsetting on the balance sheet | | | Related amounts not offset | | |
|---|---|---|---|---|---|---|
| | Gross amounts | Gross amounts set off in the balance sheet | Net amounts presented in the balance sheet | Amounts subject to master netting arrangements | Financial instrument collateral | Net amount |
| **1 April 2015** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 6,131 | - | 6,131 | - | (700) | 5,431 |
| Trade receivables (i) | 29,150 | (940) | 28,210 | - | (1,775) | 26,435 |
| Other financial assets (ii) | 2,900 | (1,500) | 1,400 | - | - | 1,400 |
| Derivative financial instruments | 1,806 | - | 1,806 | (392) | - | 1,414 |
| **Total** | **39,987** | **(2,440)** | **37,547** | **(392)** | **(2,475)** | **34,680** |
| **Financial liabilities** | | | | | | |
| Trade payables (i) | 35,135 | (940) | 34,195 | - | - | 34,195 |
| Borrowings (ii) | 39,470 | (1,500) | 37,970 | - | (2,475) | 35,495 |
| Derivative financial instruments | 872 | - | 872 | (392) | - | 480 |
| **Total** | **75,477** | **(2,440)** | **73,037** | **(392)** | **(2,475)** | **70,170** |

### (a) Offsetting arrangements

*(i) Trade receivables and payables*

107(13B) The group gives volume-based rebates to selected wholesalers. Under the terms of the supply agreements, the amounts payable by Value Ind AS Limited are offset against receivables from the wholesalers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

*(ii) Borrowings*

107(13B) The group is required to maintain cash on deposit of INR 1,500 in respect of certain borrowings. The cash cannot be withdrawn or used by the group for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the group and the lender intend to net settle. As a result, Value Ind AS Limited's borrowings have been presented net of the cash on deposit, as the requirements under Ind AS to offset have been met.

### (b) Master netting arrangements – not currently enforceable

107(13E)(B50) Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/ receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

### (c) Collateral against borrowings

107(13C) The group has pledged financial instruments as collateral against a number of its borrowings. Refer to note 42 for further information on financial and non-financial collateral pledged as security against borrowings.

## Commentary - Offsetting financial assets and financial liabilities

**Scope**

1. Because of the broad scope of the offsetting requirements, the disclosures are relevant not only to financial institutions but also corporate entities.

107(13A),(B40)
32(50)

2. The offsetting disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of Ind AS 32. While there is no definition of "master netting arrangement", a master netting arrangement will commonly:
   (a) provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract;
   (b) be used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations; and
   (c) create a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

107(B41)

3. The offsetting disclosures do not apply to arrangements, such as:
   (a) financial instruments with only non-financial collateral agreements
   (b) financial instruments with financial collateral agreements but no other rights of set-off, and
   (c) loans and customer deposits with the same financial institution, unless they are set off in the balance sheet

**Location of disclosures**

107(13F)

4. Where the disclosures are provided in more than one note to the financial statements, cross references between the notes shall be included. Entities with significant offsetting arrangements should consider including this information more prominently, for example together with the information about financial risk management or as part of their financial assets/financial liabilities disclosures.

**Master netting without offsetting**

107(36)(b)

5. An entity may have entered into one or more master netting arrangements that serve to mitigate its exposure to credit loss but do not meet the criteria for offsetting. When a master netting arrangement significantly reduces the credit risk associated with financial assets not offset against financial liabilities with the same counterparty, the entity must provide additional information concerning the effect of the arrangement.

**Collateral arrangements**

107(13C)(d),(B41)

6. Where an entity has pledged financial instruments (including cash) as collateral, this is only required to be disclosed as part of the offsetting disclosures where there are other set off arrangements currently in place in relation to the same instrument(s). That is, disclosure is not required where the only potential effect of the set off relates to a collateral agreement. Value Ind AS Limited illustrates an example where cash has been set off against borrowings held by the entity. As a result, it is required to disclose other financial instrument collateral provided in relation to this borrowing.

*(All amounts in INR lakhs, unless otherwise stated)*

## Note 42: Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | | Notes | 31 March 2017 | 31 March 2016 | 1 April 2015 |
|---|---|---|---|---|---|
| | **Current** | | | | |
| | **Financial assets** | | | | |
| | *First charge* | | | | |
| | Transferred receivables | 6(b) | 850 | 953 | 755 |
| | *Floating charge* | | | | |
| 107(14)(a) | Cash and cash equivalents | 6(d) | 320 | 420 | 700 |
| 107(14)(a) | Receivables | 6(b) | 670 | 830 | 1,020 |
| | | | **1,840** | **2,203** | **2,475** |
| | **Non-financial assets** | | | | |
| | *First charge* | | | | |
| 2(36)(h) | Inventories | 9 | 2,345 | 2,120 | 2,250 |
| | **Total current assets pledged as security** | | **4,185** | **4,323** | **4,725** |
| | **Non-current** | | | | |
| | *First charge* | | | | |
| 16(74)(a) | Freehold land | 3 | 4,300 | 4,300 | 4,300 |
| 16(74)(a) | Freehold buildings | 3 | 24,340 | 24,340 | 24,340 |
| 16(74)(a) | Furniture, fittings and equipment acquired under finance lease | 3 | 1,255 | 1,305 | 1,200 |
| | **Total non-currents assets pledged as security** | | **29,895** | **29,945** | **29,840** |
| | **Total assets pledged as security** | | **34,080** | **34,268** | **34,565** |

(All amounts in INR lakhs, unless otherwise stated)

## Note 43: Additional information required by Schedule III

Sch III

| Name of the entity in the group | Net assets (total assets minus total liabilities) | | Share in profit or (loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount | As % of consolidated other comprehensive income | Amount | As % of consolidated total comprehensive income | Amount |
| **Parent** | | | | | | | | |
| **Value Ind AS Limited** (refer note 1) | | | | | | | | |
| 31 March 2017 | 59.0% | 149,961 | 62.0% | 20,361 | 22.1% | 344 | 60.3% | 20,705 |
| 31 March 2016 | 60.5% | 116,734 | 76.4% | 24,792 | 85.4% | 936 | 76.8% | 25,728 |
| **Subsidiaries (group's share)** | | | | | | | | |
| Indian | | | | | | | | |
| **Value Ind AS Retail Limited** | | | | | | | | |
| 31 March 2017 | 3.0% | 9,374 | (9.2%) | (3,037) | - | - | (8.8%) | (3,037) |
| 31 March 2016 | 3.2% | 6,171 | (7.1%) | (2,321) | - | - | (6.9%) | (2,321) |
| **Ambrosia Furniture Limited** | | | | | | | | |
| 31 March 2017 | 1.5% | 4,269 | 3.8% | 1,269 | 2.2% | 35 | 3.7% | 1,304 |
| 31 March 2016 | - | - | - | - | - | - | - | - |
| **Handy Electronics Limited** | | | | | | | | |
| 31 March 2017 | 3.6% | 12,943 | 6.4% | 2,100 | 5.8% | 91 | 6.4% | 2,191 |
| 31 March 2016 | - | - | - | - | - | - | - | - |
| **Value Ind AS Manufacturing Limited** | | | | | | | | |
| 31 March 2017 | 7.0% | 18,749 | 3.8% | 1,247 | 34.0% | 529 | 5.2% | 1,777 |
| 31 March 2016 | 5.0% | 9,643 | 5.2% | 1,687 | 46.0% | 504 | 6.6% | 2,191 |
| Foreign | | | | | | | | |
| **Value Ind AS Overseas Limited** | | | | | | | | |
| 31 March 2017 | 6.0% | 16,099 | 8.2% | 2,714 | 5.8% | 90 | 8.2% | 2,804 |
| 31 March 2016 | 6.8% | 13,295 | 5.6% | 1,846 | (8.7%) | (96) | 5.3% | 1,750 |
| **Value Ind AS Consulting Inc.** | | | | | | | | |
| 31 March 2017 | 3.5% | 12,053 | 4.0% | 1,313 | 8.3% | 130 | 4.3% | 1,442 |
| 31 March 2016 | 4.0% | 7,714 | 5.7% | 1,849 | (20.8%) | (228) | 4.9% | 1,621 |
| **Value Ind AS Services SA** | | | | | | | | |
| 31 March 2017 | 4.0% | 10,713 | 5.0% | 1,639 | 1.4% | 22 | 4.8% | 1,661 |
| 31 March 2016 | 3.0% | 5,785 | 4.3% | 1,395 | 4.0% | 44 | 4.2% | 1,439 |

*(All amounts in INR lakhs, unless otherwise stated)*

| Name of the entity in the Group | Net assets (total assets minus total liabilities) | | Share in profit or( loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount | As % of consolidated other comprehensive income | Amount | As % of consolidated total comprehensive income | Amount |
| **Value Ind AS Engineering Gmbh** | | | | | | | | |
| 31 March 2017 | - | - | 2.2% | 613 | 4.1% | 65 | 1.9% | 678 |
| 31 March 2016 | 5.3% | 10,320 | 4.9% | 1,471 | (2.7%) | (30) | 4.3% | 1,441 |
| **Value Ind AS IT Solutions Inc.** | | | | | | | | |
| 31 March 2017 | 2.3% | 6,160 | (2.0%) | (672) | - | - | (1.9%) | (672) |
| 31 March 2016 | 2.8% | 4,821 | (3.1%) | (1,020) | - | - | (3.0%) | (1,020) |
| **Non-controlling interests in all subsidiaries** | | | | | | | | |
| 31 March 2017 | 9.2% | 24,742 | 14.1% | 4,658 | 10.0% | 157 | 14.0% | 4,815 |
| 31 March 2016 | 8.4% | 16,248 | 6.9% | 2,256 | (10.7%) | (117) | 6.3% | 2,139 |
| **Associates (Investment as per equity method)** | | | | | | | | |
| Indian | | | | | | | | |
| **SR India Private Limited** | | | | | | | | |
| 31 March 2017 | 0.2% | 696 | 0.3% | 113 | - | - | 0.3% | 113 |
| 31 March 2016 | 0.3% | 584 | 0.3% | 102 | - | - | 0.3% | 102 |
| **AB Electronics Limited** | | | | | | | | |
| 31 March 2017 | 0.1% | 162 | 0.1% | 35 | - | - | 0.1% | 35 |
| 31 March 2016 | 0.1% | 127 | 0.1% | 21 | - | - | 0.1% | 21 |
| **Teakwood Limited** | | | | | | | | |
| 31 March 2017 | 0.1% | 378 | 0.2% | 80 | - | - | 0.2% | 80 |
| 31 March 2016 | 0.1% | 298 | 0.1% | 49 | - | - | 0.1% | 49 |
| Foreign | | | | | | | | |
| **AB PTE SA** | | | | | | | | |
| 31 March 2017 | 0.3% | 801 | 0.5% | 167 | 3.5% | 48 | 0.6% | 215 |
| 31 March 2016 | 0.3% | 611 | 0.4% | 151 | 4.2% | 46 | 0.5% | 197 |
| **Joint ventures (Investment as per equity method)** | | | | | | | | |
| Indian | | | | | | | | |
| **SB India Limited** | | | | | | | | |
| 31 March 2017 | 0.2% | 739 | 0.6% | 222 | 2.8% | 43 | 0.7% | 265 |
| 31 March 2016 | 0.2% | 508 | 0.4% | 160 | 3.3% | 36 | 0.5% | 196 |
| **Total** | | | | | | | | |
| **31 March 2017** | **100.0%** | **267,839** | **100.0%** | **32,823** | **100.0%** | **1,554** | **100.0%** | **34,377** |
| **31 March 2016** | **100.0%** | **192,859** | **100.0%** | **32,438** | **100.0%** | **1,095** | **100.0%** | **33,533** |

Note 1: Includes the group's share in the net assets and results of Fernwood venture classified as a joint operation.

# *First-time adoption of Ind AS*

This section provides information regarding exemptions and exceptions availed, reconciliation of equity, total comprehensive income and cash flows along with relevant notes to first-time adoption

# Note 44: First-time adoption of Ind AS

**Transition to Ind AS**

101(23) These are the group's first consolidated financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Group's date of transition). In preparing its opening Ind AS balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the group's financial position, financial performance and cash flows is set out in the following tables and notes.

## A. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

### A.1 Ind AS optional exemptions

#### A.1.1 Business combinations

101(C1) Ind AS 101 provides the option to apply Ind AS 103 prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date.

The group elected to apply Ind AS 103 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated. The group has applied same exemption for investment in associates and joint ventures.

#### A.1.2 Prospective application of Ind AS 21 to business combinations

101(C2) Ind AS 101 allows a first-time adopter not to apply Ind AS 21 *Effects of changes in Foreign Exchange Rates* retrospectively for business combinations that occurred before the date of transition to Ind AS. In such cases, where the entity does not apply Ind AS 21 retrospectively to fair value adjustments and goodwill, the entity treats them as assets and liabilities of the acquirer entity and not as the acquiree.

The group has elected to apply this exemption.

#### A.1.3 Cumulative translation differences

101(D12), (D13) Ind AS 101 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with Ind AS 21 from the date a subsidiary or equity method investee was formed or acquired.

The group elected to reset all cumulative translation gains and losses to zero by transferring it to opening retained earnings at its transition date.

#### A.1.4 Deemed cost

101(D7AA) Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 *Intangible Assets* and investment property covered by Ind AS 40 *Investment Properties*.

Accordingly, the group has elected to measure all of its property, plant and equipment, intangible assets and investment property at their previous GAAP carrying value.

#### A.1.5 Designation of previously recognised financial instruments

101(D19B)) Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS.

The group has elected to apply this exemption for its investment in equity investments.

### A.1.6 Leases

101(D9A) Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material.

The group has elected to apply this exemption for such contracts/arrangements.

### A.1.7 Joint ventures

101(D31AA) Ind AS 101 provides an exemption for changing from proportionate consolidation to the equity method. As per the exemption, when changing from proportionate consolidation to the equity method, an entity should recognise its investment in the joint venture at transition date to Ind AS. That initial investment should be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising from acquisition. The balance of the investment in joint venture at the date of transition to Ind AS, determined in accordance with the above is regarded as the deemed cost of the investment at initial recognition.

The group has elected to apply this exemption for its joint venture.

## A.2 Ind AS mandatory exceptions

### A.2.1 Hedge accounting

101(B5) Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in Ind AS 109, at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1 April 2015 are reflected as hedges in the group's results under Ind AS.

The group had designated various hedging relationships as cash flow hedges under the previous GAAP. On date of transition to Ind AS, the entity had assessed that all the designated hedging relationship qualifies for hedge accounting as per Ind AS 109. Consequently, the group continues to apply hedge accounting on and after the date of transition to Ind AS.

### A.2.2 Estimates

101(14) An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Investment in equity instruments carried at FVPL or FVOCI;
- Investment in debt instruments carried at FVPL; and
- Impairment of financial assets based on expected credit loss model.

### A.2.3 Non-controlling interests

101(B7) Ind AS 110 requires entities to attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. This requirement needs to be followed even if this results in the non-controlling interests having a deficit balance. Ind AS 101 requires the above requirement to be followed prospectively from the date of transition.

Consequently, the group has applied the above requirement prospectively.

### 101(B2) A.2.4 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The group has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

### A.2.5 Classification and measurement of financial assets

101(B8) Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

*(All amounts in INR lakhs, unless otherwise stated)*

## B: Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

101(24) (a),(25)

### Reconciliation of equity as at date of transition (1 April 2015) [5]

| | Notes to first-time adoption | Previous GAAP * | Adjustments | Ind AS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1, 2 | 73,069 | 15,076 | 88,145 |
| Investment properties | 11 | - | 7,255 | 7,255 |
| Goodwill | | 4,530 | - | 4,530 |
| Other intangible assets | 1 | 9,416 | 1,794 | 11,210 |
| Investments accounted for using the equity method | 1, 2 | 12,744 | (11,140) | 1,604 |
| Financial assets | | | | |
| i. Investments | 3, 11 | 34,182 | (1,883) | 32,299 |
| ii. Loans | | 782 | - | 782 |
| iii. Other financial assets | 18 | 2,855 | (701) | 2,154 |
| Deferred tax assets | 5 | 2,078 | (24) | 2,054 |
| Other non-current assets | 1, 2, 4, 18 | 6,222 | 1,244 | 7,466 |
| **Total non-current assets** | | **145,878** | **11,621** | **157,499** |
| **Current assets** | | | | |
| Inventories | 1, 2 | 52,545 | 8,309 | 60,854 |
| Financial assets | | | | |
| i. Investments | 3 | 7,218 | 1,198 | 8,416 |
| ii. Trade receivables | 1, 2 , 6 | 23,581 | 4,629 | 28,210 |
| iii. Cash and cash equivalents | 1, 2 | 5,248 | 883 | 6,131 |
| iv. Loans | | 548 | - | 548 |
| v. Other financial assets | | 1,052 | - | 1,052 |
| Other current assets | 18 | 249 | 117 | 366 |
| **Total current assets** | | **90,441** | **15,136** | **105,577** |
| **Total assets** | | **236,319** | **26,757** | **263,076** |

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

*(All amounts in INR lakhs, unless otherwise stated)*

**Reconciliation of equity as at date of transition (1 April 2015) – continued [5]**

| | Notes to first-time adoption | Previous GAAP * | Adjustments | Ind AS |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Equity share capital | | 12,000 | - | 12,000 |
| **Other equity** | | | | |
| Reserves and surplus | 20 | 125,335 | 3,558 | 128,893 |
| Other reserves | 3, 7, 10 | 1,622 | 798 | 2,420 |
| **Equity attributable to owners of Value Ind AS Limited** | | **138,957** | **4,356** | **143,313** |
| Non-controlling interest | 1 | - | 14,109 | 14,109 |
| **Total equity** | | **138,957** | **18,465** | **157,422** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Financial liabilities | | | | |
| i. Borrowings | 2, 8 | 37,149 | (612) | 36,537 |
| ii. Other financial liabilities | 4 | 268 | 44 | 312 |
| Employee benefit obligations | 1, 2 | 3,924 | 1,021 | 4,945 |
| Deferred tax liabilities | 1, 5 | 4,701 | 3,075 | 7,776 |
| Government grants | | 2,924 | - | 2,924 |
| **Total non-current liabilities** | | **48,966** | **3,528** | **52,494** |
| **Current liabilities** | | | | |
| Financial liabilities | | | | |
| i. Borrowings | 2 | 1,559 | (126) | 1,433 |
| ii. Trade payables | 1, 2 | 29,123 | 5,072 | 34,195 |
| iii. Other financial liabilities | 4 | 10,812 | 13 | 10,825 |
| Provisions | 1, 13, 17 | 1,635 | (1,150) | 485 |
| Employee benefit obligations | | 256 | - | 256 |
| Government grants | | 1,166 | - | 1,166 |
| Current tax liabilities | 1 | 705 | 145 | 850 |
| Other current liabilities | 17 | 3,140 | 810 | 3,950 |
| **Total current liabilities** | | **48,396** | **4,764** | **53,160** |
| **Total liabilities** | | **97,362** | **8,292** | **105,654** |
| **Total equity and liabilities** | | **236,319** | **26,757** | **263,076** |

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

*(All amounts in INR lakhs, unless otherwise stated)*

101(24) (a),(25)

## Reconciliation of equity as at 31 March 2016 [5]

| | Notes to first-time adoption | Previous GAAP * | Adjustments | Ind AS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1, 2 | 81,419 | 15,604 | 97,023 |
| Capital work-in-progress | | 3,100 | - | 3,100 |
| Investment properties | 11 | - | 7,179 | 7,179 |
| Goodwill | | 4,530 | - | 4,530 |
| Other intangible assets | 1 | 9,890 | 1,005 | 10,895 |
| Investments accounted for using the equity method | 1, 2 | 14,932 | (12,804) | 2,128 |
| Financial assets | | | | |
| i. Investments | 3, 11 | 32,103 | 150 | 32,253 |
| ii. Loans | | 850 | - | 850 |
| iii. Other financial assets | 18 | 3,004 | (628) | 2,376 |
| Deferred tax assets | 5 | 2,772 | 2 | 2,774 |
| Other non-current assets | 1, 2, 4, 18 | 8,799 | 1,766 | 10,565 |
| **Total non-current assets** | | **161,399** | **12,274** | **173,673** |
| **Current assets** | | | | |
| Inventories | 1, 2, 10 | 50,642 | 10,420 | 61,062 |
| Financial assets | | | | |
| i. Investments | 3 | 9,105 | 65 | 9,170 |
| ii. Trade receivables | 1, 2 , 6, 19 | 37,044 | (6,966) | 30,078 |
| iii. Cash and cash equivalents | 1, 2 | 5,542 | 1,493 | 7,035 |
| iv. Loans | | 546 | - | 546 |
| v. Other financial assets | | 2,093 | - | 2,093 |
| Other current assets | 18, 19 | 9,171 | (8,628) | 543 |
| | | **114,143** | **(3,616)** | **110,527** |
| Assets classified as held for sale | 19 | - | 19,310 | 19,310 |
| **Total current assets** | | **114,143** | **15,694** | **129,837** |
| **Total assets** | | **275,542** | **27,968** | **303,510** |

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

*(All amounts in INR lakhs, unless otherwise stated)*

**Reconciliation of equity as at 31 March 2016 – continued [5]**

| | Notes to first-time adoption | Previous GAAP * | Adjustments | Ind AS |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Equity share capital | | 12,600 | - | 12,600 |
| **Other equity** | | | | |
| Reserves and surplus | 20 | 157,632 | 3,164 | 160,796 |
| Other reserves | 3, 7, 10 | 2,210 | 1,005 | 3,215 |
| **Equity attributable to owners of Value Ind AS Limited** | | **172,442** | **4,169** | **176,611** |
| Non-controlling interest | 1 | - | 16,248 | 16,248 |
| **Total equity** | | **172,442** | **20,417** | **192,859** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Financial liabilities | | | | |
| i. Borrowings | 2, 8 | 36,185 | (620) | 35,565 |
| ii. Other financial liabilities | 4 | 171 | 28 | 199 |
| Provisions | 9 | 148 | (57) | 91 |
| Employee benefit obligations | 1, 2 | 4,063 | 1,013 | 5,076 |
| Deferred tax liabilities | 1, 5 | 6,287 | 3,577 | 9,864 |
| Government grants | | 2,550 | - | 2,550 |
| **Total non-current liabilities** | | **49,404** | **3,941** | **53,345** |
| **Current liabilities** | | | | |
| Financial liabilities | | | | |
| i. Borrowings | 2 | 2,772 | (87) | 2,685 |
| ii. Trade payables | 1, 2, 19 | 33,883 | (4,906) | 28,977 |
| iii. Other financial liabilities | 4 | 8,829 | 8 | 8,837 |
| Provisions | 1, 13, 17 | 1,530 | (999) | 531 |
| Employee benefit obligations | | 378 | - | 378 |
| Government grants | | 1,017 | - | 1,017 |
| Current tax liabilities | 1 | 1,581 | 324 | 1,905 |
| Other current liabilities | 17, 19 | 3,706 | 280 | 3,986 |
| | | **53,696** | **(5,380)** | **48,316** |
| Liabilities directly associated with assets classified as held for sale | 19 | - | 8,990 | 8,990 |
| **Total current liabilities** | | **53,696** | **3,610** | **57,306** |
| **Total liabilities** | | **103,100** | **7,551** | **110,651** |
| **Total equity and liabilities** | | **275,542** | **27,968** | **303,510** |

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

*(All amounts in INR lakhs, unless otherwise stated)*

101(24)
(b),(25)

## Reconciliation of total comprehensive income for the year ended 31 March 2016 [5]

| | Notes to first-time adoption | Previous GAAP * | Adjustments | Ind AS |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue from operations | 1, 2, 14,17 | 154,199 | 46,908 | 201,107 |
| Other income | 18 | 3,346 | 98 | 3,444 |
| Other gains/(losses) - net | 3, 4,10 | 663 | 540 | 1,203 |
| **Total income** | | **158,208** | **47,546** | **205,754** |
| **Expenses** | | | | |
| Cost of materials consumed | 1 | 60,352 | 15,687 | 76,039 |
| Purchases of stock in trade | | 35,310 | - | 35,310 |
| Change in inventories of work-in-progress, stock-in-trade and finished goods | 1, 10 | (5,104) | 2,026 | (3,078) |
| Excise duty | 14 | - | 14,174 | 14,174 |
| Employee benefit expense | 1, 2, 15, 16 | 13,314 | 4,472 | 17,786 |
| Depreciation and amortisation expense | 1, 2 | 3,979 | 5,782 | 9,761 |
| Other expenses | 1, 2, 6, 9, 17, 18 | 7,709 | 1,518 | 9,227 |
| Finance costs | 2, 8 | 2,910 | (116) | 2,794 |
| **Total expenses** | | **118,470** | **43,543** | **162,013** |
| **Profit before exceptional items, share of net profits of investments accounted for using equity method and tax** | | **39,738** | **4,003** | **43,741** |
| Share of net profit of associates and joint ventures accounted for using the equity method | 1, 2, 15 | 2,171 | (1,688) | 483 |
| **Profit before exceptional items and tax** | | **41,909** | **2,315** | **44,224** |
| Exceptional items | | - | - | - |
| **Profit before tax from continuing operations** | | **41,909** | **2,315** | **44,224** |
| Income tax expense | | | | |
| - Current tax | 1, 2 | 11,946 | 609 | 12,555 |
| - Deferred tax | 5 | 553 | 149 | 702 |
| Total tax expense | | 12,499 | 758 | 13,257 |
| Profit from continuing operations | | 29,410 | 1,557 | 30,967 |
| Profit from discontinued operation | | 1,471 | - | 1,471 |
| **Profit for the year** | | **30,881** | **1,557** | **32,438** |
| **Other comprehensive income** | 21 | **-** | **1,095** | **1,095** |
| **Total comprehensive income** | | **30,881** | **2,652** | **33,533** |

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

*(All amounts in INR lakhs, unless otherwise stated)*

101(24) (a),(25)

## Reconciliation of total equity as at 31 March 2016 and 1 April 2015

| | Notes to first-time adoption | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Total equity (shareholder's funds) as per previous GAAP | | 172,442 | 138,957 |
| **Adjustments:** | | | |
| Consolidation of subsidiary under Ind AS | 1 | 16,229 | 14,178 |
| Deferred revenue on customer loyalty programme | 17 | (282) | (202) |
| Fair valuation of investments | 3 | 7,394 | 6,570 |
| Fair valuation of derivatives | 4 | (56) | (86) |
| Provision for expected credit losses on trade receivables | 6 | (723) | (470) |
| Fair valuation of security deposits | 18 | (19) | (10) |
| Proposed dividend | 13 | 315 | 600 |
| Borrowings – transaction cost adjustment | 8 | 41 | 51 |
| Discounting of provisions | 9 | 57 | - |
| Forward element of forward contracts designated in a hedging relationship | 10 | 25 | - |
| Tax effects of adjustments | 5 | (2,564) | (2,166) |
| **Total adjustments** | | **20,417** | **18,465** |
| **Total equity as per Ind AS** | | **192,859** | **157,422** |

101(24) (b),(25)

## Reconciliation of total comprehensive income for the year ended 31 March 2016

| | Notes to first-time adoption | 31 March 2016 |
|---|---|---|
| Profit after tax as per previous GAAP | | 30,881 |
| **Adjustments:** | | |
| Consolidation of subsidiary under Ind AS | 1 | 2,980 |
| Deferred revenue on customer loyalty programme | 17 | (80) |
| Fair valuation of investments | 3 | 384 |
| Fair valuation of derivatives | 4 | 30 |
| Provision for expected credit losses on trade receivables | 6 | (253) |
| Fair valuation of security deposits | 18 | (19) |
| Borrowings – transaction cost adjustment | 8 | (10) |
| Discounting of provisions | 9 | 57 |
| Forward element of forward contracts designated in a hedging relationship | 10 | 151 |
| Employee stock option expense recognised based on fair value method | 16 | (131) |
| Remeasurements of post-employment benefit obligations | 15 | (758) |
| Tax effects of adjustments | 5 | (794) |
| **Total adjustments** | | **1,559** |
| **Profit after tax as per Ind AS** | | **32,438** |
| **Other comprehensive income** | 21 | **1,095** |
| **Total comprehensive income as per Ind AS** | | **33,533** |

101(23), (25)

## Impact of Ind AS adoption on the consolidated statements of cash flows for the year ended 31 March 2016

| | Notes | Previous GAAP | Adjustments | Ind AS |
|---|---|---|---|---|
| Net cash flow from operating activities | 1, 2 | 28,854 | 3,933 | 32,787 |
| Net cash flow from investing activities | 1, 2 | (28,701) | (2,699) | (31,400) |
| Net cash flow from financing activities | 1, 2, 12 | 123 | (1,671) | (1,548) |
| **Net increase/(decrease) in cash and cash equivalents** | | **276** | **(437)** | **(161)** |
| Cash and cash equivalents as at 1 April 2015 | 1, 2, 12 | 5,248 | 175 | 5,423 |
| Effects of exchange rate changes on cash and cash equivalents | | 18 | - | 18 |
| **Cash and cash equivalents as at 31 March 2016** | | **5,542** | **(262)** | **5,280** |

*(All amounts in INR lakhs, unless otherwise stated)*

101(23), (25) **Analysis of changes in cash and cash equivalents for the purposes of consolidated statement of cash flows under Ind AS:**

| | Notes to first-time adoption | 31 March 2016 | 1 April 2015 |
|---|---|---|---|
| Cash and cash equivalents as per previous GAAP | | 5,541 | 5,248 |
| Bank overdrafts | 12 | (1,755) | (708) |
| Consolidation of subsidiary | 1 | 1,512 | 920 |
| Joint venture - equity accounting | 2 | (18) | (37) |
| **Cash and cash equivalents for the purpose of statement of cash flows** | | **5,280** | **5,423** |

101(25) **C: Notes to first-time adoption:**

**Note 1: Consolidation of subsidiary**

Under previous GAAP, one entity controls another entity when it has the ownership of more than one-half of the voting power of the other entity or control of the composition of the board of directors so as to obtain economic benefits from its activities. Since the group held 45% of the voting power in Value Ind AS Overseas Limited, it was not consolidated as subsidiary. Group's investment in Value Ind AS Overseas Limited was accounted as an associate by applying the equity method of accounting.

Based on the control assessment carried out by the group under Ind AS 110, refer note 34, Value Ind AS Overseas Limited has been assessed as a subsidiary of the group. Accordingly, the assets, liabilities, incomes and expenses of Value Ind AS Overseas Limited have been consolidated with the group on a line by line basis. The group has also recognised non-controlling interests in Value Ind AS Overseas Limited of INR 16,248 and INR 14,109 as at 31 March 2016 and 1 April 2015, respectively. For the year ended 31 March 2016, the consolidation of subsidiary has also resulted in recognition of foreign currency translation loss of INR 95 resulting in total increase in equity of INR 16,153 and INR 14,109 as at 31 March 2016 and 1 April 2015 respectively.

**(i) The assets and liabilities of Value Ind AS Overseas Limited as at 31 March 2016 and 1 April 2015 were as follows:**

| | 31 March 2016 | 1 April 2015 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 16,670 | 15,866 |
| Intangible assets | 1,005 | 1,794 |
| Other non-current assets | 1,585 | 896 |
| Total non-current assets | 19,260 | 18,556 |
| **Current assets** | | |
| Inventories | 10,571 | 8,520 |
| Trade receivables | 4,512 | 5,359 |
| Cash and cash equivalents | 1,512 | 920 |
| Total current assets | 16,595 | 14,799 |
| **Total assets** | **35,855** | **33,355** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 1,012 | 933 |
| Employee benefit obligations | 1,142 | 1,094 |
| Total non-current liabilities | 2,154 | 2,027 |
| **Current liabilities** | | |
| Provisions | 64 | 58 |
| Trade payables | 3,772 | 5,472 |
| Current tax liabilities | 324 | 145 |
| Total current liabilities | 4,160 | 5,675 |
| **Total liabilities** | **6,314** | **7,702** |
| **Net assets recognised** | **29,541** | **25,653** |
| Non-controlling interest recognised | 16,248 | 14,109 |
| Investment in associate derecognised | 13,312 | 11,475 |

*(All amounts in INR lakhs, unless otherwise stated)*

**(ii) Summarised statement of profit and loss of Value Ind AS Overseas Limited for the year 31 March 2016**

| | 31 March 2016 |
|---|---|
| Revenue | 34,188 |
| **Expenses:** | |
| Cost of raw-materials consumed | 15,687 |
| Changes in inventory | 2,051 |
| Employee benefit expense | 4,103 |
| Depreciation and amortisation expense | 6,154 |
| Other expenses | 1,367 |
| **Profit before tax (A)** | **4,826** |
| Tax expense | |
| - Current tax | 645 |
| - Deferred tax | 78 |
| **Profit after tax** | **4,103** |
| Other comprehensive income | (214) |
| **Total comprehensive income** | **3,889** |
| **Share of profit of equity accounted investments derecognised (B)** | **(1,846)** |
| **Impact on profit (A-B) *** | **2,980** |

* Consequent impact on account of discontinuation of equity accounting of Value Ind AS Overseas Limited under previous GAAP on total comprehensive income.

**(iii) Summarised statement of cash flows of Value Ind AS Overseas Limited for the year ended 31 March 2016**

| | 31 March 2016 |
|---|---|
| Cash and cash equivalents 1 April 2015 | 920 |
| Cash flow from operating activities | 5,366 |
| Cash flow from investing activities | (3,455) |
| Cash flow from financing activities | (1,320) |
| Cash and cash equivalents 31 March 2016 | 1,511 |

**Note 2: Joint venture**

Under previous GAAP, SB India Limited was classified as jointly controlled entity and accounted for using the proportionate consolidation method. Under Ind AS, SB India Limited has been classified as a joint venture and accounted for using the equity method since the company is a limited liability company whose legal form offers separation of the company from the investors. The parties to the joint arrangements do not have direct rights to the assets and liabilities of SB India Limited.

For the purposes of applying the equity method, the investment in SB India Limited of INR 335, as at the date of transition, has been measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated. An impairment assessment has been performed as at 1 April 2015 and no impairment provision is considered necessary.

*(All amounts in INR lakhs, unless otherwise stated)*

**(i) The following assets and liabilities of SB India Limited were previously proportionately consolidated under previous GAAP:**

| | 31 March 2016 Proportionate share of assets and liabilities | 1 April 2015 Proportionate share of assets and liabilities |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 1,066 | 790 |
| Other non-current assets | 266 | 197 |
| **Total non-current assets** | **1,332** | **987** |
| **Current assets** | | |
| Inventories | 176 | 211 |
| Trade receivables | 215 | 260 |
| Cash and cash equivalents | 18 | 37 |
| **Total current assets** | **409** | **508** |
| **Total assets** | **1,741** | **1,495** |
| **Non-current liabilities** | | |
| Borrowings | 579 | 561 |
| Employee benefit obligations | 129 | 73 |
| **Total non-current liabilities** | **708** | **634** |
| **Current liabilities** | | |
| Borrowings | 87 | 126 |
| Trade payables | 438 | 400 |
| **Total current liabilities** | 525 | 526 |
| **Total liabilities** | **1,233** | **1,160** |
| **Net assets derecognised** | 508 | 335 |
| **Share of net assets recognised under equity method** | **508** | **335** |

**(ii) The following items of income and expenditure were previously proportionately consolidated under previous GAAP:**

| | 31 March 2016 |
|---|---|
| Revenue | 1,234 |
| **Expenses** | |
| Employee benefit expense | 482 |
| Depreciation and amortisation expense | 372 |
| Finance costs | 126 |
| Other expenses | 22 |
| Current tax expense | 36 |
| **Profit after tax** | **196** |

**Impact on account of equity accounting of the joint venture under Ind AS:**

| | |
|---|---|
| **Share of profits of joint venture recognised as per equity method** | **160** |
| **Share of other comprehensive income (remeasurements) of joint venture recognised as per equity method** | **36** |

**(iii) Summarised statement of cash flows of SB India Limited for the year ended 31 March 2016 not considered under Ind AS in the consolidated statement of cash flows**

| | 31 March 2016 |
|---|---|
| Opening cash and cash equivalents 1 April 2015 | 37 |
| Cash flow from operating activities | 1,433 |
| Cash flow from investing activities | (756) |
| Cash flow from financing activities | (696) |
| **Closing cash and cash equivalents 31 March 2016** | **18** |

**Note 3: Fair valuation of investments**

Under the previous GAAP, investments in equity instruments and mutual funds were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments (other than equity instruments designated as at FVOCI) have been recognised in retained earnings as at the date of transition and subsequently in the profit or loss for the year ended 31 March 2016. This increased the retained earnings by INR 5,506 as at 31 March 2016 (1 April 2015 - INR 4,990).

Fair value changes with respect to investments in equity instruments designated as at FVOCI have been recognised in FVOCI – Equity investments reserve as at the date of transition and subsequently in the other comprehensive income for the year ended 31 March 2016. This increased other reserves by INR 1,888 as at 31 March 2016 (1 April 2015 - INR 1,580).

Consequent to the above, the total equity as at 31 March 2016 increased by INR 7,394 (1 April 2015 - INR 6,570) and profit and other comprehensive income for the year ended 31 March 2016 increased by INR 384 and INR 440, respectively.

**Note 4: Principal swap not designated as hedging instruments**

Under the previous GAAP, the group applied the requirements of Accounting Standard 11 *The effects of changes in foreign exchange rates* to account for principal swap entered for hedging foreign exchange risk related to recognised borrowings. At the inception of the swap, the forward premium was separated and amortised as expense over the tenure of the swap. The underlying borrowing and the swap were restated at the closing spot exchange rate.

Under Ind AS, derivatives which are not designated as hedging instruments are fair valued with resulting changes being recognised in profit or loss. The fair valuation of swap resulted in a loss of INR 36 as at 31 March 2016 (1 April 2015 – INR 57). The unamortised premium amounting to INR 20 as at 31 March 2016 (1 April 2015 – INR 29) was adjusted against retained earnings. Consequently, the total equity as at 31 March 2016 decreased by INR 56 (1 April 2015- INR 86). The profit for the year ended 31 March 2016 increased by INR 30 as a result of the fair value change on the principal swap and reversal of the premium amortisation.

**Note 5: Deferred tax**

Under previous GAAP, tax expense in the consolidated financial statements was computed by performing line by line addition of tax expense of the parent and its subsidiaries. No adjustments to tax expense was made on consolidation. Under Ind AS, deferred taxes are also recognised on undistributed profits of joint ventures and associates. Also, deferred tax have been recognised on the adjustments made on transition to Ind AS.

**Note 6: Trade receivables**

As per Ind AS 109, the group is required to apply expected credit loss model for recognising the allowance for doubtful debts. As a result, the allowance for doubtful debts increased by INR 723 as at 31 March 2016 (1 April 2015 – INR 470). Consequently, the total equity as at 31 March 2016 decreased by INR 723 (1 April 2015 – INR 470) and profit for the year ended 31 March 2016 decreased by INR 253.

**Note 7: Foreign currency translation reserve**

The group elected to reset the balance appearing in the foreign currency translation reserve to zero as at 1 April 2015. Accordingly, translation reserve balance under previous GAAP of INR 750 has been transferred to retained earnings. There is no impact on total equity as a result of this adjustment.

**Note 8: Borrowings**

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method.

Under previous GAAP, these transaction costs were charged to profit or loss as and when incurred. Accordingly, borrowings as at 31 March 2016 have been reduced by INR 41 (1 April 2015 – INR 51) with a corresponding adjustment to retained earnings. The total equity increased by an equivalent amount. The profit for the year ended 31 March 2016 reduced by INR 10 as a result of the additional interest expense.

**Note 9: Provisions**

Under the previous GAAP, discounting of provisions was not allowed. Under Ind AS, provisions are measured at discounted amounts, if the effect of time value is material. Accordingly, non-current provisions have been discounted to their present values. This change reduced the non-current provisions as at 31 March 2016 by INR 57. Consequent to the same, the profit for the year and equity as at 31 March 2016 increased by an equivalent amount.

**Note 10: Deferred time value of options and forward elements in forward contracts**

Under the previous GAAP, the group had adopted the hedge accounting principles of AS 30 *Financial Instruments: Recognition and Measurement* to account for derivatives used for hedging foreign exchange risk related to highly probable forecast sales and purchase transactions. In accordance with AS 30, the group separated (i) the intrinsic value and time value of an option contract and designated as hedging instrument only the change in intrinsic value of an option; and (ii) the interest element and spot price in a forward contract and designated as hedging instrument only the spot price of a forward contract. The changes in the time value of the options and the interest element in the forward contracts (deferred costs) were recognised as expenses. Under Ind AS, these costs are accumulated within equity and are adjusted against the carrying value of the hedged item. Consequently, the deferred costs amounting to INR 103 have been reclassified within equity from retained earnings to costs of hedging reserve as at 31 March 2016 (1 April 2015 - INR 32). The group also adjusted the carrying value of the inventories as at 31 March 2016 by transferring deferred costs to the extent of INR 25. This increased the total equity by INR 25. The profit for the year ended 31 March 2016 increased by INR 151 (including INR 25 adjusted with the carrying value of inventory) as result of the change in the accounting of deferred costs.

**Note 11: Investment property**

Under the previous GAAP, investment properties were presented as part of non-current investments. Under Ind AS, investment properties are required to be separately presented on the face of the balance sheet. There is no impact on the total equity or profit as a result of this adjustment.

**Note 12: Bank overdrafts**

Under Ind AS, bank overdrafts repayable on demand and which form an integral part of the cash management process are included in cash and cash equivalents for the purpose of presentation of statement of cash flows. Under previous GAAP, bank overdrafts were considered as part of borrowings and movements in bank overdrafts were shown as part of financing activities. Consequently, cash and cash equivalents have reduced by INR 1,755 as at 31 March 2016 (1 April 2015 – INR 708) and cash flows from financing activities for the year ended 31 March 2016 have also reduced by INR 1,047 to the effect of the movements in bank overdrafts.

**Note 13: Proposed dividend**

Under the previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for proposed dividend of INR 315 as at 31 March 2016 (1 April 2015 – INR 600) included under provisions has been reversed with corresponding adjustment to retained earnings. Consequently, the total equity increased by an equivalent amount.

**Note 14: Excise duty**

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31 March 2016 by INR 14,174. There is no impact on the total equity and profit.

**Note 15: Remeasurements of post-employment benefit obligations**

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 decreased by INR 758. There is no impact on the total equity as at 31 March 2016.

**Note 16: Employee stock option expense**

Under the previous GAAP, the cost of equity-settled employee share-based plan were recognised using the intrinsic value method. Under Ind AS, the cost of equity settled share-based plan is recognised based on the fair value of the options as at the grant date. Consequently, the amount recognised in share option outstanding account increased by INR 335 as at 31 March 2016 (1 April 2015- INR 204). The profit for the year ended 31 March 2016 decreased by INR 131. There is no impact on total equity.

**Note 17: Deferred revenue- Customer loyalty program**

The group operates a customer reward points program in its furniture retail division. The programme allows customers to accumulate points on purchase of furniture products from the group's retail stores. The points can be redeemed by the customers for free products. Under the previous GAAP, the group created a provision towards its liability under the programme.

Under Ind AS, sales consideration received has been allocated between the furniture products sold and the reward points issued. The consideration allocated to the customer reward points has been deferred and will be recognised as revenue when the reward points are redeemed or lapsed. Accordingly, the group has recognised deferred revenue to the extent of INR 1,030 as at 31 March 2016 (1 April 2015 – INR 810) with corresponding adjustment to retained earnings. The provision created under previous GAAP amounting to INR 748 as at 31 March 2016 (1 April 2015 – INR 608) has been reversed with a credit to retained earnings.

Consequent to the above, the profit for the year and total equity as at 31 March 2016 decreased by INR 80 and INR 282 respectively (1 April 2015 – INR 202).

**Note 18: Security deposits**

Under the previous GAAP, interest free lease security deposits (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly, the group has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent. Consequent to this change, the amount of security deposits decreased by INR 628 as at 31 March 2016 (1 April 2015 – INR 701). The prepaid rent increased by INR 609 as at 31 March 2016 (1 April 2015 - INR 691). Total equity decreased by INR 10 as on 1 April 2015. The profit for the year and total equity as at 31 March 2016 decreased by INR 19 due to amortisation of the prepaid rent of INR 117 which is partially off-set by the notional interest income of INR 98 recognised on security deposits.

*(All amounts in INR lakhs, unless otherwise stated)*

**Note 19: Assets classified as held for sale and discontinued operation**

On 30 March 2016, the group announced its intention to exit the engineering business in Germany and initiated an active program to locate a buyer for its German subsidiary. Under previous GAAP, the concept of disposal group held for sale does not exist. Accordingly, assets and liabilities of disposal group have not been presented as held for sale. The group has disclosed property, plant and equipment held for sale under 'Other current assets' in accordance with AS 10 *Accounting for Fixed Assets*.

Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations* requires disposal group to be identified as held for sale if the carrying amount will recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Ind AS 105 lays down detailed guidelines and criteria in this regard. Based on the assessment performed by the management, it has been determined that the assets and liabilities of engineering business should be presented as held for sale under Ind AS. Consequently, the assets and liabilities of disposal group held for sale have been presented separately from the other assets and other liabilities respectively in the balance sheet. There is no impact on the total equity or profit as a result of this adjustment. Further, the operations of this business has been presented as discontinued operation under both Ind AS and previous GAAP in the statement of profit and loss.

Based on above, the following assets and liabilities were classified as held for sale as at 31 March 2016:

| | 31 March 2016 |
|---|---|
| Assets classified as held for sale | |
| Property, plant and equipment | 7,230 |
| Trade receivables | 10,540 |
| Other current assets | 1,540 |
| **Total assets of disposal group held for sale** | **19,310** |
| Liabilities directly associated with assets classified as held for sale | |
| Trade payables | (8,240) |
| Other current liabilities | (750) |
| **Total liabilities of disposal group held for sale** | **(8,990)** |

**Note 20: Retained earnings**

Retained earnings as at April 1, 2015 has been adjusted consequent to the above Ind AS transition adjustments.

**Note 21: Other comprehensive income**

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes remeasurements of defined benefit plans, foreign exchange differences arising on translation of foreign operations, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

## Commentary – First-time adoption

1. The underlying principle of Ind AS 101 is retrospective application of all Ind AS in force at the end of an entity's first Ind AS reporting period. For Value Ind AS Limited, this means applying the standards in force as at 31 March 2017. Since retrospective application of Ind AS could prove to be difficult or could result in a cost exceeding the likely benefits to users, Ind AS 101 also provides certain specific optional exemptions and some mandatory exceptions from this general requirement. Any, all or none of these optional exemptions may be opted by an entity in the first Ind AS financial statements. The exemptions are not applied by analogy to other items. Some of the optional exemptions/mandatory exceptions are discussed below:

2. **Exemptions:**

101(D2), (D3)

**(a) Share - based payment transactions**
Ind AS 102 deals with the accounting and disclosure requirements related to share-based payment transactions. The standard addresses three types of share-based payment transactions: equity-settled, cash-settled, and with cash-alternatives. A first-time adopter is encouraged, but is not required, to apply Ind AS 102 to:
(i) equity instruments that vested before the date of transition to Ind AS,
(ii) liabilities arising from share-based payment transactions that were settled before the date of transition to Ind AS.

101(D5-D8B)

**(b) Deemed cost- Property, plant and equipment (PP&E), investment property and intangible assets**

Retrospective application of Ind AS would require entities to reconstruct cost information or other transactional data for PP&E. This could be particularly onerous when entities might not have retained the necessary historical information.

As a result, Ind AS 101 includes an optional exemption that relieves first-time adopters from the requirement to recreate cost information for PP&E. When the exemption is applied, deemed cost is the basis for subsequent depreciation and impairment tests. Deemed cost is defined by Ind AS 101 as "the amount used as a surrogate for cost or depreciated cost at a given date".

There are three possible values that may be used as the basis of deemed cost at the date of transition. Any of these values may be applied to any individual item of PPE or intangible asset. It is not necessary to apply the exemption to all assets or to a group of assets. These values are as follows:
a) A fair value at the date of transition to Ind AS, that is, where an entity specifically fair values an asset at the date of transition.
b) A value of an item of property, plant and equipment that was revalued under previous GAAP, at or before the date of transition to Ind AS, where that revaluation was broadly comparable to either fair value or to cost (or depreciated cost) adjusted to reflect changes in a price index.
c) A deemed cost that was previously established using fair value at a particular 'event' date prior to transition, for example because of a privatisation or an IPO.

Pursuant to the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, the first two options mentioned above can no longer be opted for investment property.

Further, in accordance with paragraph D7AA of Ind AS 101, where there is no change in the functional currency on the date of transition to Ind AS, a first-time adopter may elect to continue with the carrying value of all of its property, plant and equipment as at the date of transition measured as per the previous GAAP and use that as its deemed cost at the date of transition after making necessary adjustments with respect to decommissioning liabilities.

The option under paragraph D7AA of Ind AS 101 can also be availed for intangible assets covered by Ind AS 38 and investment property covered by Ind AS 40.

101(D9), (D9AA)

**(c) Leases**

(i) Appendix C of Ind AS 17 specifies criteria for determining, at the inception of an arrangement, whether the arrangement contains a lease. It also specifies when an arrangement should be reassessed subsequently. Ind AS 101 provides an exemption from these requirements. Instead of determining retrospectively whether an arrangement contains a lease at the inception of the arrangement and subsequently reassessing that arrangement as required in the periods prior to transition to Ind AS, entities may determine whether arrangements in existence on the date of transition to Ind AS contain leases by applying the requirements of Appendix C to Ind AS 17 to those arrangements on the basis of the facts and circumstances existing at the date of transition.

(ii) When a lease includes both land and building elements, a first-time adopter may assess the classification of each element as finance or an operating lease at the date of transition to Ind AS on the basis of the facts and circumstances existing as at that date. If there is any land lease newly classified as finance lease then the first-time adopter may recognise assets and liability at fair value on that date; and any difference between those fair values is recognised in retained earnings or if appropriate, another category of equity.

## Commentary – First-time adoption

101(D12), (D13)

**(d) Cumulative translation differences**

Ind AS 21 requires exchange differences arising on translation of foreign operations to be recognised in other comprehensive income and then recognised as income or expense on disposal of the foreign entity to which they relate. These are known as 'cumulative translation differences'. Ind AS 101 contains an exemption which relieves entities from retrospective application of Ind AS 21 to determine the cumulative translation difference. A first-time adopter may elect not to calculate the translation difference related to foreign operations retrospectively. Instead, an entity may reset translation differences at the date of transition, determined in accordance with previous GAAP, to zero. The requirements of Ind AS 21 are then applied prospectively from the date of transition. The gain or loss on subsequent disposal of a foreign operation will only include foreign exchange differences that arose after the date of transition.

101 (D13AA)

**(e) Long-term foreign currency monetary items**

Under previous GAAP, paragraph 46/46A of AS 11 *The Effects of Changes in Foreign Exchange Rates*, provided an alternative accounting treatment to companies with respect to exchange differences arising on restatement of long term foreign currency monetary items. Exchange differences on account of depreciable assets could be added/deducted from the cost of the depreciable asset, which would then be depreciated over the balance life of the asset. In other cases, the exchange difference could be accumulated in a foreign currency monetary item translation difference account, and amortised over the balance period of such long term asset/ liability. Ind AS 101 includes an optional exemption that allows a first-time adopter to continue the above accounting treatment in respect of the long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period. For example, for companies covered in the first phase of Ind AS implementation, the beginning of the first Ind AS financial reporting period is 1 April 2016. The exemption under Ind AS 101 will not be available for long-term foreign currency monetary items recognised after this date.

103 (App C)

**(f) Business combinations**

Appendix C to Ind AS 101 contains the requirements that an entity should apply to business combinations that the entity recognised before the date of transition to Ind AS. The key requirements are as follows:

- A first-time adopter may elect not to apply Ind AS 103 retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to Ind AS). However, if a first-time adopter restates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 from that same date.
- An entity need not apply Ind AS 21 retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to Ind AS and it shall treat them as assets and liabilities of the entity.

The exemption for past business combinations also applies to past acquisitions of investments in associates, interests in joint ventures and interests in joint operations in which the activity of the joint operation constitutes a business, as defined in Ind AS 103.

101 (D31AA)

**(g) Joint ventures - transition from proportionate consolidation to the equity method of accounting**

When changing from proportionate consolidation to the equity method, an entity should recognise its investment in the joint venture at transition date to Ind AS. That initial investment should be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising from acquisition. The balance of the investment in joint venture at the date of transition to Ind AS, determined in accordance with the above is regarded as the deemed cost of the investment at initial recognition. A first-time adopter should test investment in joint venture for impairment in accordance with Ind AS 36 at the date of transition to Ind AS, regardless of whether there is any indication that the investment may be impaired.

101(D18)

**(h) Compound financial instruments**

Under Ind AS 32, entities should split compound financial instruments into separate equity and liability components. Ind AS 101 provides that if the liability component is no longer outstanding at the date of transition, a first-time adopter does not have to separate it from the equity component.

101(D21)

**(i) Decommissioning liabilities included in the cost of property, plant and equipment**

Appendix 'A' to Ind AS 16 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to Ind AS. In other words, a first-time adopter will not need to estimate what provision would have been calculated at earlier reporting dates. Instead, the decommissioning liability is calculated at the date of transition and it is assumed that the same liability (adjusted only for the time value of money) existed when the asset was first acquired/constructed.

## Commentary – First-time adoption

**3. Mandatory exceptions**

101(B7) **(a) Non-controlling interest**

A first-time adopter should apply the following requirements of Ind AS 110 prospectively from the date of transition to Ind AS:

(i) the requirement that total comprehensive income should be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance

(ii) the requirements under Ind AS 110 for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control, i.e., considering such a change as an equity transaction (transaction with owners in their capacity as owners) to be accounted for accordingly

(iii) the requirements under Ind AS 110 for accounting for a loss of control over a subsidiary, and the related requirements under Ind AS 105

However, if a first-time adopter elects to apply Ind AS 103 retrospectively to past business combinations, it should also apply Ind AS 110 from the same date.

101(14) **(b) Estimates**

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS 101 clarifies that the same rule applies to the comparative period in an entity's first Ind AS financial statements. That is, hindsight cannot be used either at the date of transition or at any point during the comparative period, including the end of the comparative year. If more information comes to light about estimates made under previous GAAP, then it should be treated in the same way as non-adjusting events after the balance sheet date under Ind AS 10 *Events after the Reporting Period*. This applies unless the information shows that the previous estimate was an error.

101(D8) **(c) Classification and measurement of financial assets (other than equity instruments)**

An entity shall assess whether a financial asset meets the conditions in paragraph 4.1.2 (measurement of financial assets at amortised cost) or the conditions in paragraph 4.1.2A (measurement of financial assets at fair value through other comprehensive income) of Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

101(26) **Reconciliation**

**4.** If an entity becomes aware of errors made under previous GAAP, the reconciliations required by Ind AS 101 shall distinguish those correction of errors from changes in accounting policies.

101(24) **5.** Ind AS 101 requires reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with Ind AS and a reconciliation to its total comprehensive income in accordance with Ind AS for the latest period in the entity's most recent annual financial statements.

Value Ind AS Limited has chosen to provide reconciliation of amount reported in accordance with previous GAAP to amount reported under Ind AS for each line item of balance sheet and statement of profit and loss as an additional disclosure.

(All amounts in INR lakhs, unless otherwise stated)

# Appendix A: Areas not illustrated in the financial statements of VALUE Ind AS Limited

## Biological assets

1(10)(b),(10A)

## Consolidated statement of profit and loss

| | | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|---|
| | Revenue from operations | 20 | 26,240 | 27,548 |
| 41(40) | Change in fair value of biological assets | 3(b) | 22,500 | 18,028 |

1(10)(a)

## Consolidated balance sheet

| | | Notes | 31 March 2017 | 31 March 2016 |
|---|---|---|---|---|
| 1(60) | **Non-current assets** | | | |
| 1(54)(a) | Property, plant and equipment | 3(a) | XX | XX |
| 1(54)(f) | Biological assets other than bearer plant | 3(b) | 4,300 | 5,760 |
| 1(60) | **Current assets** | | | |
| 1(54)(f) | Biological assets | 3(b) | 19,188 | 12,437 |

## 1. Significant accounting policies

### (a) Basis of preparation

*(ii) Historical cost convention*

1(117)(a) The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) and contingent consideration that is measured at fair value,
- certain biological assets – measured at fair value less cost to sell,
- assets held for sale – measured at fair value less cost to sell,
- defined benefit plans – plan assets measured at fair value; and
- share-based payments.

#### Accounting policy for palm oil trees

16(73)(a) Oil palm trees are recognised at historical cost less depreciation.

16(50),(73)(b) Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

16(73)(c) Oil palm trees 25 Years

Oil palm trees are classified as immature until the produce can be commercially harvested. At that point they are reclassified and depreciation commences. Immature palm oil trees are measured at accumulated cost.

#### Accounting policy for biological assets

Biological assets are measured at fair value less cost to sell.

1(117) Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

41(43) Sheep held for slaughter are classified as immature until they are ready for slaughter. Livestock are classified as current assets if they are to be sold within one year.

41(7),(13),16(8) The palm oil trees are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 3(a). However, the oil palm fresh fruit bunches (FFB) growing on the trees is accounted for as biological assets until the point of harvest. Harvested oil palm FFB are transferred to inventory at fair value less costs to sell when harvested.

41(26) Changes in fair value of livestock and oil palm FFB on trees are recognised in the statement of profit and loss.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and sheering are expensed as incurred. The cost of purchase of sheep plus transportation charges are capitalised as part of biological assets.

*(All amounts in INR lakhs, unless otherwise stated)*

1(117) Accounting policy for measuring biological assets at fair value

113(93)(d) Sheep are measured at fair value less cost to sell, based on market prices at auction of livestock of similar age, breed and genetic merit with adjustments, where necessary, to reflect the differences. Market prices are obtained from the weekly auctions at the local market, which is considered the principal market for the purpose of the valuation.

113(93)(d) The fair value of growing oil palm FFB is determined using a discounted cash flow model based on the expected palm oil yield by plantation size, the market price for crude palm oil and palm kernel oil and after allowing for harvesting costs, contributory asset charges for the land and palm trees owned by the entity and other costs yet to be incurred in getting the fruit bunches to maturity.

## 2. Critical estimates and judgements

1(122),(125), 113(93)(d) In measuring the fair value of sheep and oil palm FFB various management estimates and judgements are required:

*Sheep*

Estimates and judgements in determining the fair value of sheep relate to market prices, average weight and quality of animals and mortality rates.

The sheep grow at different rates and there can be a considerable spread in the quality and weight of animals that affects the price achieved. An average weight is assumed for the slaughter sheep livestock that are not yet at marketable weight.

*Oil palm FFB on oil palm trees*

Estimates and judgements in determining the fair value of the FFB growing on palm trees include the volume and stages of maturity of FFB at balance sheet date, palm oil yield, the long term crude palm oil price, palm kernel oil price and the discount rates. See note 28 for key assumptions about unobservable inputs and their relationship to fair value.

## 3(a) Property, plant and equipment

| | | Freehold land | Freehold buildings | Furniture, fittings and equipment | Mature oil palm trees | Immature oil palm trees | Total |
|---|---|---|---|---|---|---|---|
| | **Year ended 31 March 2016** | | | | | | |
| 16(73)(d) | **Gross carrying amount** | | | | | | |
| 101(D7AA) | Deemed cost as at 1 April 2015 | X | X | X | 8,200 | 2,000 | XX |
| 16(73)(e)(i),(74)(b) | Additions | X | X | X | - | 2,503 | XX |
| 16(73)(e)(ix) | Transfers | X | X | X | 3,000 | (3,000) | XX |
| 16(73)(d) | **Closing gross carrying amount** | **X** | **X** | **X** | **11,200** | **1,503** | **XX** |
| 16(73)(d) | **Accumulated depreciation** | | | | | | |
| 16(73)(e)(vii) | Depreciation charge during the year | X | X | X | 2,000 | - | XX |
| 16(73)(d) | **Closing accumulated depreciation** | **X** | **X** | **X** | **2,000** | **-** | XX |
| 1(77) | Net carrying amount | **X** | **X** | **X** | **9,200** | **-** | **XX** |
| | **Year ended 31 March 2017** | | | | | | |
| 16(73)(d) | **Gross carrying amount** | | | | | | |
| 16(73)(d) | Opening gross carrying amount | X | X | X | 11,200 | 1,503 | XX |
| 16(73)(e)(i), (74)(b) | Additions | X | X | X | - | 4,309 | XX |
| 16(73)(e)(ix) | Transfers | X | X | X | 2,700 | (2,700) | XX |
| 16(73)(d) | **Closing gross carrying amount** | **X** | **X** | **X** | **13,900** | **3,112** | **XX** |
| 16(73)(d) | **Accumulated depreciation and impairment** | | | | | | |
| 16(73)(d) | Opening accumulated depreciation | X | X | X | 2,000 | - | XX |
| 16(73)(e)(vii) | Depreciation charge during the year | X | X | X | 2,400 | - | XX |
| 16(73)(e)(v) 36(126)(a),(b) | Impairment loss | X | X | X | - | - | XX |
| 16(73)(d) | **Closing accumulated depreciation and impairment** | **X** | **X** | **X** | **4,400** | **-** | **XX** |
| 1(77) | Net carrying amount | **X** | **X** | **X** | **9,500** | **3,112** | **XX** |

*(All amounts in INR lakhs, unless otherwise stated)*

## 3(b) Biological assets

*Analysis by group of biological assets*

41(41) Biological assets comprise sheep and oil palm FFB growing on palm trees.

| Reference | | 31 March 2017 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|---|
| 113(93)(e) | | Sheep | Oil palm FFB | Total | Sheep | Oil palm FFB | Total |
| 41(50) | Opening balance | 11,450 | 6,747 | 18,197 | 18,781 | 3,639 | 22,420 |
| 41(50)(b) | Increase due to purchases | 5,971 | - | 5,971 | 2,097 | - | 2,097 |
| 41(50)(a) | Livestock losses | (480) | - | (480) | (350) | - | (350) |
| 41(50)(a),(51) | Change in fair value due to biological transformation | 3,444 | 18,006 | 21,450 | 1,430 | 15,500 | 16,930 |
| 41(50)(a),(51) | Change in fair value due to price changes | 1,180 | 350 | 1,530 | 1,088 | 360 | 1,448 |
| 41(50)(d) | Transfer of harvested FFB to inventory | - | (14,115) | (14,115) | - | (12,752) | (12,752) |
| 41(50)(c) | Decrease due to sale of lambs for slaughter | (9,065) | - | (9,065) | (11,596) | - | (11,596) |
| 41(50) | **Closing balance** | **12,500** | **10,988** | **23,488** | **11,450** | **6,747** | **18,197** |
| | Current assets: | | | | | | |
| | - Sheep held for slaughter | 8,200 | - | 8,200 | 5,690 | - | 5,690 |
| | - Oil palm FFB on trees | - | 10,988 | 10,988 | - | 6,747 | 6,747 |
| | Total current assets | 8,200 | 10,988 | 19,188 | 5,690 | 6,747 | 12,437 |
| | Non-current assets: | | | | | | |
| | - breeding stock – mature | 3,950 | - | 3,950 | 5,190 | - | 5,190 |
| | - breeding stock – immature | 350 | - | 350 | 570 | - | 570 |
| | **Total non-current assets** | **4,300** | **-** | **4,300** | **5,760** | **-** | **5,760** |

41(46)(b) As at 31 March 2017, the group had 6,500 sheep (31 March 2016 – 5,397 sheep) and 3,123 sheep were sold during the year (31 March 2016 – 4,098 sheep sold).

As at 31 March 2017, there were 2,600,000 hectares of palm oil plantations (31 March 2016 – 2,170,000 hectares). During the year, the group sold 550,000 kg of palm oil (31 March 2016 – 545,000 kg).

*(All amounts in INR lakhs, unless otherwise stated)*

## 20. Revenue from operations

108(23)(a) The group derives the following types of revenue by operating segment:

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | Sheep | | |
| 18(35)(b)(i) | Sale of livestock | 9,225 | 12,096 |
| 18(35)(b)(i) | Sale of wool | 2,500 | 2,350 |
| 18(35)(b)(i) | Sale of palm oil | 14,515 | 13,102 |
| | **Total revenue** | 26,240 | 27,548 |

## 28. Fair value measurements

### (i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the biological assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its biological assets into the three levels prescribed under the accounting standard.

The quality of livestock sold at the local markets is considered to approximate the group's breeding and slaughter livestock. Sheep have therefore been classified as level 2 in the fair value hierarchy, since no significant adjustments need to be made to the prices obtained from the local markets.

113(93)(a),(b)

| At 31 March 2017 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Sheep | | | | | |
| Mature – breeding stock | x | - | 3,950 | - | **3,950** |
| Immature – breeding stock | x | - | 350 | - | **350** |
| Held for slaughter | x | - | 8,200 | - | **8,200** |
| Oil palm FFB on trees | x | - | - | 10,988 | **10,988** |
| **Total biological assets** | | **-** | **12,500** | **10,988** | **23,488** |

1(38)

| At 31 March 2016 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Sheep | | | | | |
| Mature – breeding stock | x | - | 5,190 | - | 5,190 |
| Immature – breeding stock | x | - | 570 | - | 570 |
| Held for slaughter | x | | 5,690 | - | 5,690 |
| Oil palm FFB on trees | x | - | - | 6,747 | 6,747 |
| **Total biological assets** | | **-** | **11,450** | **6,747** | **18,197** |

There were no transfers between any levels during the year.

*(All amounts in INR lakhs, unless otherwise stated)*

113(93)(e) The movements in the fair value of assets within level 3 of the hierarchy, being the FFB growing on trees, is summarised in the previous table. The gains or (losses) recognised in relation to the palm fresh fruit bunches are as follows:

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 113(93)(e)(i) | Total gains for the period recognised in profit or loss under 'Change in fair value of biological assets' | 18,356 | 15,860 |
| 113(93)(f) | Change in unrealised gains or losses for the period recognised in profit or loss attributable to palm fresh fruit bunches held at the end of the reporting period | 9,300 | 5,900 |

*(ii) Valuation inputs and relationships to fair value*

113(93)(d),(99) The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of the palm fresh fruit bunches on trees. The fair values are determined based on discounted cash flows.

113(91)(a), (93)(d),(h)(i)

| Description | Fair value at | | Unobservable inputs | Range of inputs (probability-weighted average) | | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | | 31 March 2017 | 31 March 2016 | |
| Oil palm FFB on trees | 10,988 | 6,747 | Palm oil yield – tonnes per hectare | 20-30 (24) per year | 20-30 (25) per year | The higher the palm oil yield, the higher the fair value |
| | | | Crude palm oil price | INR800-INR1,100 (INR900) per tonne | INR 750-INR1,070 (INR900) per tonne | The higher the market price, the higher the fair value |
| | | | Palm Kernel Oil price | INR1,000 - INR1,200 (INR1,050) per tonne | INR900 - INR1,150 (INR1,030 ) per tonne | |
| | | | Discount rate | 9%-11% (10.5%) | 9%-11% (10.5%) | The higher the discount rate, the lower the fair value |

*(iii) Valuation processes*

113(93)(g) The group's finance department includes a team that performs the valuations of the group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every three months, in line with the group's quarterly reporting requirements.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Palm oil yield is determined based on the age of the plantation, historical yields, and climate-induced variations such as severe weather events, plant losses and new areas coming into production.
- Crude palm oil prices and palm kernel oil prices are quoted prices for the relevant region.
- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the quarterly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

The cash outflows include notional cash flows (contributory asset charges) for the land and palm trees owned by the entity. They are based on market rental payable for orchards of similar size and maturity.

*(All amounts in INR lakhs, unless otherwise stated)*

## 31. Segment information

**Description of segments and principal activities**

1(138)(b)
41(46)(a)
The group is engaged in the business of farming sheep primarily for sale to meat processors. The group is also engaged in the business of growing and managing palm oil plantations for the sale of palm oil. The group earns ancillary income from various agricultural produce, such as wool.

108(22)(a),(b),(aa)
The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, receives separate reports for each sheep farm and palm oil plantation.

## 37. Commitments

41(49)(b)
The group has entered into a contract to acquire 250 breeding sheep at 31 March 2017 for INR 480 (31 March 2016 – Nil).

### Commentary - Biological assets

**Disclosures not illustrated: not applicable to VALUE Ind AS Agriculture Limited**

1. The following disclosure requirements of Ind AS 41 *Agriculture* are not illustrated above:

| | Item | Nature of disclosure |
|---|---|---|
| 41(49)(a) | Biological assets with restricted title and/or pledged as security | Disclose existence and carrying amount. |
| 41(50)(e),(f) | Reconciliation of carrying amount of biological assets | Show separately increases due to business combinations and net exchange differences. |
| 41(53),1(97) | Material items of income or expense as result of climatic, disease and other natural risks | Disclose amount and nature. |
| 41(54)-(56) | The fair value of biological assets cannot be measured reliably | Provide additional information. |
| 41(57) | Government grants received in relation to agricultural activity | Disclose the nature and extent of the grants, any unfulfilled conditions and other contingencies, and if there are significant decreases expected in the level of government grants. |

*(All amounts in INR lakhs, unless otherwise stated)*

# Construction contracts

## Consolidated statement of profit or loss

1(10)(b),(10A)

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 11(39)(a) | Contract revenue | 58,115 | 39,212 |
| 11(16) | Contract costs | (54,729) | (37,084) |

## Consolidated balance sheet

1(10)(a)

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| **Financial assets** | | |
| Trade receivables | 18,065 | 16,874 |
| Other financial assets | 2,570 | 2,112 |
| **Financial liabilities** | | |
| Other financial liabilities | 2,480 | 2,083 |

## 1. Significant accounting policies

### Accounting policy for construction contracts

11(22) When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

11(22),(36) Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

11(32) When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

11(11) Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

1(117) *Measurement of construction contract revenue and expense*

11(39)(b),(c) The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

1(77),(78)(b)
107(6)

### 6(b) Trade receivables

| | 31 March 2017 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Trade receivables | 18,174 | - | 18,174 | 16,944 | - | 16,944 |
| Provision for impairment | (109) | - | (109) | (70) | - | (70) |
| | 18,065 | - | 18,065 | 16,874 | - | 16,874 |

### 6(e) Other financial assets

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 11(42)(a) | Amounts due from customers for contract work. Refer note (i) and (ii) below | 2,570 | - | 2,570 | 2,112 | - | 2,112 |
| | | 2,570 | - | 2,570 | 2,112 | - | 2,112 |

11(40)(c) Trade receivables include retentions of INR 232 (31 March 2016 – INR 132) related to construction contracts in progress.

*(All amounts in INR lakhs, unless otherwise stated)*

*(i) Construction contracts*

11(43),(44) On the balance sheet, the group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

*(ii) Amounts due from (to) customers under construction contracts*

The net balance sheet position for ongoing construction contracts is as follows:

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Amounts due from customers for contract work | 2,570 | 2,112 |
| Amounts due to customers for contract work | (2,480) | (2,083) |
| | 90 | 29 |

The net position relates to:

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 11(40)(a) | Aggregate costs incurred and recognised profits (less recognised losses) to date | 69,804 | 56,028 |
| | Less: progress billings | (69,714) | (55,999) |
| | | 90 | 29 |

## 13(b) Other financial liabilities

| | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| 11(42)(b) | Amounts due to customers for contract work | 2,480 | 2,083 |
| | | 2,480 | 2,083 |

11(40)(b) Customer advances of INR 142 (31 March 2016 – INR 355) related to construction contracts in progress have been received.

*(All amounts in INR lakhs, unless otherwise stated)*

# Oil and gas exploration assets

## 1. Significant accounting policies

*Accounting for oil and gas assets*

106(24)(a)
1(117)
Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

*Development tangible and intangible assets*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets.

*Oil and gas production assets*

Oil and gas production properties are aggregated as exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

*Depreciation/amortisation*

No depreciation or amortisation is charged during the exploration and evaluation phase.

Oil and gas properties intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

*Impairment – exploration and evaluation assets*

106(18)
Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

*Impairment – proved oil and gas production properties and intangible assets*

36(9),(18),(59)
Proven oil and gas production properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

*(All amounts in INR lakhs, unless otherwise stated)*

## 3. Property, plant and equipment

16(73)
106(24)(b),(25)

| | Capitalised exploration and evaluation expenditure | Capitalised development expenditure | Subtotal- assets under construction | Production assets | Other businesses and corporate assets | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2017** | | | | | | |
| **Gross carrying amount** | | | | | | |
| Opening gross carrying amount | 218 | 12,450 | 12,668 | 58,720 | 3,951 | 75,339 |
| Business acquisitions | - | 386 | 386 | 125 | 4 | 515 |
| Additions | 45 | 1,526 | 1,571 | 5,530 | 95 | 7,196 |
| Transfers to production assets | (9) | (958) | (967) | 1,712 | - | 745 |
| Disposals | (12) | (1,967) | (1,799) | - | - | |
| **Closing gross carrying amount** | **242** | **11,437** | **11,859** | **66,087** | **4,050** | **83,795** |
| **Accumulated depreciation and impairment** | | | | | | |
| Opening accumulated depreciation | 33 | **-** | **33** | **5,100** | **77** | **5,210** |
| Depreciation charge | - | - | - | 725 | 42 | 767 |
| Impairment loss | 7 | 36 | 43 | 250 | 3 | 296 |
| **Closing accumulated depreciation and impairment** | **40** | **36** | **76** | **6,075** | **122** | **6,273** |
| Net carrying amount | **202** | **11,401** | **11,783** | **60,012** | **3,928** | **77,522** |

*(i) Other exploration and evaluation assets and liabilities*

106(24)(b) In addition to the exploration and evaluation assets disclosed above, the group also has the following assets and liabilities relating to exploration:

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| Receivables from joint venture partners (refer note XX) | 35 | 22 |
| Payable to subcontractors and operators (refer note XX) | 32 | 34 |

*(ii) Amounts recognised in profit or loss*

106(24)(b) Exploration and evaluation activities have led to total expenses of INR XX (31 March 2016 – INR XX), of which INR XX (31 March 2016 – INR XX) are impairment charges to write off costs of unsuccessful exploration activities.

In 2017, the disposal of a XX% interest in an offshore exploration stage 'Field X' resulted in profits on sale of INR XX (31 March 2016: XX).

Cash payments of INR XX (31 March 2016 –INR XX) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were INR XX (31 March 2016 – INR XX).

*(All amounts in INR lakhs, unless otherwise stated)*

38(118)
106(24)(b),(25)

## 5. Intangible assets

| | Capitalised exploration and evaluation expenditure | Capitalised development expenditure | Subtotal-assets under construction | Production assets | Goodwill | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2017** | | | | | | |
| **Gross carrying amount** | | | | | | |
| Opening gross carrying amount | 5,192 | 750 | 5,942 | 3,142 | 9,475 | 18,829 |
| Business acquisitions | 26 | 32 | 58 | 10 | - | 68 |
| Additions | 381 | 8 | 389 | 15 | - | 404 |
| Transfers to production | (548) | (302) | (850) | 104 | - | (745) |
| Disposals | - | (43) | (43) | - | - | (43) |
| **Closing gross carrying amount** | **5,051** | **445** | **5,496** | **3,061** | **9,475** | **18,513** |
| **Accumulated depreciation and impairment** | | | | | | |
| Opening accumulated depreciation and impairment | 924 | - | 924 | 852 | 75 | **1,851** |
| Amortisation charge | - | - | - | 98 | - | 98 |
| Impairment loss | 45 | - | 45 | - | 175 | 220 |
| **Closing accumulated depreciation and impairment** | **969** | **-** | **969** | **950** | **250** | **2,169** |
| Net carrying amount | **4,082** | **445** | **4,519** | **2,113** | **9,225** | **16,344** |

## Oil and gas exploration assets

**Comparatives required**

*Disclosure objectives*

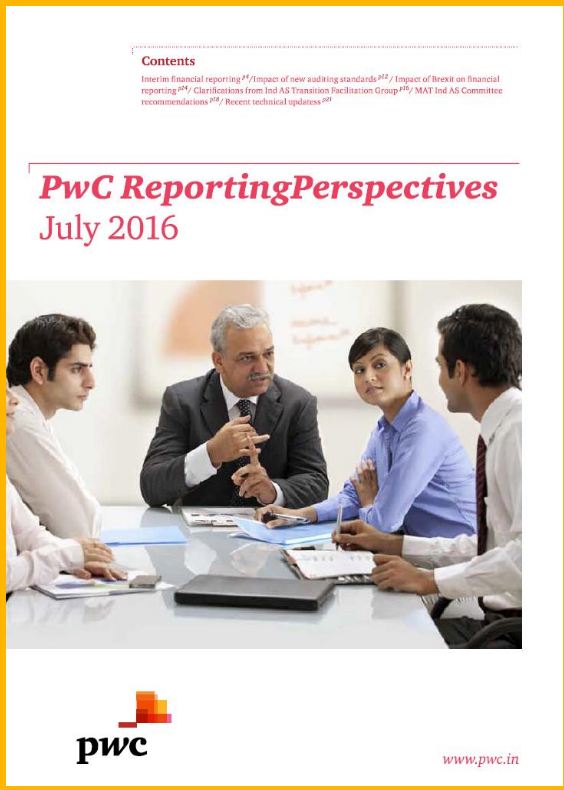
1(38)
1. This appendix does not show any comparative information for the illustrative disclosures. However, readers should note that comparative amounts must be disclosed to comply with the requirements of Ind AS 1.

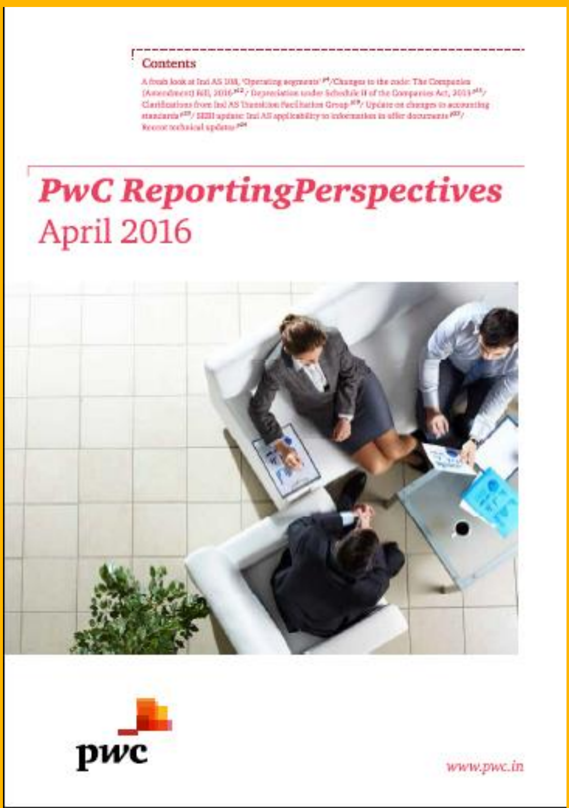
# Appendix B: Abbreviations

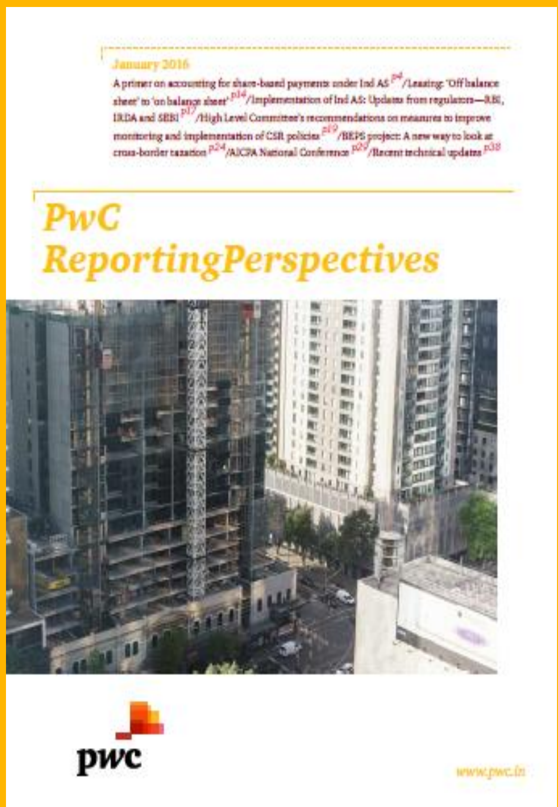
Abbreviations used in this publication are set out below.

| | |
|---|---|
| Act | Companies Act, 2013 |
| AS | Accounting Standard |
| ASB | Accounting Standards Board |
| App | Appendix |
| Bps | basis points |
| CGU | Cash-Generating Unit |
| CODM | Chief operating decision maker |
| CSR | Corporate Social Responsibility |
| EEFC | Exchange Earners' Foreign Currency Account |
| FV | Fair value |
| FVLCOD | Fair value less cost of disposal |
| FVOCI | (Financial assets/liabilities at) fair value through other comprehensive income |
| FVPL | (Financial assets/liabilities at) fair value through profit or loss |
| GAAP | Generally Accepted Accounting Principles |
| Ind AS | Indian Accounting Standards |
| ISDA | International Swaps and Derivatives Association |
| KMP | Key management personnel |
| NCI | Non-controlling interest |
| OCI | Other comprehensive income |
| Schedule II (Sch II) | Schedule II of the Companies Act, 2013 |
| Schedule III (Sch III) | Schedule III (Division II) of the Companies Act, 2013 |
| SEBI | Securities and Exchange Board of India |
| SPPI | Solely payments of principal and interest |
| STI | Short-term Incentive |
| 1(42) | Ind AS 1 paragraph 42 |

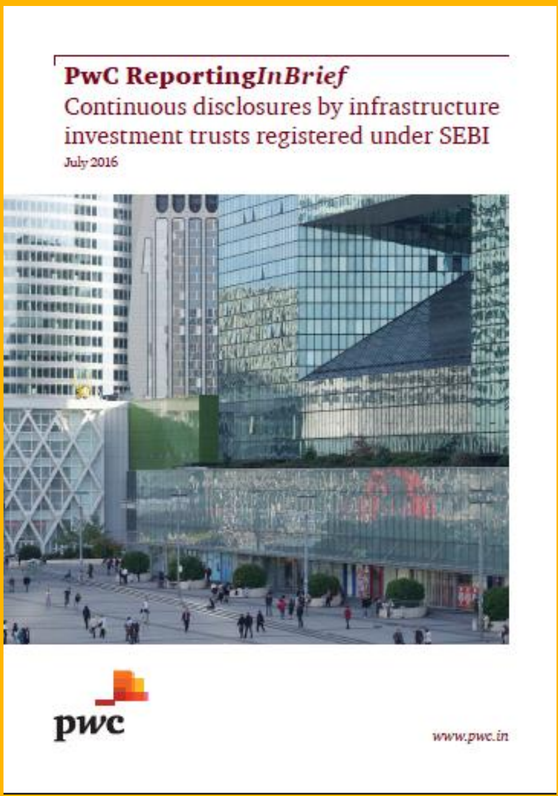
# Previous publications

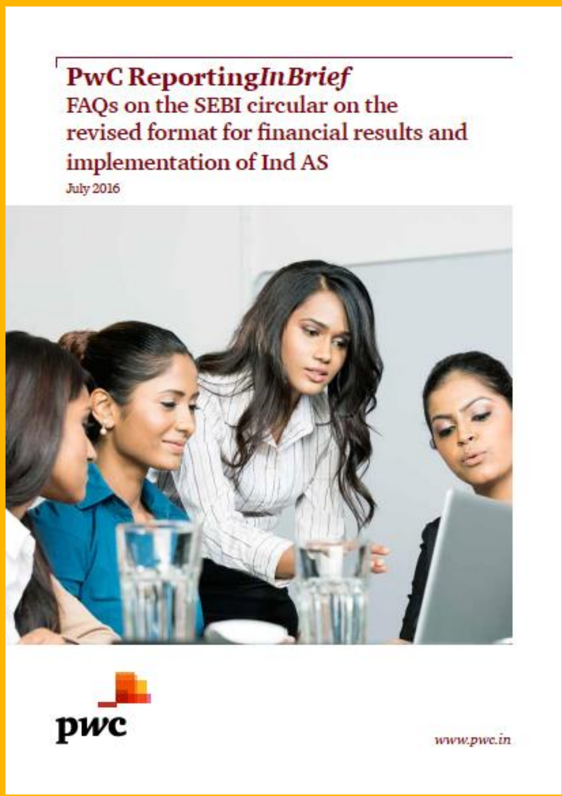



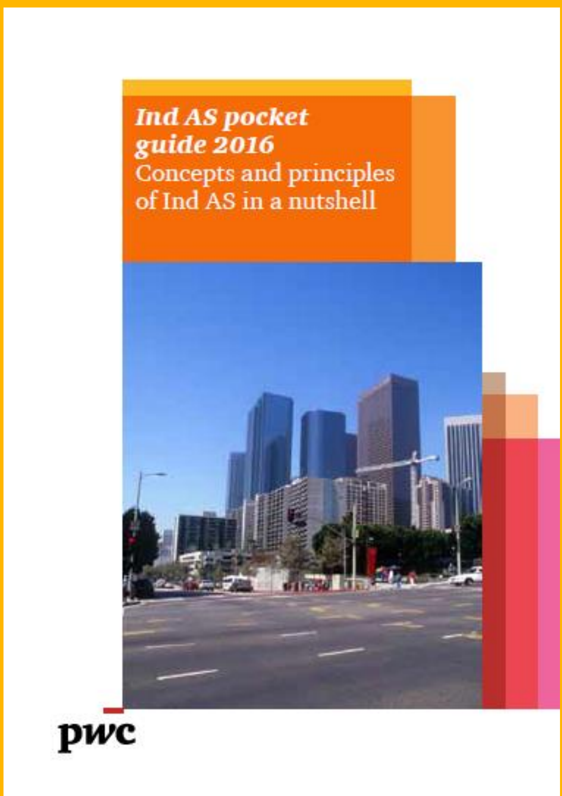



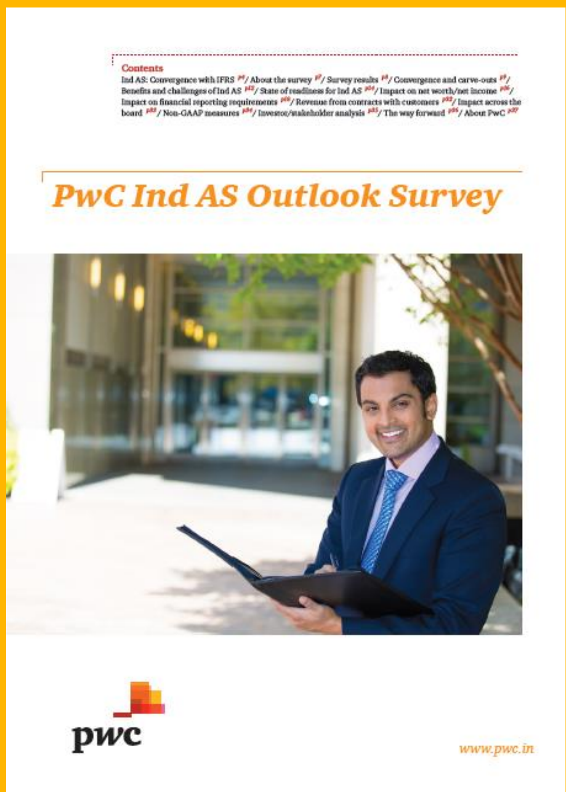



# Previous publications



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