VALUE Ind AS Limited

Interim financial reporting

December 2017

This publication presents an illustrative interim financial report 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 31 December 2017. 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 interim 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 legislations applicable in India.

PricewaterhouseCoopers Private Limited

Introduction

This publication presents illustrative interim financial statements of a fictitious listed company, VALUE Ind AS Limited, for the quarter and nine months ended 31 December 2017. The financial statements comply with Indian Accounting Standards (Ind AS) as issued at 31 December 2017 and that apply to annual reporting periods commencing on or after 1 April 2017, including Ind AS 34 *Interim Financial Reporting*.

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; and

ii. lists disclosures that have not been included because they are not relevant to VALUE Ind AS Limited.

As VALUE Ind AS Limited is an existing preparer of Ind AS financial statements, Ind AS 101 *First-time Adoption of Indian Accounting Standards* does not apply.

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

This illustrative publication does not cover all possible disclosures that Ind AS require. Readers may find our *Ind AS interim reporting disclosure checklist* useful to identify other disclosures that may be relevant under the circumstances but are not illustrated in this publication.

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, which may not be consistent throughout the publication. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Top interim reporting pitfalls

Global experience of reviewing interim reports suggests that the following errors or omissions are the most frequent:

- Incorrect or no disclosure of new standards and amendments that are effective for the first time for the interim period and required a change in accounting policy.
- Basis of preparation note is incorrect, e.g. does not refer to Ind AS 34 or Ind ASs.
- No disclosure of the nature and amount of items that are unusual by their nature, size or incidence.
- Omission of some or all business combinations disclosures, especially those related to combinations after the interim reporting date.
- No explanations of the effect of seasonality on operations.
- Incomplete Ind AS 107 and Ind AS 113 financial instruments disclosures.

VALUE Ind AS Limited

Interim report – 31 December 2017

IND AS34(6)
Not mandatory

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 March 2017 and any public announcements made by VALUE Ind AS Limited during the interim reporting period.

Ind AS34(8)(e)
Ind AS1(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 at 28, Diamond Street, Mumbai – 400 000. Its shares are listed on the fictive stock exchange.

These condensed consolidated interim financial statements were authorised for issue by the directors on 29 January 2018.

The financial statements have been reviewed, not audited.

Commentary

Interim report to be read in conjunction with annual report

1. See paragraph 20 of the commentary to the notes to the condensed consolidated financial statements for our thoughts on why such disclosure should be retained.

Ind AS34(8)(a

Condensed consolidated balance sheet [1-9]

Ind AS34(20)(a)

	Notes	31 December 2017 INR'000	31 March 2017 INR'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**146,305**	127,960
Capital work-in-progress	3	**-**	3,450
Investment properties		**12,510**	13,300
Goodwill	4	**9,275**	8,305
Other intangible assets	4	**17,990**	16,245
Intangible assets under development*		**-**	-
Biological assets other than bearer plants*		**-**	-
Investments accounted for using the equity method	12	**4,230**	3,775
Financial assets			
i. Investments	16	**11,010**	11,110
ii. Loans	16	**1,300**	1,210
iii. Other financial assets	16	**310**	1,508
		12,620	13,828
Deferred tax assets		**2,155**	7,323
Other non-current assets		**2,370**	2,226
Total non-current assets		**207,455**	196,412
Current assets			
Inventories		**26,780**	22,153
Financial assets			
i. Investments	16	**9,995**	10,100
ii. Trade receivables		**20,027**	18,935
iii. Cash and cash equivalents		**40,890**	55,310
iv. Bank balances other than (iii) above*		**-**	-
v. Loans*		**-**	-
vi. Other financial assets	16	**2,789**	1,854
Other current assets*		**-**	-
		100,481	108,352
Assets classified as held for sale		**-**	250
Total current assets		**100,481**	108,602
Total assets		**307,936**	305,014

Ind AS34(20)(a)

	Notes	31 December 2017 INR'000	31 March 2017 INR'000
EQUITY AND LIABILITIES			
Equity			
Equity share capital	7	**13,110**	13,000
Other equity			
i. Reserves and surplus		**123,000**	121,307
ii. Other reserves		**15,210**	14,268
Equity attributable to the owners of VALUE Ind AS Limited		**151,320**	148,575
Non-controlling interests		**9,196**	9,462
Total equity		**160,516**	158,037
LIABILITIES			
Non-current liabilities			
Financial liabilities			
i. Borrowings	6	**96,902**	91,289
ii. Other financial liabilities	6,16	**1,820**	-
Deferred tax liabilities		**9,907**	14,039
Employee benefit obligations		**7,155**	6,749
Provisions		**1,668**	1,573
Total non-current liabilities		**117,452**	113,650
Current liabilities			
Financial liabilities			
i. Borrowings	6	**8,025**	8,300
ii. Trade payables	6	**13,632**	16,700
iii. Other financial liabilities	6,16	**1,801**	2,231
Current tax liabilities		**1,234**	1,700
Employee benefit obligations		**800**	690
Provisions	5	**3,926**	3,111
Deferred revenue		**550**	595
Total current liabilities		**29,968**	33,327
Total liabilities		**147,420**	146,977
Total equity and liabilities		**307,936**	305,014

The above condensed 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.*

Ind AS34(8)(b)

Condensed consolidated statement of profit and loss[1-10]

Ind AS34(20)(b)

Reference		Notes	Three months ended December 2017 INR'000	Three months ended December 2016 INR'000	Nine months ended December 2017 INR'000	Nine months ended December 2016 INR'000
	Continuing operations					
Ind AS1(82)(a)	Revenue	17	**37,318**	31,581	**103,660**	87,724
	Other income	8	**1,912**	1,539	**4,935**	4,275
	Other gains/(losses) – net		**117**	373	**700**	1,036
	Total income		**39,347**	33,493	**109,295**	93,035
	Expenses					
	Cost of materials consumed		**8,081**	6,520	**22,420**	20,890
	Purchases of stock-in-trade		**14,641**	10,191	**43,331**	25,142
	Changes in inventories of work-in progress, stock-in-trade and finished goods		**(1,666)**	(1,202)	**(4,627)**	(3,340)
	Excise duty		**-**	655	**1,410**	1,820
	Employee benefit expense		**3,802**	3,132	**11,560**	8,700
	Depreciation and amortisation expense		**2,631**	2,241	**7,920**	6,835
	Impairment of goodwill and other non-current assets		**390**	620	**390**	620
	Other expenses		**1,485**	1,376	**3,385**	4,704
Ind AS1(82)(b)	Finance costs		**1,279**	1,124	**3,553**	3,121
	Total expenses		**30,643**	24,657	**89,342**	68,492
	Profit before exceptional items, share of net profits of investments accounted for using the equity method and tax		**8,704**	8,836	**19,953**	24,543
	Share of net profits of associates and joint ventures accounted for using equity method	12	**74**	122	**205**	340
	Profit before exceptional items and tax		**8,778**	8,958	**20,158**	24,883
Sch III	Exceptional items	8	**(2,375)**	-	**(2,375)**	-
	Profit before tax from continuing operations		**6,403**	8,958	**17,783**	24,883
	Income tax expense					
	Current tax		**(1,859)**	(1,681)	**(4,999)**	(5,670)
	Deferred tax		**(289)**	(1,166)	**(967)**	(2,239)
	Total income tax expense	8(b)	**(2,148)**	(2,847)	**(5,966)**	(7,909)
	Profit from continuing operations	8(a)	**4,255**	6,111	**11,817**	16,974
Sch III	**Discontinued operations**					
Sch III	(Loss)/profit from discontinued operation before tax	11(b)	**-**	-	**(45)**	1,021
Sch III	Tax (expense)/benefit of discontinued operation		**-**	-	**13**	(357)
	(Loss)/profit from discontinued operation	11(b)	**-**	-	**(32)**	664
	Profit for the period		**4,255**	6,111	**11,785**	17,638

		Notes	Three months ended December 2017 INR'000	Three months ended December 2016 INR'000	Nine months ended December 2017 INR'000	Nine months ended December 2016 INR'000
Ind AS34 (20)(b)						
	Other comprehensive income					
Ind AS1 (82A)(b)	*Items that may be reclassified to profit or loss*					
	Exchange differences on translation of foreign operations		**(17)**	(76)	**(38)**	(101)
	Exchange differences on translation of discontinued operation	11(b)	**-**	-	**-**	170
	Deferred gains/(losses) on cash flow hedges		**72**	(102)	**157**	(222)
	Net investment hedge		**39**	-	**85**	-
Ind AS1(91)	Income tax relating to these items		**(23)**	31	**(49)**	67
Ind AS1(82A) (a)	*Items that will not be reclassified to profit or loss*					
	Changes in the fair value of FVOCI equity instruments		**(52)**	(59)	**(114)**	(129)
	Gain on revaluation of land	3	**1,495**	1,460	**1,495**	1,460
	Remeasurements of post-employment benefit obligations		**51**	(48)	**84**	(143)
Ind AS1(91)	Income tax relating to these items		**(444)**	(450)	**(440)**	(356)
	Other comprehensive income for the period, net of tax		**1,121**	756	**1,180**	746
	Total comprehensive income for the period		**5,376**	6,867	**12,965**	18,384
	Profit is attributable to:					
	Owners of VALUE Ind AS Limited		**4,100**	5,954	**11,355**	17,185
	Non-controlling interests		**155**	157	**430**	453
			4,255	6,111	**11,785**	17,638
Sch III	Other comprehensive income attributable to:					
	Owners of VALUE Ind AS Limited		**1,050**	694	**1,111**	691
	Non-controlling interests		**71**	62	**69**	55
			1,121	756	**1,180**	746
	Total comprehensive income attributable to:					
	Owners of VALUE Ind AS Limited		**5,150**	6,648	**12,466**	17,876
	Non-controlling interests		**226**	219	**499**	508
			5,376	6,867	**12,965**	18,384
	Total comprehensive income attributable to owners of VALUE Ind AS Limited arises from:					
	Continuing operations		**5,150**	6,648	**12,498**	17,042
Ind AS105 (33)(d)	Discontinued operations	11	**-**	-	**(32)**	834
			5,150	6,648	**12,466**	17,876

Ind AS34(11)	**Earnings per share for profit from continuing operations attributable to owners of Value Ind AS Limited:** [10]				
		INR	INR	**INR**	INR
	Basic earnings per share	**20.1**	26.2	**21.1**	29.4
	Diluted earnings per share	**19.2**	28.3	**20.4**	28.1
Sch III	**Earnings per share for profit/(loss) from discontinued operations attributable to owners of Value Ind AS Limited:** [10]				
		INR	INR	**INR**	INR
	Basic earnings per share	**-**	-	**(0.1)**	1.2
	Diluted earnings per share	**-**	-	**(0.1)**	1.2
Ind AS34(11)	**Earnings per share for profit attributable to owners of Value Ind AS Limited:** [10]				
		INR	INR	**INR**	INR
	Basic earnings per share	**20.1**	26.2	**21.0**	30.6
	Diluted earnings per share	**19.2**	28.3	**20.3**	29.3

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

Ind AS34(8)(c)

Condensed consolidated statement of changes in equity [1-10]

A. Equity share capital

Sch III

	Notes	INR'000
As at 1 April 2016		11,,200
Changes in equity share capital	7	1,757
As at 31 December 2016		**12,957**
As at 1 April 2017		13,000
Changes in equity share capital	7	110
As at 31 December 2017		**13,110**

B. Other equity

Ind AS34(20)(c)

		Attributable to owners of VALUE Ind AS Limited									
		Reserves and surplus			Other reserves					Non-controlling interests	Total
		Securities premium	Retained earnings	Share options outstanding account	FVOCI - equity instruments	Cash flow hedge reserve	Revaluation surplus	Foreign currency translation reserve	Total other equity		
	Notes	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000
Balance at 1 April 2016		53,976	43,666	3,400	2,400	1,289	6,350	(1,550)	109,531	5,689	115,220
Profit for the period		-	17,185	-	-	-	-	-	17,185	453	17,638
Other comprehensive income		-	(13)	-	(90)	(155)	880	69	691	55	746
Total comprehensive income for the period		**-**	**17,172**	**-**	**(90)**	**(155)**	**880**	**69**	**17,876**	**508**	**18,384**
Transactions with owners in their capacity as owners:											
Issue of equity shares	7	8,147	-	-	-	-	-	-	8,147	-	8,147
Non-controlling interest on acquisition of subsidiary		-	-	-	-	-	-	-	-	5,051	5,051
Dividends paid	9	-	(11,586)	-	-	-	-	-	(11,586)	(1,710)	(13,296)
Employee stock option expense		-	-	1,800	-	-	-	-	1,800	-	1,800
		8,147	**(11,586)**	**1,800**	**-**	**-**	**-**	**-**	**(1,639)**	**3,341**	**1,702**
Balance at 31 December 2016		**62,123**	**49,252**	**5,200**	**2,310**	**1,134**	**7,230**	**(1,481)**	**125,768**	**9,538**	**135,306**

			Attributable to owners of VALUE Ind AS Limited									
			Reserves and surplus			Other reserves						
			Securities premium	Retained earnings	Share options outstanding account	FVOCI - equity instruments	Cash flow hedge reserve	Revaluation surplus	Foreign currency translation reserve	Total other equity	Non-controlling interests	Total
		Notes	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000
Ind AS34(20)(c)	**Balance at 1 April 2017**		70,054	45,579	5,674	2,850	2,838	9,700	(1,120)	135,575	9,462	145,037
	Profit for the period		-	11,355	-	-	-	-	-	11,355	430	11,785
	Other comprehensive income		-	169	-	(80)	109	866	47	1,111	69	1,180
	Total comprehensive income for the period		**-**	**11,524**	**-**	**(80)**	**109**	**866**	**47**	**12,466**	**499**	**12,965**
	Transactions with owners in their capacity as owners:											
	Issue of equity shares	7	528	-	-	-	-	-	-	528	-	528
	Non-controlling interest on acquisition of subsidiary	10	-	-	-	-	-	-	-	-	1,720	1,720
	Dividends paid	9	-	(11,989)	-	-	-	-	-	(11,989)	(2,485)	(14,474)
	Employee stock option expense		-	-	1,630	-	-	-	-	1,630	-	1,630
			528	**(11,989)**	**1,630**	**-**	**-**	**-**	**-**	**(9,831)**	**(765)**	**(10,596)**
	Balance at 31 December 2017		**70,582**	**45,114**	**7,304**	**2,770**	**2,947**	**10,566**	**(1,073)**	**138,210**	**9,196**	**147,406**

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

Ind AS34(8)(d)

Condensed consolidated statement of cash flows [1-11]

	Notes	Nine months ended December 2017 INR'000	2016 INR'000
Cash flows from operating activities			
Profit before income tax from:			
Continuing operations		**17,783**	24,883
Discontinued operation		**(45)**	1,021
Profit before income tax including discontinued operation		**17,738**	25,904
Adjustments for:			
Depreciation and amortisation expense		**7,920**	6,835
Impairment of goodwill and other non-current assets	4	**390**	620
Employee stock option expense		**1,630**	1,800
Loss/(gain) on disposal of property, plant and equipment		**400**	(1,390)
Gain on sale of subsidiary	11	**-**	(760)
Loss/(gain) on sale of investments		**458**	(1,014)
Changes in fair value of financial assets at fair value through profit or loss		**(1,872)**	(360)
Share of net profits of associates and joint ventures		**(205)**	(340)
Changes in fair value of contingent consideration payable	16	**540**	-
Changes in fair value of contingent consideration receivable	16	**45**	-
Dividend and interest income classified as investing cash flows		**(1,570)**	(2,250)
Finance costs		**3,553**	3,121
Change in operating assets and liabilities, net of effects from purchase of controlled entities and sale of subsidiary:			
(Increase) in trade receivables		**(469)**	(4,320)
(Increase) in inventories		**(3,617)**	(1,730)
Increase/(Decrease) in trade payables		**(5,448)**	3,484
(Increase)/Decrease in other financial assets		**1,218**	(150)
(Increase)/Decrease in other non-current assets		**(144)**	350
Increase in other financial liabilities		**660**	550
Increase in provisions and deferred revenue		**865**	600
Increase in employee benefit obligations		**286**	250
Cash generated from operations		**22,378**	31,200
Income taxes paid		**(5,465)**	(6,679)
Net cash inflow from operating activities		**16,913**	24,521
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	10	**(10,175)**	(2,600)
Payments for property, plant and equipment	3	**(8,226)**	(2,411)
Payments for investment property		**(305)**	(1,150)
Payment for acquisition of associate	12	**(400)**	-
Payments for purchase of investments		**(3,062)**	(1,377)
Payments for intangible assets	4	**(1,045)**	(67)

		Note		
	Loans to employees		**(641)**	(330)
	Proceeds from sale of engineering division **	11	**-**	3,110
	Proceeds from sale of property, plant and equipment		**3,170**	7,495
	Proceeds from sale of investment properties		**395**	200
	Proceeds from sale of investments		**3,367**	1,802
	Repayment of loans by employees	12	**551**	300
	Distributions received from joint ventures and associates		**350**	170
	Dividends received		**960**	1,150
	Interest received		**610**	680
	Net cash (outflow)/inflow from investing activities		**(14,451)**	6,972
	Cash flows from financing activities			
Ind AS34(16A)(e)	Proceeds from issues of shares	7	**638**	174
Ind AS34(16A)(e)	Proceeds from borrowings		**9,378**	16,803
Ind AS34(16A)(e)	Repayment of borrowings		**(7,230)**	(24,600)
Ind AS34(16A)(e)	Finance lease payments		**(768)**	(775)
	Interest paid		**(3,559)**	(3,214)
Ind AS34(16A)(f)	Dividends paid to company's shareholders	9	**(11,989)**	(11,586)
	Dividends paid to non-controlling interests in subsidiaries		**(2,485)**	(1,710)
	Net cash (outflow) from financing activities		**(16,015)**	(24,908)
	Net increase/(decrease) in cash and cash equivalents		**(13,553)**	6,585
	Cash and cash equivalents at the beginning of the period		**52,660**	32,593
	Effects of exchange rate changes on cash and cash equivalents		**(257)**	(384)
	Cash and cash equivalents at end of the period *		**38,850**	38,794

* Cash and cash equivalents are net of bank overdrafts (INR 2,040,000 at 31 December 2017, INR 2,650,000 at 31 March 2017 and INR 2,050,000 at 31 December 2016)

** For cash flows of discontinued operations see note 11 [11]

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

Commentary

Condensed financial statements

1. An interim financial report contains either a complete set of financial statements as described in Ind AS 1 *Presentation of Financial Statements* or a set of condensed financial statements as described in Ind AS 34.

Ind AS34(10)

2. If an entity publishes condensed financial statements in its interim financial report, these condensed financial statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by Ind AS 34.

3. The interim financial report for VALUE Ind AS Limited contains condensed financial statements, in that it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under Ind AS 1. This is common and considered best practice.

   The guidance note on Ind AS Schedule III also prescribes that if a company is presenting condensed interim financial statements, its format should also conform to that used in the company's most recent annual financial statements, i.e., which would be as per Ind AS Schedule III.

4. Unaudited Financial Results required to be prepared and presented under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR regulations) is not an 'Interim Financial Report' as defined in paragraph 4 of Ind AS 34. As per regulation 33 of the LODR regulations, such financial results shall be prepared in accordance with recognition and measurement principles of Ind AS 34.

Ind AS34(10)

5. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading. Certain transactions may not be significant in the context of the annual report, but may need to be separately disclosed in the interim report. An example could be costs that are incurred unevenly during the year and that require separate presentation in the interim statement of profit and loss, but not in the annual financial statements.

Periods covered

Ind AS34(20) (a)-(d)

6. The following tables summarise which statements need to be presented by entities that prepare interim nine months or quarterly reports.

Nine month interim reporting for period ending 31 December 2017

Statement	Current	Comparative
Balance sheet at	31 December 2017	31 March 2017
Statement of profit and loss: -9 months ended	31 December 2017	31 December 2016
Statement of changes in equity: -9 months ended	31 December 2017	31 December 2016
Statement of cash flows: -9 months ended	31 December 2017	31 December 2016

Quarterly reporting – third quarter interim report for period ending 31 December 2017

Statement	Current	Comparative
Balance sheet at	31 December 2017	31 March 2017
Statement of profit and loss: -9 months ended -3 months ended	31 December 2017 31 December 2017	31 December 2016 31 December 2016
Statement of changes in equity: -9 months ended	31 December 2017	31 December 2016
Statement of cash flows: -9 months ended	31 December 2017	31 December 2016

Commentary

Ind AS34(20)(b)

7. For a nine months interim report, the current interim period and the annual reporting period to date are the same. However, where an entity prepares quarterly interim financial reports, the statement of profit and loss in the interim financial reports for the second and third quarters will need to include additional columns showing the annual reporting period to date and the comparative annual reporting period to date for the corresponding interim period (see table in paragraph 5 above).
8. This interim report is for the quarter and nine months period ended 31 December 2017. If an interim financial report is presented for a different interim reporting period, the heading of the financial statements should specify the interim reporting period covered.

Third balance sheet

9. Ind AS 34 has a year-to-date approach to interim reporting and does not replicate the requirements of Ind AS 1 in terms of comparative information. As a consequence, it is not necessary to provide an additional balance sheet as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.

Earnings per share

Ind AS34(11)

10. Entities shall present basic and diluted earnings per share (EPS) for the interim period. Ind AS 34 does not specifically require disclosure of EPS for profit from continuing and discontinued operations. However, Schedule III requires presentation of basic and diluted EPS for continuing and discontinued operations on the face of the statement of profit and loss.

Cash flows relating to discontinued operations

Ind AS105(33)(c)

11. The net cash flows relating to the operating, investing and financing activities of discontinued operations may either be presented on the face of the statement of cash flows or in the notes. VALUE Ind AS Limited has chosen to disclose this information in the notes.

Notes to the condensed consolidated financial statements [23,24]

1. Basis of preparation of interim report [1-2,8,19-21,23-27]

Ind AS34(19)

This condensed consolidated interim financial report for the quarter and nine months reporting period ended 31 December 2017 has been prepared in accordance with Ind AS 34 *Interim Financial Reporting.*

Ind AS34(6)
Not mandatory

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2017 and any public announcements made by VALUE Ind AS Limited during the interim reporting period.[19]

Ind AS34(16A)(a)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax for the purpose of interim reporting (see note 8(b)).

2. Significant changes in the current reporting period [1,2,8]

Ind AS34(6),(15)

Although global market conditions have affected market confidence and consumer spending patterns, the group remains well placed to grow revenues through ongoing product innovation and the recent acquisition of Complete Office Furniture Limited in January 2018. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

Not mandatory

The financial position and performance of the group was particularly affected by the following events and transactions during the nine months to 31 December 2017:

- a significant increase in revenue from the furniture retail segment in India as a result of business combinations that occurred in the current period (see note 10). This more than offset a reduction in revenue in the furniture manufacturing segment in India (see note 17 below).
- an impairment loss for the European IT consulting division as a result of a loss of two major contracts and increased cost (see note 4)
- an increase in the provision for legal claims against the India furniture manufacturing division (see note 5)
- an increase in warranty claims following problems with certain parts used in the manufacture of electronic equipment (see note 5)
- the acquisition of a vacant parcel of land to expand the production facilities of Handy Electronics Group (see note 3)
- the renegotiation of the group's main borrowing facility, to secure funding for the construction of the new production plant for the electronic equipment division (see note 6)
- an increase of the contingent consideration payable in relation to the acquisition of Better Office Furnishings Limited (see note 10), and
- the increase of the investment in Cedar Limited from 10% to 30% (see note 12).
- Since the end of the interim reporting period, the group has acquired 100% of the issued capital of Complete Office Furniture Limited (see note 14).

3. Property, plant and equipment [4,8,9]

Ind AS34(15B)(d),(e),(15C)

In December 2017, the group acquired a block of vacant land in Rajasthan at a cost of INR 6,850,000. The land will be used for the construction of additional production facilities for the electronic equipment division and the group has entered into new capital commitments of INR 12,300,000 in relation to these facilities. Construction is expected to start in February 2018.

Reference		Freehold land INR'000	Freehold buildings INR'000	Furniture, fittings and equipment INR'000	Plant and machinery INR'000	Total INR'000	Capital work-in-progress INR'000
	At 31 March 2017						
Ind AS16(73)(d)	Cost or fair value	22,570	49,680	11,790	113,285	197,325	3,450
Ind AS16(73)(d)	Accumulated depreciation	-	(10,750)	(1,970)	(56,645)	(69,365)	-
	Net carrying amount	**22,570**	**38,930**	**9,820**	**56,640**	**127,960**	**3,450**
	Nine months ended 31 December 2017						
	Gross carrying amount						
Ind AS16(73)(e)	Opening gross carrying amount	22,570	49,680	11,790	113,285	197,325	3,450
Ind AS16(73)(e)(viii)	Exchange differences	-	-	(25)	(40)	(65)	-
Ind AS16(73)(e)(iv)	Revaluation surplus	1,495	-	-	-	1,495	-
Ind AS16(73)(e)(iii)	Acquisition of subsidiary (note 10)	-	1,000	995	10,100	12,095	-
Ind AS16(73)(e)(i), (74)(b)	Additions	6,850	80	800	1,630	9,360	-
Ind AS16(73)(e)(ii)	Disposals	(1,070)	(710)	(1,050)	(1,090)	(3,920)	
Ind AS16(73)(e)(ix)	Transfers	-	3,450	-	-	3,450	(3,450)
Ind AS16(73)(d)	**Closing gross carrying amount**	**29,845**	**53,500**	**12,510**	**123,885**	**219,740**	**-**
	Accumulated depreciation						
Ind AS16(73)(d)	Opening accumulated depreciation	-	10,750	1,970	56,645	69,365	-
Ind AS16(73)(e)(viii)	Exchange differences	-	-	(15)	(20)	(35)	-
Ind AS16(73)(e)(ii)	Disposals	-	(50)	(150)	(150)	(350)	-
Ind AS16(73)(e)(vii)	Depreciation charge	-	750	920	2,785	4,455	-
Ind AS16(73)(d)	**Closing accumulated depreciation**	**-**	**11,450**	**2,725**	**59,260**	**73,435**	**-**
	At 31 December 2017						
Ind AS16(73)(d)	Cost or fair value	29,845	53,500	12,510	123,885	219,740	-
Ind AS16(73)(d)	Accumulated depreciation	-	(11,450)	(2,725)	(59,260)	(73,435)	-
	Net carrying amount	**29,845**	**42,050**	**9,785**	**64,625**	**146,305**	**-**

4. Intangible assets [4,8-10]

Ind AS34(15B)(d),(15C)

The intangible assets held by the group increased primarily as a result of the acquisition of Better Office Furnishings Limited. See note 10 for further information.

Ind AS103(B67)(d)(i)
Ind AS38(118)(e)

		Patents, copyrights and other rights INR'000	Internally generated software INR'000	Customer lists and contracts INR'000	Total INRU'000	Goodwill INR'000
	At 31 March 2017					
	Cost	12,430	3,855	3,180	19,465	10,715
	Accumulated amortisation and impairment	(1,300)	(710)	(1,210)	(3,220)	(2,410)
	Net carrying amount	**11,130**	**3,145**	**1,970**	**16,245**	**8,305**
	Nine months ended 31 December 2017					
	Gross carrying amount					
	Opening gross carrying amount	12,430	3,855	3,180	19,465	10,715
Ind AS103(B67)(d)(ii)	Additions	320	725	-	1,045	-
	Acquisition of subsidiary (note 10)	-	-	3,465	3,465	1,360
	Closing gross carrying amount	**12,750**	**4,580**	**6,645**	**23,975**	**12,075**
	Accumulated amortisation and impairment					
	Opening accumulated amortisation and impairment	1,300	710	1,210	3,220	2,410
	Impairment charge (a)	-	-	-	-	390
	Amortisation charge	1,210	550	1,205	2,765	-
	Closing accumulated amortisation and impairment	**2,510**	**1,260**	**2,215**	**5,985**	**2,800**
Ind AS103(B67)(d)(viii)	At 31 December 2017					
	Cost	12,750	4,580	6,645	23,975	12,075
	Accumulated amortisation and impairment	(2,510)	(1,260)	(2,215)	(5,985)	(2,800)
Ind AS1(77)	**Net book amount**	**10,240**	**3,320**	**4,430**	**17,990**	**9,275**

(a) Goodwill impairment [10]

Following the loss of two major contracts in the European IT consulting division and an unexpected significant increase in costs due to instability in the industry in both Europe and the US, management has recalculated the recoverable amount of the two CGUs as at 31 December 2017. An impairment loss of INR 390,000 was recognised for the European CGU, reducing the carrying amount of the goodwill for this CGU to INR 1,480,000. The recoverable amount of the entire European CGU at 31 December 2017 was INR 19,963,000.

The recoverable amount of the US IT consulting CGU was estimated to be INR 27,153,000 as at 31 December 2017 (31 March 2017 – INR 36,275,000) which exceeded the carrying amount of the CGU by INR 623,000 (31 March 2017 – INR 4,560,000). No impairment was therefore required for this CGU.

Ind AS36(134)(d)(i)

The recoverable amount of the two CGUs was determined based on value-in-use calculations, consistent with the methods used as at 31 March 2017. The following table sets out the key assumptions for the two CGUs where the impairment calculations were updated as at 31 December 2017:

Ind AS36(130)(g), (134)(d)(i),(iv),(v)

	31 December 2017		31 March 2017	
	US	Europe	US	Europe
Sales volume (% annual growth rate)	**2.1**	**1.5**	3.2	4.1
Sales price (% annual growth rate)	**1.5**	**0.9**	1.7	1.8
Budgeted gross margin (%)	**45.5**	**40.0**	60.0	55.5
Other operating costs (INR'000)	**4,300**	**3,200**	4,400	3,600
Annual capital expenditure (INR'000)	**500**	**280**	500	230
Long-term growth rate (%)	**1.9**	**1.7**	2.2	2.0
Pre-tax discount rate (%)	**14.5**	**15.3**	14.0	14.8

Ind AS36(134)(f)(ii), (iii)

The recoverable amount of the IT consulting CGU in the US would equal its carrying amount if the key assumptions were to change as follows:

	31 December 2017		31 March 2017	
	From	To	From	To
Sales volume (% annual growth rate)	**2.1**	**1.8**	3.2	2.0
Budgeted gross margin (%)	**45.5**	**40.2**	60	43
Long-term growth rate (%)	**1.9**	**1.7**	2.2	1.3
Pre-tax discount rate (%)	**14.5**	**14.9**	14.0	15.3

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

As there were no indicators for impairment for any of the other CGUs, management has not updated any of the other impairment calculations.

5. Current provisions [8,9,11-14]

	31 December 2017 INR'000	31 March 2017 INR'000
Legal claims	**2,435**	460
Service warranties	**464**	635
Restructuring costs	**320**	900
Contingent liability arising from business combination	**-**	477
Others	**707**	639
	3,926	3,111

Ind AS34(16A)(c),(d)

The group has received new legal advice in relation to the claim which alleges that VALUE Ind AS Manufacturing Limited had breached certain registered patents of a competitor. The advice now states that it is probable that the entity will be required to pay a significant compensation in relation to this matter. While the entity is still vigorously defending the claim, it has recognised a provision of INR 2,375,000 for this claim during the quarter and nine months ended 31 December 2017.

Ind AS34(15B)(f), (16A)(d)

The lawsuit against Handy Electronics Group alleging defects on products supplied to certain customers was settled in October 2017 with a payment of INR 460,000. The unused amount of INR 17,000 was reversed to profit or loss during the quarter and nine months ended 31 December 2017.

Ind AS34(16A)(d)

In May 2017, the group discovered problems with certain parts used in the manufacture of electronic equipment which resulted in an increase of warranty claims. As a consequence, the estimated rate of claims has been increased in calculating the warranty provision as at 31 December 2017. This resulted in an increase of the provision by INR 150,000 in addition to the normal movements in the provision.

Movement in provisions	Contingent liability INR'000	Restructuring obligations INR'000	Service warranties INR'000	Legal claims INR'000	Others INR'000	Total INR'000
Carrying amount at 1 April 2017	477	900	635	460	639	3,111
Charged/(credited) to profit or loss	-	-	-	-	-	-
additional provisions recognised	-	-	252	2,375	249	2,876
unused amounts reversed	(17)	-	-	-	-	(17)
unwinding of discount	-	-	-	-	-	-
Amounts used during the nine months	(460)	(580)	(423)	(400)	(181)	(2,044)
Carrying amount at 31 December 2017	**-**	**320**	**464**	**2,435**	**707**	**3,926**

6. Borrowings [8,9]

Ind AS34(16A)(c),(e)

In April 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 20,000,000 of which INR 7,000,000 were drawn down as at 31 December 2017. The full facility is now repayable in three annual instalments, commencing 1 December 2022.

Ind AS34(15C)
Ind AS109(B5.4.2)

The loan is a fixed rate, INR denominated loan which is carried at amortised cost. The renegotiation did therefore not have any impact on the entity's exposure to foreign exchange and interest rate risk. Facility fees of INR 250,000 were payable to the lender upon signing the new loan agreement. These were debited as transaction cost to the loan account to the extent the loan was drawn down as at 31 December 2017. An amount of INR 162,500 is carried forward in other non-current assets and will be recognised as a transaction cost when the balance of the facility is drawn down. This is expected to occur in the next fourteen months, as construction payments become due and payable. As the terms and conditions of the facility remained largely unchanged, the refinancing did not result in a material gain or loss.

As at 31 December 2017, the contractual maturities of the group's non-derivative and derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contrac-tual cash flows	Carrying amount of liabilities
At 31 December 2017	**INR'000**	**INR'000**	**INR'000**	**INR'000**	**INR'000**	**INR'000**	**INR'000**
Non-derivatives							
Trade payables	13,632	-	-	-	-	13,632	13,632
Contingent consideration (note 10)	-	-	1,950	-	-	1,950	1,820
Borrowings (excluding finance leases)	4,245	4,540	9,500	31,490	55,725	105,500	101,832
Finance lease liabilities	333	332	920	2,528	398	4,511	3,760
Total non-derivatives	**18,210**	**4,872**	**12,370**	**34,018**	**56,123**	**125,593**	**121,044**
Derivatives							
Foreign exchange forward contracts	235	350	-	-	-	585	566
Other derivatives	245	350	-	-	-	595	570
Total derivatives	**480**	**700**	**-**	**-**	**-**	**1,180**	**1,136**

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contrac-tual cash flows	Carrying amount of liabilities
At 31 March 2017 [3,4]	INR’000	INR’000	INR’000	INR’000	INR’000	INR’000	INR’000
Non-derivatives							
Trade payables	16,700	-	-	-	-	16,700	16,700
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,050
Finance lease liabilities	427	428	855	2,365	-	4,075	3,394
Total non-derivatives	**21,566**	**5,067**	**10,165**	**48,560**	**40,121**	**125,479**	**117,144**
Derivatives							
Foreign exchange forward contracts	395	390	-	-	-	785	766
Other derivatives	305	330	-	-	-	635	610
Total derivatives	**700**	**720**	**-**	**-**	**-**	**1,420**	**1,376**

Loan covenants [9]

The new loan agreement also made changes to the loan covenants:

a. the current assets ratio must be higher than 2 (reduced from 2.5), and

b. the ratio of net finance cost to profit before tax must not exceed 25% (reduced from 30%).

The group complied with these ratios throughout the reporting period. As at 31 December 2017, the current ratio was 3.4 (3.3 at 31 March 2017) and the ratio of net finance cost to profit before tax was 20% (13% at 31 March 2017).

Financing arrangements [9]

The group’s undrawn borrowing facilities were as follows:

	31 December 2017 INR’000	31 March 2017 INR’000
Fixed rate – expiring beyond one year	**13,000**	-
Floating rate		
Expiring within one year (bank overdraft and bill facility)	**12,400**	12,400
Expiring beyond one year (bank loans)	**6,160**	9,470
	31,560	21,870

7. Equity securities issued

	Issues of ordinary shares during the period	December 2017 Shares (thousands)	December 2016 Shares (thousands)	December 2017 INR’000	December 2016 INR’000
Ind AS34(16A)(e)	Exercise of options issued under the VALUE Ind AS Employee Option Plan	**110**	59	**638**	174
	Acquisition of subsidiary, net of transaction costs and tax	**-**	1,698	**-**	9,730
		110	**1,757**	**638**	**9,904**

8. Profit and loss information [8,11-14]

(a) Significant items

		Three months December		Nine months December	
		2017 INR'000	2016 INR'000	**2017 INR'000**	2016 INR'000
	Profit for the period includes the following items that are unusual because of their nature, size or incidence:				
	Gains/Income				
Ind AS34(16A)(c)	Gain on sale of building (included in other gains/(losses) - net)	-	1,270	-	1,270
	Expenses/Losses				
Ind AS34(16A)(c)	Impairment of goodwill and other non-current assets (see note 4)	**390**	620	**390**	620
Ind AS34(16A)(c)	Provision for legal claim (included as an exceptional item as per group's accounting policy – see note 5)	**2,375**	-	**2,375**	-
	Acquisition-related costs from the business combination (included in other expenses – see note 10)	**-**	-	**150**	300
	Remeasurement of contingent consideration payable (included in other gains/(losses) - see note 10)	**140**	-	**540**	-
Ind AS34(16A)(c)	Write off of assets destroyed by fire				
	Office and warehouse building	-	**-**	-	435
	Plant and equipment	-	**-**	-	80
	Inventories	-	**-**	-	135
	Loss incurred in relation to the fire	-	**-**	-	650

(b) Income tax

Ind AS34(30)(c)
Ind AS34(B12)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2017 is 33.5%, compared to 31.8% for the year to 31 December 2016. The lower tax rate in prior year was the result of unrecognised carried forward losses which have been mostly utilised in prior year.

9. Dividends

		Three months December		Nine months December	
		2017 INR'000	2016 INR'000	**2017 INR'000**	2016 INR'000
	(a) Ordinary shares				
Ind AS34(16A)(f)	Dividends paid during the period	**11,989**	11,586	**11,989**	11,586
	(b) 6% cumulative redeemable preference shares				
	Dividends paid during the period	**83**	83	**248**	248

Dividends on these preference shares have been charged to profit or loss as interest and finance charges because the shares are classified as liabilities.

			2017 INR'000	2016 INR'000
	(c)	Dividends not recognised at the end of the period		
Not mandatory		In addition to the above dividends, since the end of the period, the directors have recommended the payment of an interim dividend of XX INR per fully paid ordinary share (December 2016 – XX INR). The aggregate amount of the proposed dividend expected to be paid on 10 January 2018 out of retained earnings at 31 December 2017, but not recognised as a liability at the end of the period, is	**4,800**	3,600

Ind AS34(16A)(i)

10. Business combination [3,11,15]

(a) Current period

Ind AS103(B64)(a)-(d)

On 15 May 2017 VALUE Ind AS Limited acquired 87.5% of the issued shares in Better Office Furnishings Limited, a retailer of office furniture and equipment, for consideration of INR 12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Ind AS103(B64)(f)

	INR'000
Purchase consideration	
Cash paid	10,750
Contingent consideration (ii)	1,280
Total purchase consideration	12,030

Ind AS103(B64)(i)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value INR'000
Cash and cash equivalents	575
Property, plant and equipment (note 3)	12,095
Customer list (note 4)	2,285
Customer contracts (note 4)	1,180
Inventories	1,010
Trade and other receivables	685
Trade and other payables	(2,380)
Employee benefit obligations	(230)
Borrowings	(3,250)
Net deferred tax assets	420
Net identifiable assets acquired	12,390
Less: non-controlling interest	(1,720)
Add: goodwill	1,360
	12,030

Ind AS103(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. It has been allocated to the furniture-retail segment. None of the goodwill is expected to be deductible for tax purposes. See note 4 above for the changes in goodwill as a result of the acquisition.

Ind AS103(B67)(a)

The fair value of the acquired customer list and customer contracts of INR 3,465,000 is provisional pending receipt of the final valuations for those assets. Deferred tax of INR 1,040,000 has been provided in relation to these fair value adjustments.

i. Acquisition-related costs

Ind AS103(B64)(m)

Acquisition-related costs of INR 150,000 are included in other expenses in profit or loss.

ii. Contingent consideration

Ind AS103(B64)(g)

The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 20% of the average profit of Better Office Furnishing Limited in the event average profit of INR 3,000,000 is achieved for the two years from the acquisition date, up to a maximum undiscounted amount of INR 2,500,000. The consideration is payable at the end of June 2019 and there is no minimum amount payable.

The fair value of the contingent consideration arrangement of INR 1,280,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishing Limited of INR 3,700,000 to INR 3,900,000.

Ind AS103(B67)(b),(58)

As at 31 December 2017, there was an increase of INR 140,000 and INR 540,000 recognised in profit or loss during the quarter and nine months ended 31 December 2017, respectively, for the contingent consideration arrangement as the assumed probability-adjusted profit in Better Office Furnishings Limited was recalculated to be in the region of INR 5,000,000 to INR 5,300,000. The liability is presented within other financial liabilities in the balance sheet.

iii. Acquired receivables

Ind AS103(B64)(h)

The fair value of trade and other receivables is INR 685,000 and includes trade receivables with a fair value of INR 623,000. The gross contractual amount for trade receivables due is INR 705,000, of which INR 82,000 is expected to be uncollectible.

iv. Non-controlling interest

Ind AS103(B64)(o)

The group has chosen to recognise the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Better Office Furnishings Limited, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

a. an assumed discount rate of 12%
b. an assumed terminal value based on long-term sustainable growth rate of 2%
c. assumed financial multiples of companies deemed to be similar to Better Office Furnishings Limited, and
d. assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in Better Office Furnishing Limited.

v. Revenue and profit contribution

Ind AS103(B64)(q)

The acquired business contributed revenues of INR 11,230,000 and net profit of INR 4,475,000 to the group for the period from 15 May 2017 to 31 December 2017 and revenue of INR 4,880,500 and net profit of INR 1,795,300 for the quarter ended 31 December 2017. If the acquisition had occurred on 1 April 2017, consolidated revenue and consolidated net profit for the nine months ended 31 December 2017 would have been INR 105,906,000 and INR 12,676,000, respectively.

(b) Prior period [3]

On 2 April 2016 the parent entity acquired 70% of the issued share capital of Handy Electronics Limited. Additionally, 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. Details of these business combination were disclosed in note 32 of the group's annual financial statements for the year ended 31 March 2017.

11. Discontinued operation [3,11,15]

(a) Description

Ind AS34(16A)(c),(i)

On 30 March 2016, the group announced its intention to exit the engineering business and accordingly initiated an active program to locate a buyer for its German subsidiary, VALUE Ind AS Engineering GmbH. The subsidiary was sold on 31 May 2016 and has been reported in the financial statements for the period ended 31 December 2016 as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. For further information about the discontinued operation please refer to note 33 of the group's annual financial statements for the year ended 31 March 2017.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the two months ended 31 May 2016 and subsequent adjustments to the contingent consideration receivable.

		Nine months December	
		2017 INR'000	2016 INR'000
	Revenue	-	4,200
	Expenses	-	(3,939)
Ind AS105(35)	Other expenses (revaluation of contingent consideration receivable)	**(45)**	-
	(Loss)/profit before income tax	**(45)**	261
	Income tax benefit/(expense)	**13**	(78)
	(Loss)/profit after income tax of discontinued operation	**(32)**	183
	Gain on sale of subsidiary after income tax (see (c) below)	**-**	481
	(Loss)/profit from discontinued operation	**(32)**	664
	Exchange differences on translation of discontinued operation	-	170
	Other comprehensive income from discontinued operation	-	170
	Net cash inflow from ordinary activities	-	1,166
	Net cash inflow (outflow) from investing activities (2016 includes an inflow of INR 3,110,000 from the sale of the division)	-	3,110
	Net cash (outflow) from financing activities	-	-
	Net increase in cash generated by the subsidiary	-	4,276

(c) Details of the sale of the subsidiary

	Nine months December	
	2017 INR'000	2016 INR'000
Consideration received or receivable:		
Cash	-	3,110
Fair value of contingent consideration receivable	-	1,200
Total disposal consideration	-	4,310
Carrying amount of net assets sold	-	(3,380)
Gain on sale before income tax and reclassification of foreign currency translation reserve	-	930
Reclassification of foreign currency translation reserve		(170)
Income tax expense on gain	-	(279)
Gain on sale after income tax	-	481

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 June 2016 to 30 June 2018 as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to INR 2,400,000 will be receivable. At the time of the sale, the fair value of the consideration was determined to be INR 1,200,000 and was recognised as a financial asset measured at FVTPL. As at 30 September 2017, the fair value was estimated to be INR 1,155,000 (note 16). The change in fair value of INR 45,000 relates to the remeasurement of the expected cash flows and is presented in the statement of profit and loss as loss from discontinued operations, net of applicable income tax of INR 13,000. There is no material change in fair value during the quarter ended 31 December 2017.

Ind AS34(16A)(i)

12. Interests in associates and joint ventures [16]

On 15 May 2017, VALUE Ind AS Limited increased its investment in Cedar Limited from 10% to 30% for cash consideration of INR 400,000 plus INR 5,000 transaction costs. As a consequence, VALUE Ind AS Limited gained significant influence over this investment and the investment was reclassified from an FVTPL investment to an associate.

The fair value of the FVTPL investment (10% stake) at the time of the transaction was INR 200,000, including fair value gains of INR 50,000. The group's accounting policy is to use fair value as deemed cost for step acquisitions of associates. The cost is the sum of the fair value of the interest previously held plus the fair value of any additional consideration as of the date when the investment became an associate.

The carrying amount of equity-accounted investments has changed as follows in the period to December 2017:

	Nine months December INR'000
Beginning of the period	**3,775**
Additions	**600**
Profit/(loss) for the period	**205**
Dividends paid	**(350)**
End of the period	**4,230**

13. Contingencies [8,9]

(a) Contingent liabilities

Ind AS34(15B)(m)

A claim for damages of INR 1,200,000 was lodged during the period against the furniture division. The company has disputed such liability and is defending the action. No provision in relation to the claim has been recognised in the financial statements as legal advice indicates that it is not probable that a significant liability will arise.

Ind AS34(16A)(c), (15B)(f)

The claim lodged against VALUE Ind AS Retail Limited in March 2017 and disclosed in the note 36 of the annual financial statements was settled through mediation. A payment of INR 25,000 was made to the claimant and was recognised in the statement of profit and loss.

14. Events occurring after the reporting period [17]

Ind AS34(16A)(h)

On 20 January 2018, VALUE Ind AS Limited acquired all of the issued shares in Complete Office Furniture Limited, a manufacturer and retailer of premium office furniture and equipment, for cash consideration of INR 4,500,000.

The provisionally determined fair value of the net identifiable assets of the company at the date of acquisition was INR 4,090,000 and the purchased goodwill amounted to INR 410,000.

The financial effects of the above transaction have not been brought to account at 31 December 2017. The operating results and assets and liabilities of the acquired company will be brought to account from 20 January 2018.

Refer to note 9 for dividends recommended since the end of the reporting period.

15. Related party transactions [8-9,11-13]

Ind AS34(15),(15B)(j)

During the quarter and nine months ended 31 December 2017, the following were the related party transactions

(a) Key management personnel compensation

	Three months December		Nine months December	
	2017 INR'000	2016 INR'000	**2017 INR'000**	2016 INR'000
Short-term employee benefits	**240**	220	**765**	650
Post-employment benefits	**360**	290	**1,010**	990
Employee share-based payment	**170**	190	**450**	470
Total compensation	**770**	700	**2,225**	2,110

(b) Transactions with related parties

	Three months December		Nine months December	
	2017 INR'000	2016 INR'000	**2017 INR'000**	2016 INR'000
Sale of goods to associates	**340**	120	**565**	600
Purchase of goods and services from entities controlled by key management personnel				
(i) Construction of plant and machinery	**-**	-	**1,060**	690
(ii) Professional services	**180**	290	**450**	470

16. Fair value measurement of financial instruments [2,18]

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

Ind AS34(15B)(h), (15C)

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under Ind AS. An explanation of each level follows below the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2017 and 31 March 2017 [4] on a recurring basis:

Ind AS113(93)(a),(b)

At 31 December 2017	**Level 1 INR'000**	**Level 2 INR'000**	**Level 3 INR'000**	**Total INR'000**
Assets				
Financial assets at fair value through profit or loss				
Unlisted equity securities	-	-	2,350	2,350
Listed equity securities	8,800	-	-	8,800
Other (contingent consideration; note 11)	-	-	1,155	1,155
Derivatives used for hedging				

Foreign exchange contracts	-	1,634	-	1,634
Interest rate swaps	-	310	-	310
FVOCI financial assets				
Equity securities – property sector	3,577	-	-	3,577
Equity securities – retail sector	3,288	-	-	3,288
Equity securities – biotech sector	-	-	1,150	1,150
Total assets	**15,665**	**1,944**	**4,655**	**22,264**
Liabilities				
Contingent consideration payable (note 10)			1,820	1,820
Derivatives used for hedging – foreign exchange contracts	-	566	-	566
Other derivatives	-	570	-	570
Total liabilities	**-**	**1,136**	**1,820**	**2,956**

At 31 March 2017 [4]	Level 1 INR'000	Level 2 INR'000	Level 3 INR'000	Total INR'000
Assets				
Financial assets at fair value through profit or loss				
Listed equity securities	11,300	-	-	11,300
Other (contingent consideration – note 11)	-	-	1,200	1,200
Derivatives used for hedging				
Foreign exchange contracts	-	1,854	-	1,854
Interest rate swaps	-	308	-	308
FVOCI financial assets				
Equity securities – property sector	1,400	-	-	1,400
Equity securities – retail sector	2,768	-	-	2,768
Equity securities – biotech sector	-	-	1,332	1,332
Total assets	**15,468**	**2,162**	**2,532**	**20,162**
Liabilities				
Derivatives used for hedging – foreign exchange contracts	-	766	-	766
Other derivatives	-	610	-	610
Total liabilities	-	**1,376**	**-**	**1,376**

(a) Fair value hierarchy

Ind AS34(15B)(h), (k),(15C),(16A)(j) Ind AS113(93) (c),(e)(iv)

In May 2017, a major investment of VALUE Ind AS Limited was delisted. As it is no longer possible to determine the fair value of this investment using quoted prices or observable market data, it has been reclassified from level 1 into level 3.

Ind AS113(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.

Ind AS113(93)(a), (b),(d)

The group did not measure any assets or liabilities at fair value on a non-recurring basis as at 31 December 2017.

Ind AS113(76),(91)(a) **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Ind AS113(81),(91)(a),(93)(d) **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available 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.

Ind AS113(86),(91)(a),(93)(d) **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 and contingent consideration arrangements.

(b) Valuation techniques used to determine fair values

Ind AS113(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 is determined using forward exchange rates at the balance sheet date.
- 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 and contingent consideration arrangements explained in (c) below.

(c) Fair value measurements using significant unobservable inputs (level 3)

Ind AS34(15B)(k),(15C) The following table presents the changes in level 3 instruments for the nine months ended 31 December 2017: [4]

Ind AS113(93)(e)

Reference		Unlisted equity securities INR'000	Contingent consideration receivable INR'000	Contingent consideration payable INR'000	Total INR'000
	Opening balance 31 March 2017	**1,332**	**1,200**	**-**	**2,532**
Ind AS113(93)(e)(iv)	Transfer from level 1	2,350	-	-	2,350
	Disposals	(100)	-	-	(100)
	Acquisitions	-	-	(1,280)	(1,280)
	Gains/ (losses) recognised in other gains/(losses) *	-	-	(540)	(540)
	Losses recognised in discontinued operations *	-	(45)	-	(45)
	(Losses)/gains recognised in other comprehensive income	(82)	-	-	(82)
	Closing balance 31 December 2017	**3,500**	**1,155**	**(1,820)**	**2,835**
Ind AS113(93)(f)	* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	-	(45)	(540)	(585)

(i) Transfers between levels 2 and 3 and changes in valuation techniques

Ind AS113(93)(d),(h)(ii) Other than the transfer of equity securities from level 1 to level 3 explained under (a) above, there were no transfers between the levels of the fair value hierarchy in the nine months to 31 December 2017. There were also no changes made to any of the valuation techniques applied as of 31 March 2017.

(ii) Valuation inputs and relationships to fair value

Ind AS113(93)(d),(99) The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Ind AS113(93)(d), (h)(i)

Description	Fair value at 31 December 2017 INR'000	Unobservable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,500	Earnings growth factor	2.5 % - 3.5% (3%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by INR 190,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by INR 220,000.
		Risk-adjusted discount rate	9% - 11% (10%)	
Contingent consideration receivable	1,155	Risk-adjusted discount rate	14%	A change in the discount rate by 100 bps would increase/ decrease the FV by INR 100,000
		Expected cash inflows	INR 1,050,000 – INR 1,470,000 (INR 1,220,000)	If expected cash flows were 10% higher or lower, the FV would increase/decrease by INR 55,000
Contingent consideration payable	(1,820)	Risk adjusted discount rate	8%	A change in the discount rate by 100 bps would increase/ decrease the FV by INR 52,000
		Expected profit	INR 5,000,000 – INR 5,300,000 (INR 5,150,000)	If expected profit were 10% higher or lower, the FV would increase/decrease by INR 170,000

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Ind AS113(93)(g) (iii) Valuation processes

The finance department of the group includes a team that performs the valuations of non-property assets 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 used by the group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these 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 VALUE Ind AS Limited's internal credit risk management group.
- Earnings growth factor for unlisted equity securities: these are estimated based on market information for similar types of companies.
- Contingent consideration receivable and payable – expected cash flows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

- Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the 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.

(d) Fair values of other financial instruments (unrecognised)

Ind AS34(16A)(j)
Ind AS107(25)
Ind AS107(29)(a)

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since these financial instruments are either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2017:

	Carrying amount INR'000	Fair value INR'000
Non-current receivables		
Loans to employees	1,300	1,375
Amortised cost investments		
Debentures	390	355
Zero coupon bonds	1,050	1,013
Non-current borrowings		
Bank loans	42,852	45,100
Convertible notes	16,830	17,505
Redeemable preference shares	11,000	9,240

17. Segment information [5]

Ind AS34(8)(e), (16A)(g)(v)

(a) Description of segments

VALUE Ind AS Limited is a diversified group which derives its revenues and profits from a variety of sources. The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, considers the business from both a product and a geographic perspective and has identified six reportable segments.

1,2 Furniture manufacturing – India and China: the manufacture and sale of commercial office furniture, hardwood side boards, chairs and tables in India and in China. The committee monitors the performance in those two regions separately.

3 Furniture – retail: Since January 2014, the manufacturing business has been supplemented by a chain of retail stores in India.

4,5 IT consulting – Business IT management, design, implementation and support services are provided in the US and Europe. Performance is monitored separately for those two regions.

6 Electronic equipment – Although this segment is not large enough to be required to be reported separately under Ind AS, it has been included here as it is seen to be a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of Handy Electronics Group in April 2016.

Ind AS34(16A)(g)(v)

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 'all other segments'. This column also includes head office and group services.

Ind AS34(16A)(g)(v)

The engineering division was sold effective from 31 May 2016. Information about this discontinued segment is provided in note 11.

Ind AS108(23)

(b) Segment information provided to the strategic steering committee [5]

The segment information provided to the strategic steering committee for the reportable segments for the quarter and nine months ended 31 December 2017 is as follows:

	Three months December 2017	Furniture - manufacturing India	Furniture - manufacturing China	Furniture - retail India	IT consulting US	IT consulting Europe	Electronic equipment India	All other seg-ments	Total
		INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000
Ind AS34(16A)(g)(i)	Total segment revenue	10,778	8,929	6,879	3,728	3,186	3,332	1,132	37,964
Ind AS34(16A)(g)(ii)	Inter–segment revenue	(75)	(51)	(221)	(95)	(78)	(58)	(68)	(646)
	Revenue from external customers	**10,703**	**8,878**	**6,658**	**3,633**	**3,108**	**3,274**	**1,064**	**37,318**
Ind AS34(16A)(g)(iii)	**Adjusted EBITDA**	**5,263**	**5,243**	**628**	**1,569**	**(1,204)**	**947**	**308**	**12,754**

	Three months December 2016 [5]	Furniture - manufacturing India	Furniture - manufacturing China	Furniture - retail India	IT consulting US	IT consulting Europe	Electronic equipment India	All other seg-ments	Total
		INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000
Ind AS34(16A)(g)(i)	Total segment revenue	11,145	7,208	2,183	4,097	3,706	3,100	1,060	32,499
Ind AS34(16A)(g)(ii)	Inter–segment revenue	(204)	(102)	(136)	(170)	(92)	(112)	(102)	(918)
	Revenue from external customers	**10,941**	**7,106**	**2,047**	**3,927**	**3,614**	**2,988**	**958**	**31,581**
Ind AS34(16A)(g)(iii)	**Adjusted EBITDA**	**5,304**	**3,624**	**635**	**1,667**	**1,322**	**487**	**330**	**13,369**

	Nine months December 2017	Furniture - manufacturing India	Furniture - manufacturing China	Furniture - retail India	IT consulting US	IT consulting Europe	Electronic equipment India	All other seg-ments	Total
		INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000
Ind AS34(16A)(g)(i)	Total segment revenue	29,700	23,165	17,290	12,905	9,370	9,800	3,330	105,560
Ind AS34(16A)(g)(ii)	Inter–segment revenue	(260)	(150)	(650)	(240)	(190)	(200)	(210)	(1,900)
	Revenue from external customers	**29,440**	**23,015**	**16,640**	**12,665**	**9,180**	**9,600**	**3,120**	**103,660**
Ind AS34(16A)(g)(iii)	**Adjusted EBITDA**	**6,786**	**4,534**	**7,403**	**7,106**	**(520)**	**2,996**	**2,147**	**30,452**

	Nine months December 2016 [5]	Furniture - manufacturing India	Furniture - manufacturing China	Furniture - retail India	IT consulting US	IT consulting India	Electronic equipment India	All other seg-ments	Total
		INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000
Ind AS34(16A)(g)(i)	Total segment revenue	32,434	17,200	5,422	13,049	13,400	6,800	2,119	90,424
Ind AS34(16A)(g)(ii)	Inter–segment revenue	(600)	(300)	(400)	(500)	(310)	(290)	(300)	(2,700)
	Revenue from external customers	**31,834**	**16,900**	**5,022**	**12,549**	**13,090**	**6,510**	**1,819**	**87,724**
Ind AS34(16A)(g)(iii)	**Adjusted EBITDA**	**7,451**	**7,403**	**2,710**	**9,301**	**4,450**	**2,260**	**202**	**33,777**

		Furniture - manufacturing		Furniture - retail	IT consulting		Electronic equipment	All other seg-ments	
		India	China	India	India	Europe	India		
		INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	Total
Ind AS34(16A)(g)(iv)	**Total segment assets**								
	31 December 2017	67,049	50,700	62,910	26,970	19,825	26,990	23,522	277,966
	31 March 2017	61,830	45,500	51,600	31,640	30,510	25,355	26,824	273,259
Ind AS34(16A)(g)(iv)	**Total segment liabilities**								
	31 December 2017	7,405	5,100	5,600	2,800	2,200	4,938	3,409	31,452
	31 March 2017	7,005	4,800	5,950	3,900	2,600	5,259	1,079	30,593

The strategic steering committee uses adjusted EBITDA as a measure to assess the performance of the segments. This 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 legal expenses and impairments when the impairment is the result of an isolated, non–recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

Interest and dividend income and finance costs 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.

Ind AS34(16A)(g)(vi) A reconciliation of adjusted EBITDA to profit before income tax is provided as follows:

		Three months December		**Nine months December**	
	Notes	**2017 INR'000**	2016 INR'000	**2017 INR'000**	2016 INR'000
Adjusted EBITDA		**12,754**	13,369	**30,452**	33,777
Intersegment eliminations		**(80)**	(45)	**(270)**	(160)
Finance costs		**(1,279)**	(1,124)	**(3,553)**	(3,121)
Depreciation and amortisation expense	3,4	**(2,631)**	(2,241)	**(7,920)**	(6,835)
Impairment of goodwill and other non-current assets	4	**(390)**	(620)	**(390)**	(620)
Legal expenses		**(2,375)**	(313)	**(2,375)**	(355)
Employee stock option expense		**(450)**	(750)	**(1,630)**	(1,800)
Dividend and interest income		**350**	300	**1,570**	2,250
Gain/(loss) on sale of investments		**(240)**	190	**(458)**	1,014
Changes in fair value of financial assets at fair value through profit or loss		**650**	110	**1,872**	360
Others		**94**	82	**485**	373
Profit before income tax from continuing operations		**6,403**	8,958	**17,783**	24,883

Sales between segments are carried out at arm's length and are eliminated on consolidation. The amounts provided to the strategic steering committee with respect to segment revenue and segment assets are measured in a manner consistent with that of the financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the asset.

Commentary - Notes to the financial statements

Structure of notes

1. This interim report has a summary of significant events and transactions upfront, to help readers get a better picture of the entity's performance and of any changes to the entity's financial position during the interim period.

2. Focusing on the relevance of information, we have moved information to the back of the notes that we do not consider immediately relevant for an understanding of the major changes to the financial position and performance of the group during the interim period. For example, the information about the valuation of financial instruments must be disclosed in all interim reports, regardless of whether there have been significant changes during the period. For entities with only a limited amount of financial instruments and no major changes, this information may be of relatively lesser interest and so has been moved to the back end of the report. However, this will not be the same for all, and each entity should consider what structure would be most useful in their own circumstances.

Comparative information

Narrative disclosures

Ind AS34(16A)(j)

3. Ind AS 34 does not comment on whether narrative information that was disclosed in the interim financial report for the comparative period must be repeated in the current interim financial report. However, as per paragraph 6 of Ind AS 34, the interim financial report is intended to provide an update on the last complete set of annual financial statements. It should therefore focus on new activities, events and circumstances and does not need to duplicate information previously reported. On this basis we do not believe it is necessary to repeat business combination disclosures that were also included in the latest annual financial statements. However, we have chosen to retain the comparative disclosures for the discontinued operation, since this disclosure explains amounts separately presented in the statement of profit and loss for the comparative period.

Roll-forward information

Ind AS34(16A)(g)

4. There is also a question as to whether comparative information is required for roll-forward information such as the table showing movements in property, plant and equipment or in relation to the financial instrument disclosures. For the same reasons as set out in the previous paragraph, we do not believe that comparative roll-forward information is required under Ind AS 34. However, it may be necessary in certain circumstances to provide context for a particular transaction or event that is significant to an understanding of the changes in the entity's financial position and performance.

Segment information

5. Under Ind AS 34, segment information must be included in interim reports for the year to date, but the standard does not specifically require the disclosure of segment information for additional periods for which a statement of profit and loss is presented in an interim report. We believe such disclosure would be helpful to the users of the interim report and it is likely to be consistent with the management commentary. Management should, therefore, consider providing segmental information for each period for which the statement of profit and loss is presented, including comparative figures.

Materiality

Ind AS34(23)
Ind AS1(7)

6. Ind AS 34(23) requires management to assess materiality in relation to the interim period financial data when deciding how to recognise, measure, classify or disclose an item for interim financial reporting purposes. In making assessments of materiality, interim measurements may rely on estimates to a greater extent than measurements of annual financial data.
7. While materiality judgements are always subjective, the overriding concern is to ensure that an interim financial report includes all of the information that is relevant to an understanding of the financial position and performance of the entity during the interim period. It is therefore generally inappropriate to base quantitative estimates of materiality on projected annual figures.

Significant events and transactions

Ind AS34(15B)

8. Interim financial reports must include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Ind AS 34 provides examples of events or transactions that may need to be disclosed, but please note that the list is not exhaustive.

Ind AS34(15C)

9. The information disclosed in relation to these events and transactions shall update the relevant information presented in the most recent annual financial statements and that are required under other accounting standards (e.g. Ind AS 107 Financial Instruments: Disclosures). For example, VALUE Ind AS Limited has acquired a significant parcel of land in the nine months to December 2017 and refinanced a major borrowing. To show the impact of the acquisition on total property, plant and equipment, we have updated the reconciliation of property, plant and equipment from the last financial

Commentary - Notes to the financial statements

statements. We have also updated the liquidity risk disclosures to reflect the revised payment terms resulting from the refinancing.

10. Similarly, if the entity has recognised an impairment loss during the interim reporting period, it should consider which of the disclosures made in the annual report would need to be updated in the interim report, to give users sufficient context and information about the uncertainties associated with the impairment calculations. We have illustrated what we would consider appropriate in the context of VALUE Ind AS Limited's fictional scenario. Depending on the individual circumstances, more or less disclosures may be required.

Other disclosures

Ind AS34(16A)

11. An entity shall include the information set out in paragraph 16A of Ind AS 34 in the notes to the interim financial statements, unless the information is not material or disclosed elsewhere in the interim financial report. The information shall normally be reported on an annual reporting period to date basis. Where the information is disclosed elsewhere, the entity must provide a cross reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

Unusual items

Ind AS34(16A)(c)

12. Disclosure is required of the nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size, or incidence.
13. Disclosure of the income tax applicable to unusual items is not required by Ind AS 34, but we recommend its disclosure in interim reports in the absence of detailed income tax note disclosures.
14. Exceptional items: Ind AS Schedule III requires presentation of exceptional items on the face of the statement of profit and loss. However, Ind AS and Schedule III both do not define the term 'exceptional items'. Ind AS 1 para 97 requires that when items of income or expense are material, an entity shall disclose their nature and amount separately. Further, Ind AS 1 para 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.). As per Ind AS 1, materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

    The educational material issued by Ind AS Implementation Committee of ICAI on Ind AS 1 provides some guidance on presentation of exceptional items in the financial statements. As per educational material, exceptional items are those items which meet the test of 'materiality' (size and nature) and the test of 'incidence'. It also states that all material items are not exceptional items.

Changes in the composition of the entity

Ind AS34(16A)(i)

15. Ind AS 34 requires interim financial reports to disclose the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required to be disclosed under paragraphs 59 – 62 and B64 – B67 of Ind AS 103 *Business Combinations*. If the goodwill relating to the acquisition is material, the disclosure should also include a reconciliation of goodwill as per paragraph B67(d) of Ind AS 103. See also commentary paragraph 22 below for disclosures that are not applicable to VALUE Ind AS Limited and therefore are not illustrated in note 10.

Step acquisition of associates

16. There are two approaches that may be adopted when an investor increases its stake in an entity and an existing investment becomes an associate for the first time. Those two methods are:

    a. 'Cost of each purchase' method: the cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the investee's profits and other equity movements (for example, revaluations). Any acquisition-related costs are treated as part of the investment in the associate.

    b. 'Fair value as deemed cost' method (by analogy with Ind AS 103): The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. As this method is based on the analogy with the Ind AS 103 guidance on step acquisition of subsidiaries, any acquisition-related costs are expensed in the period in which the costs are incurred. This is different from acquisition-related costs on initial recognition of an associate at cost, as they form part of the carrying amount of the associate. This is the method used by VALUE Ind AS Limited and illustrated in note 12 of this interim report.

Commentary - Notes to the financial statements	
	Events occurring after the reporting period
Ind AS34(16A)(h)	17. The interim financial report shall disclose events after the interim period that have not been reflected in the interim financial statements. Such disclosure would normally also include an indication of the financial effect of each event, where possible.
	Fair value measurement
	18. Entities must also provide detailed information about the fair value measurements of their financial instruments, regardless of whether there have been significant changes or transactions during the interim period. This includes information about:
Ind AS34(16A)(j)	a. the recognised fair value measurements at the end of the interim period
Ind AS34(16A)(j)	b. for financial assets and financial liabilities that are not measured at fair value – the fair value such that it can be compared with the carrying amount
Ind AS113(91)-(93)(h), (94)-96), (98),(99)	c. for non-recurring fair value measurements, the reason for the measurement
	d. the level of the fair value hierarchy within which the measurements are categorised
Ind AS107(25), (26),(28)-(30)	e. the amount of transfers between level 1 and level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when transfers have occurred
	f. for level 2 and level 3 measurements a description of the valuation techniques and inputs used, changes in the valuation techniques used and reasons for changes. For level 3 measurements also quantitative information about significant unobservable inputs used.
	g. for level 3 measurements a reconciliation from opening to closing balances, showing separately a number of specifically identified items
	h. for recurring level 3 measurements, the amount of unrealised gains or losses for the period that is attributable assets and liabilities held at the end of the reporting period
	i. for level 3 measurements, a description of the valuation processes used by the entity
	j. for recurring level 3 measurements, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and the effect of changes to unobservable inputs if such changes have a significant effect on the fair value
	k. the existence of inseparable third-party credit enhancements.
	Note that Ind AS 34 only requires this information for financial instruments, not for non-financial assets and liabilities. However, where an entity has revalued non-financial assets or liabilities to fair value during the interim reporting period, or measured non-financial assets or liabilities at fair value for the first time, it should consider providing similar disclosures if the amounts involved are material.
	Accounting policies
Ind AS34(16A)(j), (15C)	19. The interim financial report shall include a statement that the same accounting policies and methods of computation are followed in the interim financial report as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (see also paragraph 25 below for details).
	20. While there is no requirement to prominently display an explicit statement that the interim financial report is to be read in conjunction with the most recent annual financial report, we recommend retaining it as it is a useful explanation and reminder of the nature of an interim report. Entities may also want to place this statement on the front cover of the interim financial report as illustrated on the example contents page, to make this clear to readers of the interim financial report.
	21. Where an entity prepares its first interim financial report and there is no previous annual report, we believe that a complete disclosure of significant accounting policies should be provided.
Ind AS34(16A)(a)	Impact of standards issued but not yet applied
	22. While not explicitly required under Ind AS 34, entities should also consider explaining the impact of the future adoption of an accounting standard that has been issued but does not yet need to be applied by the entity. This would be the case in particular where adoption of the standard will have a significant impact on the amounts recognised in the financial statements and this had not been disclosed in the previous annual financial report, or where the entity's assessment has significantly changed.
	Disclosures not illustrated: not applicable to VALUE Ind AS Limited
	23. The following requirements are not illustrated in this publication as they are not applicable to VALUE Ind AS Limited:

Commentary - Notes to the financial statements

Reference	Issue not illustrated	Relevant disclosure or reference
Ind AS34(16A)(b),(21)	Seasonal or cyclical operations	Explain how the seasonality or cyclicality affects the results and financial position for the interim report (see paragraph 23 below).
		Consider including financial information for the twelve months up to the end of the interim period and comparative information for the previous twelve months.
Ind AS34(16A)(g)(v)	Segment disclosures: changes in basis of segmentation or measurement of segment profit or loss	Describe differences.
Ind AS34(16A)(k) Ind AS112(9B)	The entity became an investment entity or ceased to be an investment entity during the interim period	Provide the disclosures required by Ind AS 112 *Disclosure of Interests in Other Entities* paragraph 9B.

Business combinations

Reference	Issue not illustrated	Relevant disclosure or reference
Ind AS34(16A)(i)		
Ind AS103(B64)(j)	Contingent liabilities assumed in the business combination	Provide the disclosures required by Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets* paragraphs 85 and 86.
Ind AS103(B64)(l),(m)	Transactions recognised separately from the business combination	Disclose the details required by Ind AS 103 paragraph B64(l) and (m).
Ind AS103(B64)(n)	Bargain purchase	Disclose the amount of any gain recognised in OCI and explain why the transaction resulted in a gain. Disclose the amount of any gain directly recognised in equity as part of capital reserve.
Ind AS103(B64)(p)	Business combination achieved in stages	Disclose the acquisition-date fair value of the equity interest held immediately before the acquisition date, the gain/loss recognised and where it is presented.
Ind AS103(B67)(a)(iii)	Subsequent adjustments to incomplete initial accounting	Provide the details required by Ind AS 103 paragraph B67(a)(iii).
Ind AS103(B67)(e)	Gains and losses recognised during the period relating to assets or liabilities acquired in a business combination in the current or previous reporting period	Disclose the amount and an explanation of any gain or loss recognised if this information is relevant to an understanding of the entity's interim report.

Financial instruments – fair value measurements

Reference	Issue not illustrated	Relevant disclosure or reference
Ind AS34(16A)(j)		
Ind AS113(93)(a)	Non-recurring fair value measurements	Disclose the reason for the measurement.
Ind AS113(93)(c)	Transfers between level 1 and level 2 of the fair value hierarchy	Disclose the amount of any transfers, the reasons and the entity's policy for determining when transfers are deemed to have occurred.
Ind AS113(98)	Liabilities measured at fair value with inseparable third-party credit enhancements	Disclose their existence and whether they are reflected in the fair value measurement of the liability.
Ind AS107(28)	Financial assets or liabilities recognised where the transaction price is not the best evidence of fair value	Provide the information required by Ind AS 107 paragraph 28.

Commentary - Notes to the financial statements

Seasonal or cyclical operations

24. Where an entity's operations are seasonal or cyclical, comments along the following lines should be included in the notes:

Seasonality of operations

Due to the seasonal nature of the US and UK retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first six months. Wholesale revenues and operating profits are more evenly spread between the two half years. In the financial year ended 31 March 2017, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

Changes in accounting policies

25. New and amended standards must be adopted in the first interim financial statements issued after their effective date.

Ind AS34(16A)(a)

26. Ind AS 34 does not specify how much detail entities must provide to explain a change in policy. Where the change has a significant impact, we recommend following the requirements in Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Ind AS8(28)(a)

27. The MCA made amendments to Ind AS 102 *Share-based payments* which clarified the effect of vesting conditions on the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and the accounting for a modification of the terms and conditions that changes the classification of the transaction from cash-settled to equity-settled.

New requirement

The amendments are effective for reporting periods commencing on or after 1 April 2017. The transition provisions specify that the amendments apply to awards that are not settled as at the date of first application or to modifications that happen after the date of first application, without restatement of prior periods. Entities may consider to include disclosure along the following lines in the notes:

As a result of the amendment:

- As permitted by the transitional provisions, the group has applied the new policy prospectively from that date and has recognised the following amendments on 1 April 2017.
- A reclassification of INR XX from other payables to equity in relation to deferred shares granted to employees with a net settlement feature, where the employees can elect to receive a lower number of shares in exchange for the group settling the employee's tax liability in relation to the share-based payment through cash payment to the tax authority. Under the previous accounting policy, the expected amount payable by the group was accounted for as a cash-settled share-based payment transaction and recognised as a liability. From 1 April 2017, the entire share-based payment transaction is accounted for as an equity-settled share-based payment transaction.
- An increase of the liability for share-appreciation rights by INR XX as a consequence of excluding non-market vesting conditions from the measurement of the rights and adjusting the liability based on the number of rights ultimately expected to vest. Under the previous policy, the fair value of the share-appreciation rights was measured taking into account both market and non-market conditions.
- An increase in deferred tax assets of INR XX.
- A decrease of retained earnings of INR XX.

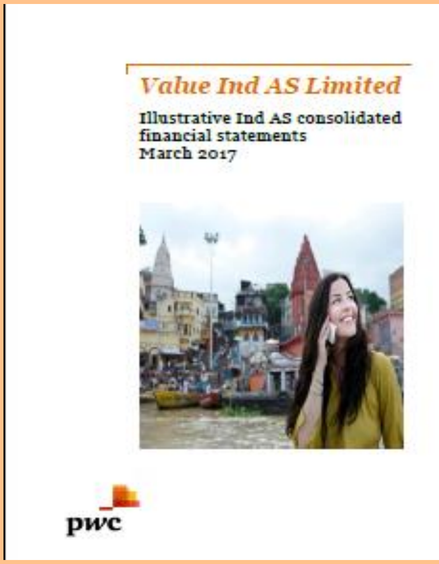
The share-based payment expense for the nine months to 31 December 2017 was INR XX lower than under the previous policy and deferred tax expense has increased by INR XX.

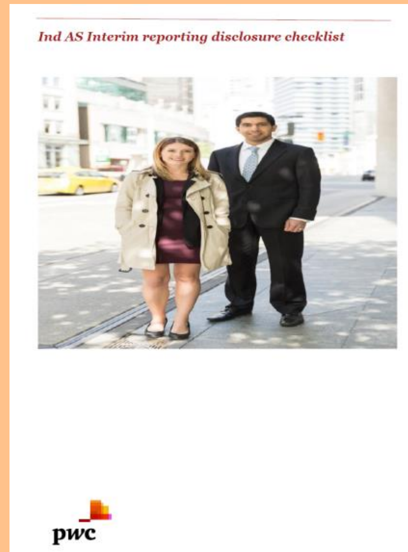
Appendix: Abbreviations

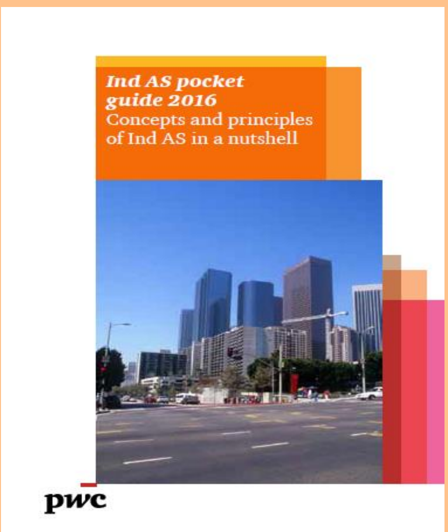
Abbreviations used in this publication are set out below.

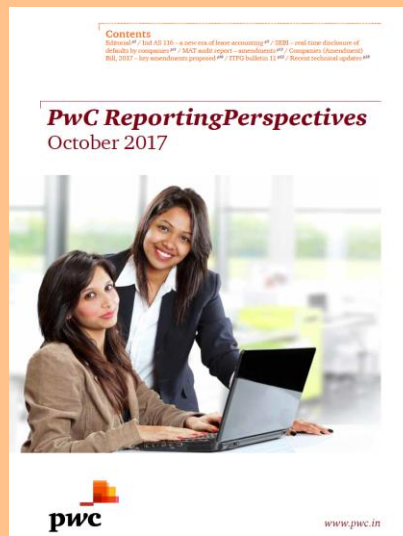
CGU	Cash-Generating Unit
EBITDA	Earnings before interest, tax, depreciation and amortisation
FV	Fair value
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVTPL	(Financial assets/liabilities at) fair value through profit or loss
ICAI	Institute of Chartered Accountants of India
Ind AS	Indian Accounting Standards
MCA	Ministry of Corporate Affairs
NCI	Non-controlling interest
OCI	Other comprehensive income
SEBI	Securities and Exchange Board of India

Previous publications









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