

INFOSYS LIMITED AND SUBSIDIARIES

Condensed Consolidated Financial Statements under International Financial Reporting Standards (IFRS) in US Dollars for the three months and nine months ended December 31, 2018

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Infosys Limited and Subsidiaries

(Dollars in millions except equity share data)

Condensed Consolidated Balance Sheet as at	Note	December 31, 2018	March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	2.1	2,357	3,041
Current investments	2.2	1,407	982
Trade receivables		2,130	2,016
Unbilled revenue		688	654
Prepayments and other current assets	2.4	776	662
Derivative financial instruments	2.3	60	2
		7,418	7,357
Assets held for sale	2.9	-	316
Total current assets		7,418	7,673
Non-current assets			
Property, plant and equipment	2.7	1,817	1,863
Goodwill	2.8	514	339
Intangible assets		108	38
Investment in associate	2.13	-	-
Non-current investments	2.2	650	883
Deferred income tax assets		174	196
Income tax assets		932	931
Other non-current assets	2.4	259	332
Total Non-current assets		4,454	4,582
Total assets		11,872	12,255
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		219	107
Derivative financial instruments	2.3	-	6
Current income tax liabilities		247	314
Client deposits		5	6
Unearned revenue		434	352
Employee benefit obligations		229	218
Provisions	2.6	83	75
Other current liabilities	2.5	1,190	1,036
		2,407	2,114
Liabilities directly associated with assets held for sale	2.9	-	50
Total current liabilities		2,407	2,164
Non-current liabilities			
Deferred income tax liabilities		76	82
Employee benefit obligations		6	7
Other non-current liabilities	2.5	63	42
Total liabilities		2,552	2,295
Equity			
Share capital - ₹5 (\$0.16) par value 4,800,000,000 (2,400,000,000) equity shares authorized, issued and outstanding 4,347,938,160 (2,173,312,301), net of 20,709,738 (10,801,956) treasury shares as at December 31, 2018 and (March 31, 2018), respectively		340	190
Share premium		268	247
Retained earnings		11,252	11,587
Cash flow hedge reserve		5	-
Other reserves		385	244
Capital redemption reserve		9	9
Other components of equity		(2,947)	(2,317)
Total equity attributable to equity holders of the company		9,312	9,960
Non-controlling interests		8	-
Total equity		9,320	9,960
Total liabilities and equity		11,872	12,255

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

As per our report of even date attached

for Deloitte Haskins & Sells LLP

Chartered Accountants

Firm's Registration No :

117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer
and Managing Director

U. B. Pravin Rao
Chief Operating Officer
and Whole-time Director

Bengaluru
January 11, 2019

D. Sundaram
Director

Jayesh Sanghrajka
Interim Chief Financial officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

(Dollars in millions except equity share and per equity share data)

Condensed Consolidated Statements of Comprehensive Income	Note	Three months ended December 31,		Nine months ended December 31,	
		2018	2017	2018	2017
Revenues	2.15	2,987	2,755	8,740	8,134
Cost of sales	2.16	1,956	1,773	5,660	5,208
Gross profit		1,031	982	3,080	2,926
Operating expenses:					
Selling and marketing expenses	2.16	161	136	464	405
Administrative expenses	2.16	195	177	578	555
Total operating expenses		356	313	1,042	960
Operating profit		675	669	2,038	1,966
Other income, net	2.16	105	149	317	413
Reduction in the fair value of Disposal Group held for sale	2.9	-	-	(39)	-
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale"	2.9	(65)	-	(65)	-
Share in net profit/(loss) of associate, including impairment		-	-	-	(11)
Profit before income taxes		715	818	2,251	2,368
Income tax expense	2.11	213	22	633	453
Net profit		502	796	1,618	1,915
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Re-measurements of the net defined benefit liability/asset, net		(4)	2	(3)	3
Equity instruments through other comprehensive income, net		8	-	10	-
		4	2	7	3
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Fair valuation of investments, net	2.2	6	(4)	(3)	2
Fair value changes on derivatives designated as cash flow hedge, net		8	1	5	(6)
Foreign currency translation		295	229	(634)	182
		309	226	(632)	178
Total other comprehensive income/(loss), net of tax		313	228	(625)	181
Total comprehensive income		815	1,024	993	2,096
Profit attributable to:					
Owners of the company		502	796	1,618	1,915
Non-controlling interests		-	-	-	-
		502	796	1,618	1,915
Total comprehensive income attributable to:					
Owners of the company		815	1,024	993	2,096
Non-controlling interests		-	-	-	-
		815	1,024	993	2,096
Earnings per equity share					
Basic (\$)		0.12	0.17	0.37	0.42
Diluted (\$)		0.12	0.17	0.37	0.42
Weighted average equity shares used in computing earnings per equity share	2.12				
Basic		4,347,673,466	4,550,149,608	4,347,130,342	4,564,373,542
Diluted		4,352,731,387	4,552,763,140	4,352,705,150	4,568,574,984

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

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Infosys Limited and Subsidiaries
Condensed Consolidated Statements of Changes in Equity

(Dollars in millions except equity share data)

	Shares ⁽¹⁾	Share capital	Share premium	Retained earnings	Other reserves ⁽²⁾	Capital redemption reserve	Cash flow hedge reserve	Other components of equity	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance as at April 1, 2017	2,285,655,150	199	587	12,190	-	-	6	(2,345)	10,637	-	10,637
Changes in equity for the Nine months ended December 31, 2017											
Net profit	-	-	-	1,915	-	-	-	-	1,915	-	1,915
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	-	2	2	-	2
Fair value changes on derivatives designated as cash flow hedge* (Refer to note 2.3)	-	-	-	-	-	-	(6)	-	(6)	-	(6)
Equity instruments through other comprehensive income* (Refer to note 2.2)	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	182	182	-	182
Total comprehensive income for the period	-	-	-	1,915	-	-	(6)	184	2,093	-	2,093
Shares issued on exercise of employee stock options (Refer to note 2.10)	532,221	-	-	-	-	-	-	-	-	-	-
Amount paid upon buy back (Refer to note 2.17)	(113,043,478)	(9)	(346)	(1,680)	-	-	-	-	(2,035)	-	(2,035)
Transaction cost related to buyback (Refer to note 2.17)	-	-	(7)	-	-	-	-	-	(7)	-	(7)
Amount transferred to capital redemption reserve upon buyback (Refer to note 2.17)	-	-	-	(9)	-	9	-	-	-	-	-
Transfer to other reserves	-	-	-	(227)	227	-	-	-	-	-	-
Transfer from other reserves on utilization	-	-	-	66	(66)	-	-	-	-	-	-
Employee stock compensation expense (Refer to note 2.10)	-	-	9	-	-	-	-	-	9	-	9
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	3	3	-	3
Dividends (including dividend distribution tax)	-	-	-	(1,156)	-	-	-	-	(1,156)	-	(1,156)
Balance as at December 31, 2017	2,173,143,893	190	243	11,099	161	9	-	(2,158)	9,544	-	9,544
Balance as at April 1, 2018	2,173,312,301	190	247	11,587	244	9	-	(2,317)	9,960	-	9,960
Changes in equity for the nine months ended December 31, 2018											
Net profit	-	-	-	1,618	-	-	-	-	1,618	-	1,618
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	(3)	(3)	-	(3)
Equity instruments through other comprehensive income* (Refer to note 2.2)	-	-	-	-	-	-	-	10	10	-	10
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	-	(3)	(3)	-	(3)
Fair value changes on derivatives designated as cash flow hedge* (Refer to note 2.3)	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	5	-	5	-	5
Total comprehensive income for the period	-	-	-	1,618	-	-	5	(634)	(634)	-	(634)
Shares issued on exercise of employee stock options - before bonus issue (Refer to note 2.10)	392,528	-	-	-	-	-	-	-	-	-	-
Increase in share capital on account of Bonus issue (Refer to note 2.17.3)	2,173,704,829	150	-	-	-	-	-	-	150	-	150
Amounts utilized for bonus issue (Refer to note 2.17.3)	-	-	-	(150)	-	-	-	-	(150)	-	(150)
Shares issued on exercise of employee stock options - after bonus issue (Refer to note 2.10)	528,502	-	-	-	-	-	-	-	-	-	-
Non-controlling interests on acquisition of subsidiary (Refer to note 2.9)	-	-	-	-	-	-	-	-	-	8	8
Transfer to other reserves	-	-	-	(242)	242	-	-	-	-	-	-
Transfer from other reserves on utilization	-	-	-	101	(101)	-	-	-	-	-	-
Employee stock compensation expense (Refer to note 2.10)	-	-	20	-	-	-	-	-	20	-	20
Transfer on account of options not exercised	-	-	-	-	-	-	-	-	-	-	-
Income tax benefit arising on exercise of stock options	-	-	1	-	-	-	-	-	1	-	1
Dividends (including dividend distribution tax)	-	-	-	(1,662)	-	-	-	-	(1,662)	-	(1,662)
Balance as at December 31, 2018	4,347,938,160	340	268	11,252	385	9	5	(2,947)	9,312	8	9,320

* net of tax

⁽¹⁾ excludes treasury shares of 20,709,738 as at December 31, 2018, 10,801,956 as at April 1, 2018, 10,805,896 as at December 31, 2017 and 11,289,514 as at April 1, 2017, held by consolidated trust. The treasury shares as at April 1, 2018, December 31, 2017 and as at April 1, 2017 have not been adjusted for the September 2018 bonus issue.

⁽²⁾ Represents the Special Economic Zone Re-investment reserve created out of the profit of the eligible SEZ unit in terms of the provisions of Sec 10AA(1)(ii) of Income Tax Act, 1961. The reserve should be utilized by the Group for acquiring new plant and machinery for the purpose of its business in terms of the provisions of the Sec 10AA(2) of the Income Tax Act, 1961.

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

Accounting Policy

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated. The Group considers all highly liquid investments that are readily convertible to known amounts of cash to be cash equivalents.

(Dollars in millions)

Particulars	Note	Nine Months ended December 31,	
		2018	2017
Operating activities:			
Net Profit		1,618	1,915
Adjustments to reconcile net profit to net cash provided by operating activities :			
Depreciation and amortization	2.16	212	218
Interest and dividend income		(87)	(104)
Income tax expense	2.11	633	453
Effect of exchange rate changes on assets and liabilities		10	2
Impairment loss under expected credit loss model		32	10
Reduction in the fair value of Disposal Group held for sale	2.9	39	-
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale"	2.9	65	-
Stock compensation expense		20	9
Other adjustments		(24)	(6)
Changes in working capital			
Trade receivables and unbilled revenue		(332)	(138)
Prepayments and other assets		(146)	(94)
Trade payables		112	20
Client deposits		(1)	18
Unearned revenue		79	83
Other liabilities and provisions		200	102
Cash generated from operations		2,430	2,488
Income taxes paid		(751)	(746)
Net cash provided by operating activities		1,679	1,742
Investing activities:			
Expenditure on property, plant and equipment		(233)	(213)
Loans to employees		2	3
Deposits placed with corporation		-	(5)
Interest and dividend received		63	50
Payment towards acquisition of business, net of cash acquired	2.9	(72)	(4)
Payment of contingent consideration pertaining to acquisition of business		(1)	(5)
Investment in equity and preference securities		(3)	(4)
Proceeds from sale of equity and preference securities		1	4
Investment in others		(3)	(2)
Investment in quoted debt securities		(2)	(16)
Redemption of quoted debt securities		49	2
Investment in certificate of deposits		(253)	(352)
Redemption of certificate of deposits		193	1,504
Redemption of commercial papers		43	-
Investment in liquid mutual fund units and fixed maturity plan securities		(8,352)	(7,431)
Redemption of liquid mutual fund units and fixed maturity plan securities		8,067	7,592
Net cash (used)/generated in investing activities		(501)	1,123
Financing activities:			
Payment of dividend including corporate dividend tax		(1,661)	(1,156)
Shares issued on exercise of employee stock options		1	-
Buy back of shares including transaction costs		-	(2,042)
Net cash used in financing activities		(1,660)	(3,198)
Effect of exchange rate changes on cash and cash equivalents		(210)	70
Net increase / (decrease) in cash and cash equivalents		(482)	(333)
Cash and cash equivalents at the beginning of the period	2.1	3,049	3,489
Cash and cash equivalents at the end of the period	2.1	2,557	3,226
Supplementary information:			
Restricted cash balance	2.1	50	87

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Interim Chief Financial officer

A. G. S. Manikantha
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Notes to the interim condensed consolidated financial statements

1. Overview

1.1 Company overview

Infosys Limited (the Company' or Infosys) is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients to execute strategies for their digital transformation. Infosys' strategic objective is to build a sustainable organization that remains relevant to the agenda of clients, while creating growth opportunities for employees and generating profitable returns for investors. Infosys strategy is to be a navigator for our clients as they ideate, plan and execute on their journey to a digital future.

Infosys together with its subsidiaries and controlled trusts is herein after referred to as the "Group".

The company is a public limited company incorporated and domiciled in India and has its registered office at Bengaluru, Karnataka, India. The company has its primary listings on the BSE Ltd. and National Stock Exchange of India Limited. The company's American Depositary Shares (ADS) representing equity shares are listed on the New York Stock Exchange (NYSE).

Further, the company's ADS were also listed on the Euronext London and Euronext Paris. On July 5, 2018, the company voluntarily delisted its ADS from the said exchanges due to low average daily trading volume of its ADS on these exchanges.

The Group's interim condensed consolidated financial statements are authorized for issue by the company's Board of Directors on January 11, 2019.

1.2 Basis of preparation of financial statements

These interim condensed consolidated financial statements have been prepared in compliance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), under the historical cost convention on the accrual basis except for certain financial instruments which have been measured at fair values. Accordingly, these condensed consolidated financial statements do not include all the information required for a complete set of financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the company's Annual Report on Form 20-F for the year ended March 31, 2018. Accounting policies have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

As the quarter and year-to-date figures are taken from the source and rounded to the nearest digits, the quarter figures in this statement added up to the figures reported for the previous quarters might not always add up to the year-to-date figures reported in this statement.

1.3 Basis of consolidation

Infosys consolidates entities which it owns or controls. The interim condensed consolidated financial statements comprise the financial statements of the company, its controlled trusts and its subsidiaries. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Group companies are consolidated on a line-by-line basis and intra-group balances and transactions including unrealized gain / loss from such transactions are eliminated upon consolidation. These financial statements are prepared by applying uniform accounting policies in use at the Group. Non-controlling interests which represent part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the company, are excluded.

1.4 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 1.5. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the condensed consolidated financial statements.

1.5 Critical accounting estimates

a. Revenue recognition

The group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the group to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity.

Further, the Group uses significant judgements while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

b. Income taxes

The company's two major tax jurisdictions are India and the U.S., though the company also files tax returns in other overseas jurisdictions. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the group will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. (also refer to note 2.11).

c. Business combinations and intangible assets

Business combinations are accounted for using IFRS 3 (Revised), Business Combinations. IFRS 3 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts (Refer to note 2.9)

d. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

e. Impairment of Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the cash-generating unit or groups of cash-generating units which are benefitting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes.

Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience and represent management's best estimate about future developments.

f. Non-current assets and Disposal Groups held for sale

Assets and liabilities of Disposal Groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. The determination of fair value less costs to sell includes use of management estimates and assumptions. The fair value of the Disposal Groups have been estimated using valuation techniques including income and market approach which includes unobservable inputs.

Non-current assets and Disposal Group that ceases to be classified as held for sale shall be measured at the lower of carrying amount before the Non-current asset and Disposal Group was classified as held for sale adjusted for any depreciation/ amortization and its recoverable amount at the date when the Disposal Group no longer meets the " Held for sale" criteria. Recoverable amounts of assets reclassified from held for sale have been estimated using management's assumptions which consist of significant unobservable inputs.

1.6 Recent accounting pronouncements

1.6.1 Standards issued but not yet effective

IFRS 16 Leases : On January 13, 2016, the International Accounting Standards Board issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases Standard, IAS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of comprehensive income. The Standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The effective date for adoption of IFRS 16 is annual periods beginning on or after January 1, 2019, though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers. The Group is currently evaluating the requirements of IFRS 16 and the impact on the consolidated financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments: In June 2017, the International Accounting Standards Board (IASB) issued IFRS interpretation IFRIC 23 Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. According to IFRIC 23, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

Full retrospective approach – Under this approach, IFRIC 23 will be applied retrospectively to each prior reporting period presented in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Retrospectively with cumulative effect of initially applying IFRIC 23 recognized by adjusting equity on initial application, without adjusting comparatives

The effective date for adoption of IFRIC 23 is annual periods beginning on or after January 1, 2019, though early adoption is permitted. The Group is currently evaluating the effect of IFRIC 23 on the consolidated financial statements.

Amendment to IAS 12 – Income taxes : In December 2017, the IASB issued amendments to the guidance in IAS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after 1 January 2019, although early application is permitted. The Group is currently evaluating the effect of this amendment on the consolidated financial statements.

Amendment to IAS 19 – plan amendment, curtailment or settlement- On February 7, 2018, the IASB issued amendments to the guidance in IAS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after 1 January 2019, although early application is permitted. The Group is evaluating the effect of this amendment on the consolidated financial statements and the impact is not expected to be material.

Amendment to IFRS 3 Business Combinations - On 22 October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment also introduces an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The effective date for adoption of this amendment is annual periods beginning on or after January 1, 2020, although early adoption is permitted. The Group is currently evaluating the effect of this amendment on the consolidated financial statements.

2. Notes to the Condensed Consolidated Interim Financial Statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Particulars	<i>(Dollars in millions)</i>	
	As at	
	December 31, 2018	March 31, 2018
Cash and bank deposits	1,568	2,021
Deposits with financial institutions	789	1,020
Total Cash and cash equivalents	2,357	3,041
Cash and cash equivalents included under assets classified under held for sale <i>(Refer note no 2.9)</i>	-	8
	2,357	3,049

Cash and cash equivalents as at December 31, 2018 and March 31, 2018 include restricted cash and bank balances of \$50 million and \$82 million, respectively. The restrictions are primarily on account of cash and bank balances held by irrevocable trusts controlled by the company, bank balances held as margin money deposits against guarantees and balances held in unpaid dividend bank accounts.

The deposits maintained by the Group with banks and financial institutions comprise of time deposits, which can be withdrawn by the Group at any point without prior notice or penalty on the principal.

The table below provides details of cash and cash equivalents:

Particulars	<i>(Dollars in millions)</i>	
	As at	
	December 31, 2018	March 31, 2018
Current accounts		
ANZ Bank, Taiwan	-	1
Banamex Bank, Mexico	2	2
Bank of America, Mexico	16	4
Bank of America, USA	91	180
Bank of Leumi, Israel	2	-
Bank Zachodni WBK S.A. Poland	-	3
Barclays Bank, UK	8	6
BNP Paribas Bank, Norway	6	14
China Merchants Bank, China	2	1
Citibank N.A., Australia	26	34
Citibank N.A., Brazil	16	2
Citibank N.A., China	13	18
Citibank N.A., China (U.S. Dollar account)	3	1
Citibank N.A., Europe	1	-
Citibank N.A., Dubai	2	1
Citibank N.A., EEFC (U.S. Dollar account)	-	1
Citibank N.A., Hungary	1	1
Citibank N.A., Japan	4	3
Citibank N.A., New Zealand	-	2
Citibank N.A., Portugal	2	1
Citibank N.A., Singapore	11	1
Citibank N.A., South Africa	2	5
Citibank N.A., USA	4	1
Citibank N.A., South Korea	1	-
Deutsche Bank, Belgium	2	4
Deutsche Bank, Czech Republic	7	2
Deutsche Bank, Czech Republic (Euro account)	1	1
Deutsche Bank, EEFC (Euro account)	1	5
Deutsche Bank, EEFC (Swiss Franc account)	1	-
Deutsche Bank, EEFC (U.S. Dollar account)	14	5
Deutsche Bank, EEFC (United Kingdom Pound Sterling account)	1	1
Deutsche Bank, France	2	3
Deutsche Bank, Germany	13	16
Deutsche Bank, India	3	7
Deutsche Bank, Malaysia	-	1
Deutsche Bank, Netherlands	2	2
Deutsche Bank, Philippines	1	4
Deutsche Bank, Philippines (U.S. Dollar account)	-	1
Deutsche Bank, Poland	3	3
Deutsche Bank, Poland (Euro account)	5	1
Deutsche Bank, Russia	-	1
Deutsche Bank, Russia (U.S. Dollar account)	-	1
Deutsche Bank, Singapore	2	3
Deutsche Bank, Switzerland	6	5
Deutsche Bank, United Kingdom	3	12
Deutsche Bank, USA	4	-
HSBC Bank, United Kingdom	3	1
ICICI Bank, EEFC (U.S. Dollar account)	4	6
ICICI Bank, EEFC (United Kingdom Pound Sterling account)	-	2
ICICI Bank, India	6	8
Kotak Bank	4	-
ICICI Bank - Unpaid dividend account	4	3
Nordbanken, Sweden	7	8
Nordea, Finland	3	-
Punjab National Bank, India	1	2
Raiffeisen Bank, Czech Republic	-	1
Royal Bank of Canada, Canada	10	26
Silicon Valley Bank, USA	1	-
Splitska Banka D.D., Société Générale Group, Croatia	2	1
State Bank of India, India	1	-
Skandinaviska, Sweden	1	-
Washington Trust Bank	10	-
	341	418

Deposit accounts		
Axis Bank	122	-
Bank BGZ BNP Paribas S.A.	35	22
Barclays Bank	-	31
Canara Bank	23	36
Citibank	-	35
Deutsche Bank, AG	-	4
Deutsche Bank, Poland	13	32
HDFC Bank	50	383
ICICI Bank	493	568
IDBI Bank	-	38
IDFC Bank	351	230
IndusInd Bank	-	154
Kotak Mahindra Bank	72	-
South Indian Bank	25	69
Standard Chartered Bank	43	-
Yes Bank	-	1
	1,227	1,603
Deposits with financial institutions		
HDFC Limited	560	836
LIC Housing Finance Limited	229	184
	789	1,020
Total Cash and cash equivalents	2,357	3,041

2.2 Investments

The carrying value of investments are as follows:

Particulars	As at	
	December 31, 2018	March 31, 2018
<i>(Dollars in millions)</i>		
(i) Current		
Amortized cost		
Quoted debt securities:		
Cost	3	-
Fair value through profit and loss		
Liquid Mutual funds		
Fair value	314	12
Others		
Fair value	6	-
Fair Value through Other comprehensive income		
Quoted debt securities		
Fair value	212	117
Commercial Paper		
Fair value	-	45
Unquoted preference securities		
Fair value	15	-
Certificate of deposits		
Fair value	857	808
Total current investments	1,407	982
(ii) Non-current		
Amortized cost		
Quoted debt securities		
Cost	271	291
Fair value through Other comprehensive income		
Quoted debt securities		
Fair value	291	493
Unquoted equity and preference securities		
Fair value	19	21
Fair value through profit and loss		
Unquoted convertible promissory note		
Fair value	-	2
Unquoted Preference securities		
Fair value	4	-
Fixed maturity plan securities		
Fair Value	64	66
Others		
Fair value	1	10
Total Non-current investments	650	883
Total investments	2,057	1,865
Investment carried at amortized cost	274	291
Investments carried at fair value through other comprehensive income	1,394	1,484
Investments carried at fair value through profit and loss	389	90

Uncalled capital commitments outstanding as of December 31, 2018 and March 31, 2018 was \$3 million and \$12 million, respectively.

Details of amounts recorded in Other comprehensive income:
(Dollars in millions)

Particulars	Three months ended					
	December 31, 2018			December 31, 2017		
	Gross	Tax	Net	Gross	Tax	Net
Net Gain/(loss) on						
Quoted debt securities	4	-	4	(4)	-	(4)
Certificate of deposits	3	(1)	2	-	-	-
Unquoted equity and preference securities	10	(2)	8	-	-	-

(Dollars in millions)

Particulars	Nine months ended					
	December 31, 2018			December 31, 2017		
	Gross	Tax	Net	Gross	Tax	Net
Net Gain/(loss) on						
Quoted debt securities	(3)	1	(2)	2	-	2
Certificate of deposits	(1)	-	(1)	-	-	-
Unquoted equity and preference securities	12	(2)	10	-	-	-

Method of fair valuation:
(Dollars in millions)

Class of investment	Method	Fair value	
		As at	As at
		December 31, 2018	March 31, 2018
Liquid mutual funds	Quoted price	314	12
Fixed maturity plan securities	Market observable inputs	64	66
Quoted debt securities- carried at amortized cost	Quoted price and market observable inputs	301	330
Quoted debt securities- carried at Fair value through other comprehensive income	Quoted price and market observable inputs	503	610
Commercial Paper	Market observable inputs	-	45
Certificate of deposits	Market observable inputs	857	808
Unquoted equity and preference securities at fair value through other comprehensive income	Discounted cash flows method, Market multiples method, Option pricing model, etc.	34	21
Unquoted equity and preference securities - carried at fair value through profit or loss	Discounted cash flows method, Market multiples method, Option pricing model, etc.	4	-
Unquoted convertible promissory note	Discounted cash flows method, Market multiples method, Option pricing model, etc.	-	2
Others	Discounted cash flows method, Market multiples method, Option pricing model, etc.	7	10
		2,084	1,904

Certain quoted investments are classified as Level 2 in the absence of active market for such investments.

2.3 Financial instruments

Accounting Policy

Effective April 1, 2016, the Group has early adopted IFRS 9 - Financial Instruments considering April 1, 2015 as the date of initial application of the standard even though the stipulated effective date for adoption is April 1, 2018.

As per IFRS 9, the Group has classified its financial assets into the following categories based on the business model for managing those assets and the contractual cash flow characteristics:

- Financial assets carried at amortised cost
- Financial assets fair valued through other comprehensive income
- Financial assets fair valued through profit and loss

The adoption of IFRS 9 did not have any other material impact on the interim condensed consolidated financial statements.

2.3.1 Initial recognition

The group recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

2.3.2 Subsequent measurement

a. Non-derivative financial instruments

(i) *Financial assets carried at amortized cost*

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) *Financial assets at fair value through other comprehensive income (FVOCI)*

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

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

A financial asset which is not classified in any of the above categories is subsequently fair valued through profit or loss.

(iv) *Financial liabilities*

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

b. Derivative financial instruments

The group holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

(i) *Financial assets or financial liabilities, at fair value through profit or loss.*

This category has derivative financial assets or liabilities which are not designated as hedges.

Although the group believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under IFRS 9, Financial Instruments. Any derivative that is either not designated as hedge, or is so designated but is ineffective as per IFRS 9, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the statement of comprehensive income when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income. Assets/ liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

(ii) Cash flow hedge

The group designates certain foreign exchange forward and options contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the net profit in the statement of comprehensive income. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognized in cash flow hedging reserve till the period the hedge was effective remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the net profit in the statement of comprehensive income upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedging reserve is reclassified to net profit in the statement of comprehensive income.

c. Share capital and treasury shares

(i) Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options and buy back of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(ii) Treasury Shares

When any entity within the Group purchases the company's ordinary shares, the consideration paid including any directly attributable incremental cost is presented as a deduction from total equity, until they are cancelled, sold or reissued. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/ from share premium.

2.3.3 Derecognition of financial instruments

The group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under IFRS 9. A financial liability (or a part of a financial liability) is derecognized from the group's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

2.3.4 Fair value of financial instruments

In determining the fair value of its financial instruments, the group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

Refer to table 'Financial instruments by category' below for the disclosure on carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amounts approximate fair value due to the short maturity of those instruments.

2.3.5 Impairment

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets and unbilled revenue which are not fair valued through profit or loss. Loss allowance for trade receivables and unbilled revenues with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in statement of comprehensive income.

Financial instruments by category

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

(Dollars in millions)

Particulars	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Cash and cash equivalents (Refer to Note 2.1)	2,357	-	-	-	-	2,357	2,357
Investments (Refer to Note 2.2)							
Liquid mutual funds	-	-	314	-	-	314	314
Fixed maturity plan securities	-	-	64	-	-	64	64
Quoted debt securities	274	-	-	-	503	777	804 ⁽¹⁾
Certificate of deposits	-	-	-	-	857	857	857
Unquoted equity and preference securities:	-	-	4	34	-	38	38
Unquoted investment others	-	-	7	-	-	7	7
Trade receivables	2,130	-	-	-	-	2,130	2,130
Unbilled revenues ⁽³⁾ (Refer to Note 2.15)	253	-	-	-	-	253	253
Prepayments and other assets (Refer to Note 2.4)	454	-	-	-	-	454	445 ⁽²⁾
Derivative financial instruments	-	-	52	-	8	60	60
Total	5,468	-	441	34	1,368	7,311	7,329
Liabilities:							
Trade payables	219	-	-	-	-	219	219
Other liabilities including contingent consideration (Refer to note 2.5)	955	-	29	-	-	984	984
Total	1,174	-	29	-	-	1,203	1,203

⁽¹⁾ On account of fair value changes including interest accrued

⁽²⁾ Excludes interest accrued on quoted debt securities carried at amortized cost

⁽³⁾ Excludes unbilled revenue for fixed price development contracts where right to consideration is conditional on factors other than passage of time

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

(Dollars in millions)

Particulars	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Cash and cash equivalents (Refer to Note 2.1)	3,041	-	-	-	-	3,041	3,041
Investments (Refer to Note 2.2)							
Liquid mutual funds	-	-	12	-	-	12	12
Fixed maturity plan securities	-	-	66	-	-	66	66
Quoted debt securities	291	-	-	-	610	901	940 ⁽¹⁾
Certificate of deposits	-	-	-	-	808	808	808
Commercial papers	-	-	-	-	45	45	45
Unquoted equity and preference securities	-	-	-	21	-	21	21
Unquoted investment others	-	-	10	-	-	10	10
Unquoted convertible promissory note	-	-	2	-	-	2	2
Trade receivables	2,016	-	-	-	-	2,016	2,016
Unbilled revenues	654	-	-	-	-	654	654
Prepayments and other assets (Refer to Note 2.4)	456	-	-	-	-	456	443 ⁽²⁾
Derivative financial instruments	-	-	-	-	2	2	2
Total	6,458	-	90	21	1,465	8,034	8,060
Liabilities:							
Trade payables	107	-	-	-	-	107	107
Derivative financial instruments	-	-	6	-	-	6	6
Other liabilities including contingent consideration (Refer to note 2.5)	836	-	8	-	-	844	844
Total	943	-	14	-	-	957	957

⁽¹⁾ On account of fair value changes including interest accrued

⁽²⁾ Excludes interest accrued on quoted debt securities carried at amortized cost

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents fair value hierarchy of assets and liabilities as at December 31, 2018:

(Dollars in millions)

Particulars	As at December 31, 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual fund units (Refer to Note 2.2)	314	314	-	-
Investments in fixed maturity plan securities (Refer to Note 2.2)	64	-	64	-
Investments in quoted debt securities (Refer to Note 2.2)	804	500	304	-
Investments in certificate of deposit (Refer to Note 2.2)	857	-	857	-
Investments in unquoted equity and preference securities (Refer to Note 2.2)	38	-	-	38
Investments in unquoted investments others (Refer to Note 2.2)	7	-	-	7
Derivative financial instruments - gain on outstanding foreign exchange forward and option contracts	60	-	60	-
Liabilities				
Liability towards contingent consideration (Refer to note 2.5)*	29	-	-	29

*Includes contingent consideration of \$2 million pertaining to Brilliant Basics discounted at 10%, \$18 million pertaining to Wongdoody at 15.9%, \$10 million pertaining to Fluidio at 16% and \$5 million pertaining to Infosys Compaz at 9%.

During the nine months ended December 31, 2018, quoted debt securities of \$54 million were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on Quoted price and quoted debt securities of \$172 million were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

The following table presents fair value hierarchy of assets and liabilities as at March 31, 2018:

(Dollars in millions)

Particulars	As at March 31, 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual fund units (Refer to Note 2.2)	12	12	-	-
Investments in fixed maturity plan securities (Refer to Note 2.2)	66	-	66	-
Investments in quoted debt securities (Refer to Note 2.2)	940	701	239	-
Investments in certificate of deposit (Refer to Note 2.2)	808	-	808	-
Investments in commercial paper (Refer to Note 2.2)	45	-	45	-
Investments in unquoted equity and preference securities (Refer to Note 2.2)	21	-	-	21
Investments in unquoted investments others (Refer to Note 2.2)	10	-	-	10
Investments in unquoted convertible promissory note (Refer to Note 2.2)	2	-	-	2
Derivative financial instruments- gain on outstanding foreign exchange forward and option contracts	2	-	2	-
Liabilities				
Derivative financial instruments- loss on outstanding foreign exchange forward and option contracts	6	-	6	-
Liability towards contingent consideration (Refer to Note 2.5)*	8	-	-	8

*Discounted contingent consideration of \$3 million pertaining to Brilliant Basics at 10%

A one percentage point change in the unobservable inputs used in fair valuation of Level 3 assets and liabilities does not have a significant impact in its value.

Income from financial assets is as follows:

(Dollars in millions)

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Interest income on financial assets carried at amortized cost	47	71	150	200
Interest income on financial assets fair valued through other comprehensive income	25	23	72	85
Gain / (loss) on investments carried at fair value through profit or loss	3	10	15	33
	75	104	237	318

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks - market risk, credit risk and liquidity risk. The Group's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Group is foreign exchange risk. The Group uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

Market risk

The Group operates internationally and a major portion of the business is transacted in several currencies and consequently the Group is exposed to foreign exchange risk through its sales and services in the United States and elsewhere, and purchases from overseas suppliers in various foreign currencies. The Group holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Group's operations are adversely affected as the Indian rupee appreciates / depreciates against these currencies.

The following table analyses foreign currency risk from monetary assets and liabilities as at December 31, 2018:

(Dollars in millions)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	134	32	14	27	162	369
Trade receivables	1,325	321	144	100	139	2,029
Unbilled revenue	460	98	32	51	61	702
Other assets	85	13	7	7	18	130
Trade payables	(78)	(22)	(17)	(10)	(13)	(140)
Employee benefit obligations	(89)	(11)	(7)	(31)	(24)	(162)
Other liabilities	(440)	(65)	(32)	(24)	(83)	(644)
Net assets / (liabilities)	1,397	366	141	120	260	2,284

The following table analyses foreign currency risk from monetary assets and liabilities as at March 31, 2018:

(Dollars in millions)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	197	33	23	54	183	490
Trade receivables	1,276	269	129	121	120	1,915
Unbilled revenue	356	98	46	24	57	581
Other assets	49	4	4	2	15	74
Trade payables	(42)	(12)	(17)	(5)	(9)	(85)
Accrued expenses	(166)	(29)	(17)	(9)	(23)	(244)
Employee benefit obligation	(88)	(13)	(4)	(28)	(20)	(153)
Other liabilities	(97)	(21)	(12)	(5)	(49)	(184)
Net assets / (liabilities)	1,485	329	152	154	274	2,394

Sensitivity analysis between Indian Rupees and US Dollar

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Impact on the Group's incremental operating margins	0.46%	0.50%	0.48%	0.50%

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

Derivative financial instruments

The Group holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign exchange forward and options contracts:

Particulars	<i>(In millions)</i>	
	As at	
	December 31, 2018	March 31, 2018
Derivatives designated as cash flow hedges		
Options contracts		
In Australian dollars	125	60
In Euro	125	100
In United Kingdom Pound Sterling	20	20
Other derivatives		
Forward contracts		
In Australian dollars	79	5
In Canadian dollars	13	20
In Euro	181	91
In Japanese Yen	550	550
In New Zealand dollars	16	16
In Norwegian Krone	40	40
In Singapore dollars	96	5
In South African Rand	-	25
In Swedish Krona	50	50
In Swiss Franc	31	21
In U.S. Dollars	909	623
In United Kingdom Pound Sterling	80	51
Options contracts		
In Australian dollars	20	20
In Euro	25	45
In Swiss Franc	-	5
In U.S. Dollars	395	320
In United Kingdom Pound Sterling	30	25

The group recognized a net gain of \$86 million and \$28 million for the three months ended December 31, 2018 and December 31, 2017 and net gain of \$4 million and \$20 million for the nine months ended for the December 31, 2018 and December 31, 2017 on derivative financial instruments not designated as cash flow hedges, which are included in other income.

The foreign exchange forward and option contracts mature within twelve months. The table below analyses the derivative financial instruments into relevant maturity groupings based on the remaining period as at the balance sheet date:

Particulars	<i>(Dollars in millions)</i>	
	As at	
	December 31, 2018	March 31, 2018
Not later than one month	593	434
Later than one month and not later than three months	882	701
Later than three months and not later than one year	670	378
Total	2,145	1,513

During the nine months ended December 31, 2018 and December 31, 2017, the Group has designated certain foreign exchange forward and option contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. The related hedge transactions for balance in cash flow hedging reserve as at December 31, 2018 are expected to occur and reclassified to statement of comprehensive income within 3 months.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

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

The following table provides the reconciliation of cash flow hedge reserve for the three months and nine months ended December 31, 2018 and December 31, 2017:

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Gain / (Loss)				
Balance at the beginning of the period	(3)	(1)	-	6
Gain / (Loss) recognized in other comprehensive income during the period	16	1	14	(13)
Amount reclassified to profit and loss during the period	(6)	-	(7)	5
Tax impact on above	(2)	-	(2)	2
Balance at the end of the period	5	-	5	-

The group offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The following table provides quantitative information about offsetting of derivative financial assets and derivative financial liabilities:

Particulars	As at			
	December 31, 2018		March 31, 2018	
	Derivative financial asset	Derivative financial liability	Derivative financial asset	Derivative financial liability
Gross amount of recognized financial asset/liability	60	-	3	(7)
Amount set off	-	-	(1)	1
Net amount presented in balance sheet	60	-	2	(6)

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to \$2,130 million and \$2,016 million as at December 31, 2018 and March 31, 2018, respectively and unbilled revenue amounting to \$688 million and \$654 million as at December 31, 2018 and March 31, 2018, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of IFRS 9, the Group uses expected credit loss model to assess the impairment loss or gain. The group uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as credit default swap quotes, credit ratings from international credit rating agencies and the Group's historical experience for customers.

The following table gives details in respect of percentage of revenues generated from top customer and top ten customers:

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Revenue from top customer	3.4	3.4	3.7	3.4
Revenue from top ten customers	19.2	19.2	19.2	19.4

Credit risk exposure

The allowance for lifetime expected credit loss on customer balances for the three months ended December 31, 2018 and December 31, 2017 was \$11 million and \$4 million respectively. The allowance for lifetime expected credit loss on customer balances for the nine months ended December 31, 2018 and December 31, 2017 was \$32 million and \$10 million respectively.

Movement in credit loss allowance

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Balance at the beginning	75	69	69	63
Translation differences	2	1	(3)	2
Impairment loss recognized/(reversed)	11	4	32	10
Write offs	-	-	(10)	(1)
Balance at the end	88	74	88	74

The Group's credit period generally ranges from 30-60 days.

Credit exposure

Particulars	As at	
	December 31, 2018	March 31, 2018
Trade receivables	2,130	2,016
Unbilled revenues	688	654

Days Sales Outstanding (DSO) as of December 31, 2018 and March 31, 2018 was 67 days each.

Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in liquid mutual fund units, fixed maturity plan securities, quoted bonds issued by government and quasi government organizations, non convertible debentures, certificates of deposits and commercial paper.

Liquidity risk

The Group's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Group has no outstanding borrowings. The Group believes that the working capital is sufficient to meet its current requirements.

As at December 31, 2018, the Group had a working capital of \$5,011 million including cash and cash equivalents of \$2,357 million and current investments of \$1,407 million. As at March 31, 2018, the Group had a working capital of \$5,243 million including cash and cash equivalents of \$3,041 million and current investments of \$982 million.

As at December 31, 2018 and March 31, 2018, the outstanding employee benefit obligations were \$235 million and \$225 million respectively, which have been substantially funded. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as at December 31, 2018:

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	219	-	-	-	219
Other liabilities (excluding liability towards contingent consideration - Refer to Note 2.5)	954	1	-	-	955
Liability towards contingent consideration on an undiscounted basis (Refer to Note 2.5)	5	15	11	5	36

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018:

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	107	-	-	-	107
Other liabilities (excluding liability towards acquisition - Refer to Note 2.5)	836	-	-	-	836
Liability towards contingent consideration on an undiscounted basis (Refer to Note 2.5)	6	1	1	-	8

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:

(Dollars in millions)

Particulars	As at	
	December 31, 2018	March 31, 2018
Current		
Rental deposits	3	2
Security deposits	1	1
Loans to employees	32	37
Prepaid expenses ⁽¹⁾	110	72
Interest accrued and not due	131	117
Withholding taxes and others ⁽¹⁾	229	158
Advance payments to vendors for supply of goods ⁽¹⁾	10	18
Deposit with corporations	222	236
Deferred contract cost ⁽¹⁾	8	7
Other assets ⁽²⁾	30	14
Total Current prepayment and other assets	776	662
Non-current		
Loans to employees	5	6
Security deposits	7	8
Deposit with corporations	9	9
Prepaid gratuity ⁽¹⁾	4	7
Prepaid expenses ⁽¹⁾	26	17
Deferred contract cost ⁽¹⁾	40	40
Withholding taxes and others ⁽¹⁾	143	219
Rental Deposits	25	26
Total Non- current prepayment and other assets	259	332
Total prepayment and other assets	1,035	994
Financial assets in prepayments and other assets	454	456

⁽¹⁾ Non financial assets

⁽²⁾ Includes non-financial assets of \$11 million

Withholding taxes and others primarily consist of input tax credits. Security deposits relate principally to leased telephone lines and electricity supplies. Deferred contract costs are upfront costs incurred for the contract and are amortized over the term of the contract.

Deposit with corporation represents amounts deposited to settle certain employee-related obligations as and when they arise during the normal course of business.

2.5 Other liabilities

Other liabilities comprise the following:

(Dollars in millions)

Particulars	As at	
	December 31, 2018	March 31, 2018
Current		
Accrued compensation to employees	384	385
Accrued expenses	433	376
Withholding taxes and others ⁽¹⁾	226	190
Retention money	15	20
Liabilities of controlled trusts	25	21
Liability towards contingent consideration (Refer to note 2.9)	5	6
Deferred rent ⁽¹⁾	5	4
Others	97	34
Total Current other liabilities	1,190	1,036
Non-Current		
Liability towards contingent consideration (Refer to note 2.9)	24	2
Accrued compensation to employees	1	-
Accrued gratuity ⁽¹⁾	4	4
Deferred income - government grant on land use rights ⁽¹⁾	6	7
Deferred income ⁽¹⁾	5	5
Deferred rent ⁽¹⁾	23	24
Others	-	-
Total Non-current other liabilities	63	42
Total other liabilities	1,253	1,078
Financial liabilities included in other liabilities	984	844
Financial liability towards contingent consideration on an undiscounted basis (Refer to Note 2.9)	36	8

⁽¹⁾ *Non financial liabilities*

Accrued expenses primarily relate to cost of technical sub-contractors, telecommunication charges, legal and professional charges, brand building expenses, overseas travel expenses and office maintenance. Others include unpaid dividend balances and capital creditors.

2.6 Provisions

Accounting Policy

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Post sales client support

The Group provides its clients with a fixed-period post sales support for corrections of errors and support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time related revenues are recorded and included in cost of sales. The Group estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the Group recognizes any impairment loss on the assets associated with that contract.

Provisions comprise the following:

(Dollars in millions)

Particulars	As at	
	December 31, 2018	March 31, 2018
Provision for post sales client support and other provisions	83	75
	83	75

Provision for post sales client support and other provisions represents costs associated with providing sales support services which are accrued at the time of recognition of revenues and are expected to be utilized over a period of 6 months to 1 year.

The movement in the provision for post sales client support and other provisions is as follows:

(Dollars in millions)

Particulars	Three months ended December 31, 2018	Nine months ended December 31, 2018
Balance at the beginning	85	75
Translation differences	-	-
Provision recognized/(reversed)	2	21
Provision utilized	(4)	(13)
Balance at the end	83	83

Provision for post sales client support and other provisions is included in cost of sales in the condensed consolidated statement of comprehensive income.

As at December 31, 2018 and March 31, 2018, claims against the company, not acknowledged as debts, (excluding demands from income tax authorities- Refer to Note 2.11) amounted to ₹260 crore (\$37 million) and ₹260 crore (\$40 million), respectively.

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

2.7 Property, plant and equipment

Accounting Policy

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management. The group depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

Building	22-25 years
Plant and machinery	5 years
Computer equipment	3-5 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	Over lease term

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of comprehensive income when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in net profit in the statement of comprehensive income.

(ii) Impairment

Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in net profit in the statement of comprehensive income is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in net profit in the statement of comprehensive income if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Following are the changes in the carrying value of property, plant and equipment for the three months ended December 31, 2018:

Particulars	<i>(Dollars in millions)</i>						
	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at October 1, 2018	269	1,142	477	723	267	5	2,883
Additions/adjustments	1	54	22	39	14	-	130
Additions- Business Combinations (Refer note 2.9)	-	-	1	4	1	-	6
Deletions/adjustments	-	-	(1)	(9)	(3)	-	(13)
Reclassified from assets held for sale (Refer note 2.9)	-	-	-	6	4	-	10
Translation difference	11	41	18	28	11	-	109
Gross carrying value as at December 31, 2018	281	1,237	517	791	294	5	3,125
Accumulated depreciation as at October 1, 2018	(5)	(396)	(352)	(544)	(199)	(3)	(1,499)
Depreciation	(1)	(11)	(15)	(27)	(9)	(1)	(64)
Accumulated depreciation on deletions	-	-	1	7	3	-	11
Reclassified from assets held for sale (Refer note 2.9)	-	-	-	(4)	(3)	-	(7)
Translation difference	1	(16)	(15)	(20)	(8)	1	(57)
Accumulated depreciation as at December 31, 2018	(5)	(423)	(381)	(588)	(216)	(3)	(1,616)
Capital work-in progress as at October 1, 2018	-	-	-	-	-	-	323
Carrying value as at October 1, 2018	264	746	125	179	68	2	1,707
Capital work-in progress as at December 31, 2018	-	-	-	-	-	-	308
Carrying value as at December 31, 2018	276	814	136	203	78	2	1,817

Following are the changes in the carrying value of property, plant and equipment for the three months ended December 31, 2017:

Particulars	<i>(Dollars in millions)</i>						
	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at October 1, 2017	271	1,134	480	724	270	5	2,884
Additions	7	42	19	18	9	-	95
Deletions	-	-	-	(3)	(1)	(1)	(5)
Translation difference	5	26	10	15	7	1	64
Gross carrying value as at December 31, 2017	283	1,202	509	754	285	5	3,038
Accumulated depreciation as at October 1, 2017	(4)	(395)	(328)	(513)	(185)	(3)	(1,428)
Depreciation	-	(12)	(15)	(27)	(10)	-	(64)
Accumulated depreciation on deletions	-	-	-	3	1	1	5
Translation difference	(1)	(7)	(8)	(11)	(5)	-	(32)
Accumulated depreciation as at December 31, 2017	(5)	(414)	(351)	(548)	(199)	(2)	(1,519)
Capital work-in progress as at October 1, 2017	-	-	-	-	-	-	358
Carrying value as at October 1, 2017	267	739	152	211	85	2	1,814
Capital work-in progress as at December 31, 2017	-	-	-	-	-	-	334
Carrying value as at December 31, 2017	278	788	158	206	86	3	1,853

Following are the changes in the carrying value of property, plant and equipment for the nine months ended December 31, 2018:

(Dollars in millions)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2018	292	1,247	518	749	285	5	3,096
Additions/adjustments	11	73	35	97	25	1	242
Additions- Business Combinations (Refer note 2.9)	-	-	1	4	2	-	7
Deletions/adjustments	(3)	-	(2)	(17)	(4)	-	(26)
Reclassified from assets held for sale (Refer note 2.9)	-	-	-	6	4	-	10
Translation difference	(19)	(83)	(35)	(48)	(18)	(1)	(204)
Gross carrying value as at December 31, 2018	281	1,237	517	791	294	5	3,125
Accumulated depreciation as at April 1, 2018	(5)	(417)	(359)	(557)	(203)	(3)	(1,544)
Depreciation	(1)	(33)	(46)	(79)	(27)	(1)	(187)
Accumulated depreciation on deletions	-	-	2	15	4	-	21
Reclassified from assets held for sale (Refer note 2.9)	-	-	-	(4)	(3)	-	(7)
Translation difference	1	27	22	37	13	1	101
Accumulated depreciation as at December 31, 2018	(5)	(423)	(381)	(588)	(216)	(3)	(1,616)
Capital work-in progress as at April 1, 2018							311
Carrying value as at April 1, 2018	287	830	159	192	82	2	1,863
Capital work-in progress as at December 31, 2018							308
Carrying value as at December 31, 2018	276	814	136	203	78	2	1,817

Following are the changes in the carrying value of property, plant and equipment for the nine months ended December 31, 2017:

(Dollars in millions)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2017	272	1,123	466	700	261	5	2,827
Additions	7	58	37	54	21	-	177
Deletions	-	-	(2)	(12)	(3)	(1)	(18)
Translation difference	4	21	8	12	6	1	52
Gross carrying value as at December 31, 2017	283	1,202	509	754	285	5	3,038
Accumulated depreciation as at April 1, 2017	(4)	(376)	(301)	(471)	(168)	(3)	(1,323)
Depreciation	-	(33)	(46)	(81)	(29)	-	(189)
Accumulated depreciation on deletions	-	-	2	12	3	1	18
Translation difference	(1)	(5)	(6)	(8)	(5)	-	(25)
Accumulated depreciation as at December 31, 2017	(5)	(414)	(351)	(548)	(199)	(2)	(1,519)
Capital work-in progress as at April 1, 2017							303
Carrying value as at April 1, 2017	268	747	165	229	93	2	1,807
Capital work-in progress as at December 31, 2017							334
Carrying value as at December 31, 2017	278	788	158	206	86	3	1,853

Following are the changes in the carrying value of property, plant and equipment for the year ended March 31, 2018:

(Dollars in millions)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2017	272	1,123	466	700	261	5	2,827
Additions	21	122	56	73	29	1	302
Deletions	-	-	(3)	(17)	(3)	(1)	(24)
Reclassified as held for sale (Refer note 2.9)	-	-	-	(6)	(4)	-	(10)
Translation difference	(1)	2	(1)	(1)	2	-	1
Gross carrying value as at March 31, 2018	292	1,247	518	749	285	5	3,096
Accumulated depreciation as at April 1, 2017	(4)	(376)	(301)	(471)	(168)	(3)	(1,323)
Depreciation	(1)	(43)	(62)	(107)	(40)	(1)	(254)
Accumulated depreciation on deletions	-	-	2	17	3	1	23
Reclassified as held for sale (Refer note 2.9)	-	-	-	4	3	-	7
Translation difference	-	2	2	-	(1)	-	3
Accumulated depreciation as at March 31, 2018	(5)	(417)	(359)	(557)	(203)	(3)	(1,544)
Capital work-in progress as at April 1, 2017							303
Carrying value as at April 1, 2017	268	747	165	229	93	2	1,807
Capital work-in progress as at March 31, 2018							311
Carrying value as at March 31, 2018	287	830	159	192	82	2	1,863

The aggregate depreciation expense is included in cost of sales in the statement of comprehensive income.

Carrying value of land includes \$88 million and \$98 million as at December 31, 2018 and March 31, 2018, respectively, towards amounts paid under certain lease-cum-sale agreements to acquire land, including agreements where the Group has an option to purchase or renew the properties on expiry of the lease period.

The contractual commitments for capital expenditure were \$243 million and \$223 million as at December 31, 2018 and March 31, 2018, respectively.

2.8 Goodwill

Accounting Policy

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognized immediately in net profit in the Statement of Comprehensive Income. Goodwill is measured at cost less accumulated impairment losses.

Impairment

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units (CGU) or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognized in net profit in the statement of comprehensive income and is not reversed in the subsequent period.

Following is a summary of changes in the carrying amount of goodwill:

Particulars	<i>(Dollars in millions)</i>	
	As at	
	December 31, 2018	March 31, 2018
Carrying value at the beginning	339	563
Goodwill on Wongdoody acquisition (<i>Refer to note 2.9</i>)	25	-
Goodwill on Brilliant Basics acquisition (<i>Refer to note 2.9</i>)	-	5
Goodwill on Fluido acquisition (<i>Refer to note 2.9</i>)	32	-
Goodwill reclassified from assets held for sale, net of reduction in recoverable amount (<i>Refer note 2.9.2</i>)	138	(247)
Translation differences	(20)	18
Carrying value at the end	514	339

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGU) or groups of CGU's, which benefit from the synergies of the acquisition. The chief operating decision maker reviews the goodwill for any impairment at the operating segment level, which is represented through groups of CGU's.

2.9 Business combination and Disposal Group held for sale

a. Business Combination

Accounting Policy

Business combinations have been accounted for using the acquisition method under the provisions of IFRS 3 (Revised), Business Combinations.

The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition, which is the date on which control is transferred to the Group. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

Business combinations between entities under common control is outside the scope of IFRS 3 (Revised), Business Combinations and is accounted for at carrying value.

Transaction costs that the Group incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Brilliant Basics Holdings Limited.

On September 8, 2017, Infosys acquired 100% of the voting interests in Brilliant Basics Holdings Limited., UK, (Brilliant Basics) a product design and customer experience innovator with experience in executing global programs. The business acquisition was conducted by entering into a share purchase agreement for cash consideration of \$4 million, contingent consideration of up to \$3 million and an additional consideration of \$2 million, referred to as retention bonus, payable to the employees of Brilliant Basics at each anniversary year over the next two years, subject to their continuous employment with the group at each anniversary.

The payment of contingent consideration to sellers of Brilliant Basics is dependent upon the achievement of certain financial targets by Brilliant Basics over a period of 3 years ending on March, 2020.

The fair value of contingent consideration is determined by discounting the estimated amount payable to the sellers of Brilliant Basics on achievement of certain financial targets. The key inputs used in determination of the fair value of contingent consideration are the discount rate of 10% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as of December 31, 2018 is \$2 million.

The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill.

The purchase price has been allocated based on management's estimates and independent appraisal of fair values as follows:

Component			(Dollars in millions)
	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets ^(*)	-	-	-
Intangible assets - Customer Relationships	-	2	2
Deferred tax liabilities on intangible assets	-	-	-
	-	2	2
Goodwill			5
Total purchase price			7

*Includes cash and cash equivalents acquired of less than \$1 million

The goodwill is not tax deductible.

The gross amount of trade receivables acquired and its fair value is less than \$1 million and the amount has been substantially collected.

The fair value of each major class of consideration as of the acquisition date is as follows:

Component			(Dollars in millions)
			Consideration settled
Cash paid			4
Fair value of contingent consideration			3
Total purchase price			7

The transaction costs of less than \$1 million related to the acquisition have been included under administrative expenses in the statement of comprehensive income for the year ended March 31, 2018.

Wongdoody Holding Company Inc.

On May 22, 2018, Infosys acquired 100% of the voting interests in WongDoody Holding Company Inc., (WongDoody) an US-based, full-service creative and consumer insights agency. The business acquisition was conducted by entering into a share purchase agreement for a total consideration of up to \$75 million, which includes a cash consideration of \$38 million, contingent consideration of up to \$28 million and an additional consideration of up to \$9 million, referred to as retention bonus, payable to the employees of WongDoody over the next three years, subject to their continuous employment with the group.

WongDoody, brings to Infosys the creative talent and marketing and brand engagement expertise. Further the acquisition is expected to strengthen Infosys' creative, branding and customer experience capabilities to bring innovative thinking, talent and creativity to clients.

The purchase price has been allocated based on management's estimates and independent appraisal of fair values as follows:

(Dollars in millions)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets ^(*)	5	-	5
Intangible assets - Customer contracts and relationships	-	20	20
Intangible assets - Trade name	-	1	1
	<u>5</u>	<u>21</u>	<u>26</u>
Goodwill			25
Total purchase price			51

* Includes cash and cash equivalents acquired of \$8 million.

Goodwill is tax deductible

The fair value of each major class of consideration as of the acquisition date is as follows:

(Dollars in millions)

Component	Consideration settled
Cash consideration	38
Fair value of contingent consideration	13
Total purchase price	51

The gross amount of trade receivables acquired and its fair value is \$2 million and the amount has been fully collected.

The payment of contingent consideration to sellers of WongDoody is dependent upon the achievement of certain financial targets by WongDoody. At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 16% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as of December 31, 2018 is \$17 million.

The transaction costs of less than \$1 million related to the acquisition have been included under administrative expenses in the statement of comprehensive income for the nine months ended December 31, 2018.

Infosys Compaz Pte Limited (formerly known as Trusted Source Pte Ltd)

On November 16, 2018, Infosys Consulting Pte Limited (a wholly owned subsidiary of Infosys Limited) acquired 60% stake in Infosys Compaz Pte. Ltd, a Singapore based IT services company. The business acquisition was conducted by entering into a share purchase agreement for a total consideration of up to SGD 17 million (approximately \$13 million on acquisition date), which includes a cash consideration of SGD 10 million (approximately \$8 million on acquisition date), contingent consideration of up to SGD 7 million (approximately \$5 million on acquisition date).

The purchase price has been allocated based on management's estimates and independent appraisal of fair values as follows:

(Dollars in millions)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets ^(*)	13	-	13
Intangible assets - customer contracts and relationships	-	6	6
Deferred tax liabilities on intangible assets	-	(1)	(1)
	<u>13</u>	<u>5</u>	<u>18</u>
Less: Non-controlling interests			(7)
Total purchase price			11

* Includes cash and cash equivalents acquired of \$9 million.

The fair value of each major class of consideration as at the acquisition date is as follows:

Component	<i>(Dollars in millions)</i> Consideration settled
Cash consideration ^(*)	8
Fair value of contingent consideration	3
Total purchase price	11

^(*) Includes a consideration payable of \$4 million

The gross amount of trade receivables acquired and its fair value is \$7 million and the amount has been substantially collected.

The payment of contingent consideration to sellers of Infosys Compaz Pte. Ltd is dependent upon the achievement of certain revenue targets by Infosys Compaz Pte. Ltd. At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 9% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as at December 31, 2018 is \$5 million (SGD 7 million).

The transaction costs of less than \$1 million related to the acquisition have been included under administrative expenses in the statement of comprehensive income for the three and nine months ended December 31, 2018.

Fluido Oy

On October 11, 2018, Infosys Consulting Pte Limited (a wholly owned subsidiary of Infosys Limited) acquired 100% of voting interests in Fluido Oy (Fluido), a Nordic-based salesforce advisor and consulting partner in cloud consulting, implementation and training services for a total consideration of upto Euro 65 million (approximately \$75 million), comprising of cash consideration of Euro 45 million (approximately \$52 million), contingent consideration of upto Euro 12 million (approximately \$ 14 million) and retention payouts of upto Euro 8 million (approximately \$9 million), payable to the employees of Fluido over the next three years, subject to their continuous employment with the group.

Fluido brings to Infosys Salesforce expertise, alongside an agile delivery process that simplifies and scales digital efforts across channels and touchpoints. Further, Fluido strengthens Infosys' presence across the Nordics region with developed assets and client relationships. The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill.

The purchase price has been allocated based on management's estimates and independent appraisal of fair values as follows:

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets ^(*)	2	-	2
Intangible assets - Customer contracts and relationships	-	21	21
Intangible assets - Salesforce Relationships	-	8	8
Intangible assets - Brand	-	4	4
Deferred tax liabilities on intangible assets	-	(7)	(7)
	2	26	28
Goodwill			32
Total purchase price			60

^(*) Includes cash and cash equivalents acquired of \$ 4 million..

Goodwill is not tax deductible

The fair value of each major class of consideration as of the acquisition date is as follows:

Component	<i>(in \$ million)</i> Consideration settled
Cash consideration	52
Fair value of contingent consideration	8
Total purchase price	60

The gross amount of trade receivables acquired and its fair value is \$4 million and the amount is substantially collected.

The payment of contingent consideration to sellers of Fluidio is dependent upon the achievement of certain financial targets by Fluidio. At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 16% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as of December 31, 2018 was \$10 million.

The transaction costs of \$1 million related to the acquisition have been included under administrative expenses in the statement of comprehensive income for the three months and nine months ended December 31, 2018.

Proposed acquisition

Hitachi Procurement Service Co. Ltd

On December 14, 2018, Infosys Consulting Pte Limited (a wholly owned subsidiary of Infosys Limited) entered into a definitive agreement to acquire 81% of the shareholding in Hitachi Procurement Service Co., Ltd., a wholly-owned subsidiary of Hitachi Ltd, Japan, for a consideration including base purchase price of up to JPY 2.76 billion (approximately \$24 million) and customary closing adjustments, subject to regulatory approvals and fulfilment of closing conditions.

2.9.2 Disposal Group held for sale

Accounting policy

Non-current assets and Disposal Group are classified as held for sale if their carrying amount is intended to be recovered principally through sale rather than through continuing use. The condition for classification of held for sale is met when the non-current asset or the Disposal Group is available for immediate sale and the same is highly probable of being completed within one year from the date of classification as held for sale. Non-current assets and Disposal Group held for sale are measured at the lower of carrying amount and fair value less cost to sell. Non-current assets and Disposal Group that ceases to be classified as held for sale shall be measured at the lower of carrying amount before the non-current asset and Disposal Group was classified as held for sale adjusted for any depreciation/ amortization and its recoverable amount at the date when the Disposal Group no longer meets the "Held for sale" criteria.

In the three months ended March 2018, the Company had initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as "Skava") and Panaya, collectively referred to as the "Disposal Group". The Disposal Group was classified and presented separately as "held for sale" and was carried at the lower of carrying value and fair value. Consequently, a reduction in the fair value of Disposal Group held for sale amounting to \$18 million in respect of Panaya had been recognized in the consolidated statement of comprehensive income for the three months and year ended March 31, 2018. During the three months ended June 30, 2018, on remeasurement, including consideration of progress in negotiations on offers from prospective buyers for Panaya, the Company has recorded a reduction in the fair value of Disposal Group held for sale amounting to \$39 million in respect of Panaya.

During the three months ended December 31, 2018, based on evaluation of proposals received and progress of negotiations with potential buyers, the Company concluded that the Disposal Group does not meet the criteria for "Held for Sale" classification because it is no longer highly probable that sale would be consummated by March 31, 2019 (twelve months from date of initial classification " as held for sale") Accordingly, in accordance with IFRS 5 -" Non current Assets held for Sale and Discontinued Operations", the assets and liabilities of Panaya and Skava have been included on a line by line basis in the consolidated financial statements for the period and as at December 31, 2018.

On reclassification from "Held for sale", the assets of Panaya and Skava have been remeasured in the quarter ended December 31, 2018 at the lower of cost and recoverable amount resulting in recognition of additional depreciation and amortization expenses of \$12 million and an adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale" of \$65 million (comprising of \$52 million towards goodwill and \$13 million towards value of customer relationships) in respect of Skava in the consolidated statement of comprehensive income for the three months and nine months ended December 31, 2018.

2.10 Employees' Stock Option Plans (ESOP)

Accounting Policy

The Group recognizes compensation expense relating to share-based payments in net profit using fair-value in accordance with IFRS 2, Share-Based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share premium.

2015 Stock Incentive Compensation Plan (the 2015 Plan) (formerly 2011 RSU Plan):

On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 plan shall not exceed 24,038,883 equity shares (this includes 11,223,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). Out of this 17,038,883 equity shares will be issued as RSUs at par value and 7,000,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will generally vest over a period of 4 years and the Company expects to grant the instruments under the 2015 Plan over the period of 4 to 7 years. The plan numbers mentioned above would further be adjusted for the September 2018 bonus issue.

Consequent to the September 2018 bonus issue, all outstanding options granted under the stock option plan have been adjusted for bonus shares. Unless otherwise stated, all the prior period share numbers, share prices and weighted average exercise prices in this note have been adjusted to give effect to the September 2018 bonus issue.

Controlled trust holds 2,07,09,738 and 10,801,956 shares (not adjusted for September, 2018 bonus issue) as at December 31, 2018 and March 31, 2018, respectively under the 2015 plan. Out of these shares 200,000 and 100,000 (not adjusted for September, 2018 bonus issue) equity shares have been earmarked for welfare activities of the employees as at December 31, 2018 and March 31, 2018, respectively.

The following is the summary of grants during the three months and nine months ended December 31, 2018 and December 31, 2017 under the 2015 Plan:

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
RSU				
Salil Parekh, CEO and MD - Refer Note 1 below	-	-	217,200	-
U.B. Pravin Rao, COO and WTD	-	-	-	54,500
Dr. Vishal Sikka*	-	-	-	540,448
Other KMPs	-	-	-	116,300
Employees other than KMP	-	-	1,787,120	74,180
	-	-	2,004,320	785,428
ESOP				
U.B. Pravin Rao, COO and WTD	-	-	-	86,000
Dr. Vishal Sikka*	-	-	-	661,050
Other KMPs	-	-	-	88,900
Employees other than KMP	-	-	-	147,200
	-	-	-	983,150
Incentive units- cash settled				
Other employees	-	-	52,590	14,900
	-	-	52,590	14,900
Total grants	-	-	2,056,910	1,783,478

Information in the table above is adjusted for September 2018 bonus issue.

* Upon Dr. Vishal Sikka's resignation from the roles of the company, the unvested RSUs and ESOPs have been forfeited

1. Stock incentives granted to Salil Parekh, CEO & MD

Pursuant to the approval of the shareholders through a postal ballot on February 20, 2018, Salil Parekh (CEO & MD) is eligible to receive under the 2015 Plan :

- an annual grant of RSUs of fair value ₹3.25 crore (approximately \$0.5 million) which will vest over time in 3 equal annual installments upon completion of each year of service from the respective grant date
- a one-time grant of RSUs of fair value ₹9.75 crore (approximately \$1.5 million) which will vest over time in 2 equal annual installments upon completion of each year of service from the grant date and
- annual grant of performance based RSUs of fair value ₹13 crore (approximately \$2 million) which will vest after completion of three years the first of which concludes on March 31, 2021, subject to achievement of performance targets set by the Board or its committee.

The Board based on the recommendations of the Nomination and Remuneration committee approved on February 27, 2018, the annual time based grant for fiscal 2018 of 56,512 RSUs (adjusted for September 2018 bonus issue) and the one-time time based grant of 169,536 RSUs (adjusted for September 2018 bonus issue). The grants were made effective February 27, 2018.

Further, the Board, based on the recommendations of the Nomination and Remuneration Committee, granted 217,200 (adjusted for September 2018 bonus issue) performance based RSUs to Salil Parekh with an effective date of May 2, 2018. The grants would vest upon successful completion of three full fiscal years with the Company concluding on March 31, 2021 and will be determined based on achievement of certain performance targets for the said three-year period.

Though the annual time based grants for the remaining employment term ending on March 31, 2023 have not been granted as of December 31, 2018, since the service commencement date precedes the grant date, the company has recorded employment stock compensation expense in accordance with IFRS 2, Share based payments.

The RSUs and stock options would vest generally over a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

As at December 31, 2018 and March 31, 2018, incentive units outstanding (net of forfeitures) were 1,95,918 and 223,514 (adjusted for September 2018 bonus issue), respectively.

Break-up of employee stock compensation expense
(Dollars in millions)

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Granted to:				
KMP ⁽²⁾	1	1	3	(2)
Employees other than KMP	5	2	17	11
Total ⁽¹⁾	6	3	20	9
⁽¹⁾ Cash settled stock compensation expense included in the above	-	-	1	1

⁽²⁾ Included a reversal of stock compensation cost of \$5 million recorded during the three months ended September 30, 2017 towards forfeiture of stock incentives granted to Dr. Vishal Sikka upon his resignation

The carrying value of liability towards cash settled share based payments was \$1 million and \$1 million respectively as at December 31, 2018 and March 31, 2018.

The activity in the 2015 Plan (formerly 2011 RSU Plan) for equity-settled share based payment transactions during the three months ended December 31, 2018 and December 31, 2017 is set out below:

Particulars	Three months ended December 31, 2018		Three months ended December 31, 2017	
	Shares arising out of options	Weighted average exercise price (\$)	Shares arising out of options	Weighted average exercise price (\$)
2015 Plan: RSU				
Outstanding at the beginning	8,319,752	0.04	4,479,682	0.04
Granted	-	-	-	-
Exercised	381,960	0.04	200,354	0.04
Forfeited and expired	278,326	0.04	110,760	0.04
Outstanding at the end	7,659,466	0.04	4,168,568	0.04
Exercisable at the end	18,196	0.04	284,838	0.04
2015 Plan: Employee Stock Options (ESOPs)				
Outstanding at the beginning	1,810,002	7.32	2,381,900	7.50
Granted	-	-	-	-
Exercised	103,602	7.32	-	-
Forfeited and expired	64,800	6.96	65,100	7.50
Outstanding at the end	1,641,600	7.44	2,316,800	7.50
Exercisable at the end	706,724	7.44	498,648	7.50

Information in the table above is adjusted for September 2018 bonus issue

The activity in the 2015 Plan (formerly 2011 RSU Plan) for equity-settled share based payment transactions during the nine months ended December 31, 2018 and December 31, 2017 is set out below:

Particulars	Nine months ended December 31, 2018		Nine months ended December 31, 2017	
	Shares arising out of options	Weighted average exercise price (\$)	Shares arising out of options	Weighted average exercise price (\$)
2015 Plan: RSU				
Outstanding at the beginning	7,500,818	0.04	5,922,746	0.04
Granted	2,004,320	0.04	785,428	0.04
Exercised	1,204,432	0.04	1,064,442	0.04
Forfeited and expired	641,240	0.04	1,475,164	0.04
Outstanding at the end	7,659,466	0.04	4,168,568	0.04
Exercisable at the end	18,196	0.04	284,838	0.04
2015 Plan: Employee Stock Options (ESOPs)				
Outstanding at the beginning	1,933,826	7.62	2,395,300	7.50
Granted	-	-	983,150	7.50
Exercised	109,126	7.37	-	-
Forfeited and expired	183,100	7.45	1,061,650	7.50
Outstanding at the end	1,641,600	7.44	2,316,800	7.50
Exercisable at the end	706,724	7.44	498,648	7.50

Information in the table above is adjusted for September 2018 bonus issue

During the three months ended December 31, 2018 and December 31, 2017, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was \$9.38 and \$7.50 (adjusted for September 2018 bonus issue) respectively.

During the nine months ended December 31, 2018 and December 31, 2017, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was \$9.68 and \$7.50 (adjusted for September 2018 bonus issue) respectively.

The following table summarizes information about equity settled RSUs and ESOPs outstanding as at December 31, 2018:

Range of exercise prices per share (\$)	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (\$)
2015 Plan:			
0 - 0.04 (RSU)	7,659,466	1.60	0.04
6 - 8 (ESOP)	1,641,600	5.29	7.44
	9,301,066	2.25	1.34

Information in the table above is adjusted for September 2018 bonus issue

The following table summarizes information about equity settled RSUs and ESOPs outstanding as at March 31, 2018:

Range of exercise prices per share (\$)	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (\$)
2015 Plan:			
0 - 0.04 (RSU)	7,500,818	1.89	0.04
6 - 8 (ESOP)	1,933,826	6.60	7.62
	9,434,644	2.57	1.59

Information in the table above is adjusted for September 2018 bonus issue

The fair value of each equity settled award is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

Particulars	For options granted in	
	Fiscal 2019- Equity Shares- RSU	Fiscal 2019- ADS-RSU
Weighted average share price (₹) / (\$- ADS) ⁽¹⁾	669	20.35
Exercise price (₹) / (\$- ADS) ⁽¹⁾	2.50	0.04
Expected volatility (%)	21-25	22-26
Expected life of the option (years)	1-4	1-4
Expected dividends (%)	2.65	2.65
Risk-free interest rate (%)	7-8	2-3
Weighted average fair value as on grant date (₹) / (\$- ADS) ⁽¹⁾	623	9.49

Particulars	For options granted in			
	Fiscal 2018- Equity Shares- RSU	Fiscal 2018- Equity shares ESOP	Fiscal 2018- ADS-RSU	Fiscal 2018- ADS- ESOP
Weighted average share price (₹) / (\$- ADS) ⁽¹⁾	572	461	8.31	7.32
Exercise price (₹) / (\$- ADS) ⁽¹⁾	2.50	459	0.04	7.33
Expected volatility (%)	20-25	25-28	21-26	25-31
Expected life of the option (years)	1 - 4	3 - 7	1 - 4	3 - 7
Expected dividends (%)	2.78	2.78	2.74	2.74
Risk-free interest rate (%)	6 - 7	6 - 7	1 - 2	1 - 2
Weighted average fair value as on grant date (₹) / (\$- ADS) ⁽¹⁾	533	127	7.74	1.47

⁽¹⁾Adjusted for September 2018 bonus issue

The expected life of the RSU / ESOP is estimated based on the vesting term and contractual term of the RSU / ESOP, as well as expected exercise behavior of the employee who receives the RSU / ESOP. Expected volatility during the expected term of the RSU / ESOP is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the RSU / ESOP.

2.11 Income taxes

Accounting policy

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future. The Group offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full financial year. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to income are credited to share premium.

Income tax expense in the consolidated statement of comprehensive income comprises:

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Current taxes				
Domestic taxes	109	202	447	542
Foreign taxes	97	(181)	201	(59)
	206	21	648	483
Deferred taxes				
Domestic taxes	24	(42)	20	(63)
Foreign taxes	(17)	43	(35)	33
	7	1	(15)	(30)
Income tax expense	213	22	633	453

In December 2017, the Company had concluded an Advance Pricing Agreement (“APA”) with the US Internal Revenue Service (“IRS”) for the US branch covering the years ending March 2011 to March 2021. Under the APA, the Company and the IRS have agreed on the methodology to allocate revenues and compute the taxable income of the Company’s US Branch operations. In accordance with the APA, the company had reversed income tax expense provision of \$225 million which pertained to previous periods which are no longer required. The Company had to pay an adjusted amount of approximately \$223 million due to the difference between the taxes payable for prior periods as per the APA and the actual taxes paid for such periods. The Company has paid \$215 million till December 31, 2018.

Further, the “Tax Cuts and Jobs Act (H.R. 1)” was signed into law on December 22, 2017 (“US Tax Reforms”). The US tax reforms has reduced federal tax rates from 35% to 21% effective January 1, 2018 amongst other measures.

Income tax expense for the three months ended December 31, 2018 and December 31, 2017 includes provision (net of reversals) of \$2 million and reversal (net of provisions) of \$3 million respectively.

Income tax expense for the nine months ended December 31, 2018 and December 31, 2017 includes reversal (net of provisions) of \$7 million and \$27 million pertaining to prior periods on account of adjudication of certain disputed matters in favor of the Group across various jurisdictions.

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Profit before income taxes	715	818	2,251	2,368
Enacted tax rates in India	34.94%	34.61%	34.94%	34.61%
Computed expected tax expense	250	283	787	820
Tax effect due to non-taxable income for Indian tax purposes	(95)	(48)	(279)	(223)
Overseas taxes	30	3	92	70
Tax provision (reversals)	2	(228)	(7)	(235)
Effect of differential overseas tax rates	1	3	-	4
Effect of exempt non operating income	(1)	(4)	(6)	(9)
Effect of unrecognized deferred tax assets	3	5	11	22
Effect of non-deductible expenses	25	(8)	43	3
Branch profit tax (net of credits)	(4)	(24)	(12)	(24)
Subsidiary dividend distribution tax	-	27	-	27
Others	2	13	4	(2)
Income tax expense	213	22	633	453

The applicable Indian corporate statutory tax rate for the nine months ended December 31, 2018 and December 31, 2017 is 34.94% and 34.61%, respectively. The increase in the corporate statutory tax rate to 34.94% is consequent to changes made in the Finance Act, 2018.

Other income for the three months and nine months ended December 31, 2017 includes interest on income tax refund of \$31 million and \$41 million, respectively.

The foreign tax expense is due to income taxes payable overseas, principally in the United States. In India, the Group has benefited from certain income tax incentives that the Government of India had provided for export of software from the units registered under the Special Economic Zones Act (SEZs), 2005. SEZ units which began the provision of services on or after April 1, 2005 are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from the financial year in which the unit commenced the provision of services and 50% of such profits or gains for further five years. Up to 50% of such profits or gains is also available for a further five years subject to creation of a Special Economic Zone re-investment Reserve out of the profit for the eligible SEZ units and utilization of such reserve by the Group for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

Infosys is subject to a 15% Branch Profit Tax (BPT) in the U.S. to the extent its U.S. branch's net profit during the year is greater than the increase in the net assets of the U.S. branch during the year, computed in accordance with the Internal Revenue Code. As at March 31, 2018, Infosys' U.S. branch net assets amounted to approximately \$772 million. As at December 31, 2018, the Company has a deferred tax liability for branch profit tax of \$14 million (net of credits), as the Company estimates that these branch profits are expected to be distributed in the foreseeable future.

Entire deferred income tax for the three months and nine months ended December 31, 2018 and December 31, 2017 relates to origination and reversal of temporary differences except for a credit of \$24 million (on account of US Tax Reforms explained above), for each of the three months and nine months ended December 31, 2017.

During the three months ended December 31, 2017, the Company received \$130 million as dividend from its majority owned subsidiary. Dividend distribution tax paid by the subsidiary on such dividend has been reduced as credit against dividend distribution tax payable by Infosys. Accordingly, the group has recorded a charge of \$27 million as income tax expense during the three months and nine months ended December 31, 2017.

As at March 31, 2018, claims against the Group not acknowledged as debts from the Indian Income tax authorities amounted to ₹4,542 crore (\$697 million). Amount paid to statutory authorities against this amounted to ₹6,540 crore (\$1,003 million).

As at December 31, 2018, claims against the Group not acknowledged as debts from the Income tax authorities amounted to ₹2,918 crore (\$418 million). These matters are pending before various Appellate Authorities and the management including its tax advisors expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Group's financial position and results of operations.

Amount paid to statutory authorities against the above tax claims amounted to ₹6,539 crore (\$937 million).

Subsequent to March 31, 2018, the Supreme Court of India ruled favorably in respect of certain income tax claims which have been given effect in the above disclosure of claims as of December 31, 2018.

2.12 Reconciliation of basic and diluted shares used in computing earnings per share

Accounting Policy

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

The following is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Basic earnings per equity share - weighted average number of equity shares outstanding ⁽¹⁾	4,347,673,466	4,550,149,608	4,347,130,342	4,564,373,542
Effect of dilutive common equivalent shares - share options outstanding	5,057,921	2,613,532	5,574,808	4,201,442
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares outstanding	4,352,731,387	4,552,763,140	4,352,705,150	4,568,574,984

⁽¹⁾ excludes treasury shares

The above table is adjusted for September 2018 bonus issue

For the three months and nine months ended December 31, 2018, there were no options to purchase equity shares that had an anti-dilutive effect.

For the three months and nine months ended December 31, 2017, 296,798 (adjusted for September 2018 bonus issue) and 310,372 (adjusted for September 2018 bonus issue) number of options to purchase equity shares had an anti-dilutive effect respectively.

2.13 Related party transactions

Refer Note 2.19 "Related party transactions" in the Company's 2018 Annual Report on Form 20-F for the full names and other details of the Company's subsidiaries, associate and controlled trusts.

Infosys has provided guarantee for performance of certain contracts entered into by its subsidiaries.

Changes in Subsidiaries

During the nine months ended December 31, 2018, the following are the changes in the subsidiaries:

- Lodestone Management Consultants Inc. has been liquidated effective May 17, 2018
- On May 22, 2018, Infosys acquired 100% voting rights in WongDoody Holding Company Inc., along with its two subsidiaries, WDW Communications, Inc and WongDoody, Inc. (Refer note 2.9)
- Lodestone Management Consultants GmbH name changed to Infosys Austria GmbH
- On August 6, 2018, Infosys Luxembourg SARL was incorporated as a wholly-owned subsidiary of Infosys Limited
- Infosys Consulting Ltda became the majority owned and controlled subsidiary of Infosys Limited
- On October 11, 2018, Infosys Consulting Pte Ltd, a wholly-owned subsidiary of Infosys Limited, acquired 100% voting interest in Fluido Oy along with its five subsidiaries Fluido Sweden AB (Extero), Fluido Norway A/S, Fluido Denmark A/S, Fluido Slovakia s.r.o and Fluido Newco AB (Refer to note 2.9)
- On November 16, 2018, Infosys Consulting Pte Ltd. (Wholly owned Subsidiary of Infosys) acquired 60% voting rights in Infosys Compaz Pte Ltd. (formerly Trusted Source Pte Ltd.) (Refer o note 2.9)
- On November 27, 2018, Infosys Canada Public Services Inc is incorporated as a wholly-owned subsidiary of Infosys Public Services Inc which is a wholly-owned subsidiary of Infosys Limited.
- On November 29, 2018, Infosys CIS LLC was incorporated as a wholly-owned subsidiary of Infosys Limited
- On December 19, 2018, Infosys South Africa (Pty) Ltd is incorporated as a wholly owned subsidiary of Infosys Consulting Pte Ltd which is a wholly-owned subsidiary of Infosys Limited.

Changes in Key management personnel

The following were the changes in key management personnel:-

- Nilanjan Roy has been appointed as Chief Financial Officer effective March 1, 2019
- Jayesh Sanghrajka was appointed as Interim Chief Financial Officer effective November 17, 2018. He will resume his responsibilities as Deputy Chief Financial Officer effective March 1, 2019
- M.D. Ranganath resigned as Chief Financial Officer effective November 16, 2018
- Michael Nelson Gibbs appointed as an Independent Director effective July 13, 2018
- Ravi Venkatesan, resigned from his position as Co-Chairman effective August 24, 2017 and resigned as member of the Board effective May 11, 2018

Transactions with key management personnel

The table below describes the compensation to key management personnel which comprise directors and executive officers:

Particulars	<i>(Dollars in millions)</i>			
	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Salaries and other employee benefits to whole-time directors and executive officers ⁽¹⁾⁽²⁾⁽³⁾	3	3	10	5
Commission and other benefits to non-executive/ independent directors	-	-	1	2
Total	3	3	11	7

⁽¹⁾ Total employee stock compensation expense for the three months and nine months ended December 31, 2018 includes \$1 million and \$3 million, respectively towards key managerial personnel. For the three months and nine months ended December 31, 2017, a charge of employee stock compensation expense of \$1 million and a reversal of employee stock compensation expense of \$2 million, respectively, was recorded towards key managerial personnel. (Refer to note 2.10)

⁽²⁾ Includes a reversal of stock compensation cost of \$5 million recorded during the three months ended September 30, 2017 towards forfeiture of stock incentive granted to Dr. Vishal Sikka upon his resignation (Refer to note 2.10)

⁽³⁾ On December 2, 2017, the Board appointed Salil Parekh as the Chief Executive Officer and Managing Director of the Company with effect from January 2, 2018.

Investment in Associate

During the three months ended June 30, 2017, the Company has written down the entire carrying value of the investment in its associate DWA Nova LLC amounting to \$11 million.

2.14 Segment Reporting

IFRS 8 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance.

During the three months ended June 30, 2018, the Group internally reorganized some of its business segments to deepen customer relationships, improve focus of sales investments and increase management oversight. Consequent to the internal reorganization, there were changes in the reportable business segments based on "Management approach" as defined under IFRS 8, Operating Segments. Therefore, enterprises in Insurance which was earlier considered under the Life Sciences, Healthcare and Insurance business segment are now considered under the Financial Services business segment and enterprises in Communication, Telecom OEM and Media which was earlier under Energy & Utilities, Communication and Services is now shown as a separate business segment. Segmental operating income has changed in line with these as well as changes in the allocation method. The CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along business segments. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the accounting policies.

Business segments of the Group are primarily enterprises in Financial Services and Insurance, enterprises in Manufacturing, enterprises in Retail, Consumer Packaged Goods and Logistics, enterprises in the Energy, Utilities, Resources and Services, enterprises in Communication, Telecom OEM and Media, enterprises in Hi-Tech, enterprises in Life Sciences and Healthcare and all other segments. The Financial services reportable segments has been aggregated to include the Financial Services operating segment and Finacle operating segment because of the similarity of the economic characteristics. All other segments represent the operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services. Consequent to the above change in the composition of reportable business segments, the prior year comparatives for the three months and nine months ended December 31, 2017 have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Revenue for 'all other segments' represents revenue generated by Infosys Public Services and revenue generated from customers located in India, Japan and China and other enterprises in public service. Allocated expenses of segments include expenses incurred for rendering services from the Group's offshore software development centres and on-site expenses, which are categorized in relation to the associated efforts of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

Assets and liabilities used in the Group's business are not identified to any of the reportable segments, as these are used interchangeably between segments. Management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Business segment revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Disclosure of Revenue by geographic locations has been given in note 2.15 Revenue from operations.

2.14.1 Business Segments

Three months ended December 31, 2018 and December 31, 2017

(Dollars in millions)

	Financial Services	Retail	Communication	Energy, Utilities, Resources and Services	Manufacturing	Hi Tech	Life Sciences	All Other segments	Total
Revenues	970	489	355	383	302	219	187	82	2,987
	904	447	343	331	263	198	181	88	2,755
Identifiable operating expenses	525	244	192	208	166	130	98	51	1,614
	477	223	177	170	150	108	93	50	1,448
Allocated expenses	191	100	79	79	65	38	37	27	616
	184	87	66	67	57	36	33	31	561
Segment profit	254	145	84	96	71	51	52	4	757
	243	137	100	94	56	54	55	7	746
Unallocable expenses									82
									77
Operating profit									675
									669
Other income, net (Refer Note 2.16)									105
									149
Reduction in the fair value of Disposal Group held for sale (Refer Note 2.9)									-
									-
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale" (Refer Note 2.9)									(65)
									-
Share in net profit/(loss) of associate, including impairment									-
									-
Profit before Income taxes									715
									818
Income tax expense									213
									22
Net profit									502
									796
Depreciation and amortization									81
									77
Non-cash expenses other than depreciation and amortization									66
									-

	Financial Services	Retail	Communication	Energy, Utilities, Resources and Services	Manufacturing	Hi Tech	Life Sciences	All Other segments	Total
Revenues	2,812	1,450	1,074	1,092	856	647	560	249	8,740
	2,681	1,313	1,016	950	766	589	540	279	8,134
Identifiable operating expenses	1,508	732	571	595	475	366	295	152	4,694
	1,400	656	521	477	443	320	280	158	4,255
Allocated expenses	567	287	226	225	184	113	108	85	1,795
	548	276	198	195	178	104	99	96	1,694
Segment profit	737	431	277	272	197	168	157	12	2,251
	733	381	297	278	145	165	161	25	2,185
Unallocable expenses									213
									219
Operating profit									2,038
									1,966
Other income, net (Refer Note 2.16)									317
Reduction in the fair value of Disposal Group held for sale (Refer Note 2.9)									413
									(39)
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale" (Refer Note 2.9)									-
									(65)
Share in net profit/(loss) of associate, including impairment									-
									(11)
Profit before Income taxes									2,251
									2,368
Income tax expense									633
									453
Net profit									1,618
									1,915
Depreciation and amortization									212
									218
Non-cash expenses other than depreciation and amortization									106
									-

2.14.2 Significant clients

No client individually accounted for more than 10% of the revenues for the three months and nine months ended December 31, 2018 and December 31, 2017, respectively.

2.15 Revenue from Operations

Accounting Policy:

The Group derives revenues primarily from business IT services comprising of software development and related services, consulting and package implementation and from the licensing of software products and platforms across our core and digital offerings ("together called as software related services")

Effective April 1, 2018, the Group adopted IFRS 15 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 2.10 "Revenue from operations" in the Company's 2018 Annual Report on Form 20-F for the policies in effect for revenue prior to April 1, 2018. The effect on adoption of IFRS 15 was insignificant.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to the reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

In arrangements for software development and related services and maintenance services, the Group has applied the guidance in IFRS 15, Revenue from contract with customer, by applying the revenue recognition criteria for each distinct performance obligation. The arrangements with customers generally meet the criteria for considering software development and related services as distinct performance obligations. For allocating the transaction price, the Group has measured the revenue in respect of each performance obligation of a contract at its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the Group is unable to determine the standalone selling price, the Group uses the expected cost plus margin approach in estimating the standalone selling price. For software development and related services, the performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The Group has applied the principles under IFRS 15 to account for revenues from these performance obligations. When implementation services are provided in conjunction with the licensing arrangement and the license and implementation have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. In the absence of standalone selling price for implementation, the performance obligation is estimated using the expected cost plus margin approach. Where the license is required to be substantially customized as part of the implementation service the entire arrangement fee for license and implementation is considered to be a single performance obligation and the revenue is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the performance obligations are satisfied. ATS revenue is recognized ratably over the period in which the services are rendered.

The Group accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discounts/ incentives to each of the underlying performance obligation that corresponds to the progress by the customer towards earning the discount/ incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Group recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Group recognizes changes in the estimated amount of obligations for discounts in the period in which the change occurs.

Deferred contract costs are incremental costs of obtaining a contract which are recognised as assets and amortized over the term of the contract.

Contract modifications are accounted for when additions, deletions or changes are approved either to the contract scope or contract price. The accounting for modifications of contracts involves assessing whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Group presents revenues net of indirect taxes in its consolidated statement of comprehensive income.

Revenues for the three months and nine months ended December 31, 2018 and December 31, 2017 is as follows:

Particulars	<i>(Dollars in millions)</i>			
	Three months ended		Nine months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Revenue from software services	2,823	2,608	8,291	7,704
Revenue from products and platforms	164	147	449	430
Total revenue from operations	2,987	2,755	8,740	8,134

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers by geography, offerings and contract-type for each of our business segments. The Group believes this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors.

Three months ended December 31, 2018

Particulars	<i>(Dollars in millions)</i>								
	Financial Services ⁽¹⁾	Retail ⁽²⁾	Communication ⁽³⁾	Energy, Utilities, resources and Services	Manufacturing	Hi Tech	Life Sciences ⁽⁴⁾	Others ⁽⁵⁾	Total
Revenues by Geography									
North America	590	317	188	217	159	209	108	17	1,805
Europe	172	140	67	129	129	4	74	7	722
India	48	1	1	-	3	5	1	17	76
Rest of the world	160	31	99	37	11	1	4	41	384
Total	970	489	355	383	302	219	187	82	2,987
Revenue by offerings									
Services									
Digital	274	164	125	109	85	71	39	9	876
Core	581	314	222	267	209	147	135	72	1,947
Subtotal	855	478	347	376	294	218	174	81	2,823
Products and platforms									
Digital	32	9	8	2	5	1	8	1	66
Core	83	2	-	5	3	-	5	-	98
Subtotal	115	11	8	7	8	1	13	1	164
Total	970	489	355	383	302	219	187	82	2,987
Digital	306	173	133	111	90	72	47	10	942
Core	664	316	222	272	212	147	140	72	2,045
Revenues by contract type									
Fixed Price	442	309	215	219	157	110	88	43	1,583
Time & Materials	528	180	140	164	145	109	99	39	1,404
Total	970	489	355	383	302	219	187	82	2,987

Nine months ended December 31, 2018

Particulars	<i>(Dollars in millions)</i>								
	Financial Services ⁽¹⁾	Retail ⁽²⁾	Communication ⁽³⁾	Energy, Utilities, resources and Services	Manufacturing	Hi Tech	Life Sciences ⁽⁴⁾	Others ⁽⁵⁾	Total
Revenues by Geography									
North America	1,709	942	546	622	455	620	329	43	5,266
Europe	520	407	205	368	369	10	217	17	2,113
India	130	3	5	1	9	15	1	58	222
Rest of the world	453	98	318	101	23	2	13	131	1,139
Total	2,812	1,450	1,074	1,092	856	647	560	249	8,740
Revenue by offerings									
Services									
Digital	780	455	354	298	230	210	118	30	2,475
Core	1,729	956	702	772	603	434	408	212	5,816
Subtotal	2,509	1,411	1,056	1,070	833	644	526	242	8,291
Products and platforms									
Digital	75	34	17	7	15	3	20	4	175
Core	228	5	1	15	8	-	14	3	274
Subtotal	303	39	18	22	23	3	34	7	449
Total	2,812	1,450	1,074	1,092	856	647	560	249	8,740
Digital	855	489	371	305	245	213	138	34	2,650
Core	1,957	961	703	787	611	434	422	215	6,090
Revenues by contract type									
Fixed Price	1,228	919	624	644	437	334	260	122	4,568
Time & Materials	1,584	531	450	448	419	313	300	127	4,172
Total	2,812	1,450	1,074	1,092	856	647	560	249	8,740

⁽¹⁾ Financial Services include enterprises in Financial Services and Insurance

⁽²⁾ Retail includes enterprises in Retail, Consumer Packaged Goods and Logistics

⁽³⁾ Communication includes enterprises in Communication, Telecom OEM and Media

⁽⁴⁾ Life Sciences includes enterprises in Life sciences and Health care

⁽⁵⁾ Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services

Digital Services

Digital Services comprise of service and solution offerings of the Group that enable our clients to transform their businesses. These include offerings that enhance customer experience, leverage AI-based analytics and big data, engineer digital products and IoT, modernize legacy technology systems, migrate to cloud applications and implement advanced cyber security systems.

Core Services

Core Services comprise traditional offerings of the Group that have scaled and industrialized over a number of years. These primarily include application management services, proprietary application development services, independent validation solutions, product engineering and management, infrastructure management services, traditional enterprise application implementation, support and integration services.

Products & platforms

The Group also derives revenues from the sale of products and platforms including Finacle – core banking solution, Edge Suite of products, Infosys Nia - Artificial Intelligence (AI) platform which applies next-generation AI and machine learning and Infosys McCamish- insurance platform

Trade Receivables and Contract Balances

The Group classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognised as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time .

Revenue recognition for fixed price development contracts is based on percentage of completion method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the consolidated statements of financial position.

The following table discloses the movement in unbilled revenue on fixed price development contracts during the three months and nine months ended December 31, 2018

Particulars	<i>(Dollars in millions)</i>	
	For the three months ended December 31, 2018	For the nine months ended December 31, 2018
Balance at the beginning	466	431
Add : Revenue recognized during the period	295	888
Less : Invoiced during the period	321	879
Less : Impairment / (reversal) during the period	5	3
Add : Translation gain/(Loss)	-	(2)
Balance at the end	435	435

The following table discloses the movement in unearned revenue balances during the three months and nine months ended December 31, 2018

Particulars	<i>(Dollars in millions)</i>	
	For the three months ended December 31, 2018	For the nine months ended December 31, 2018
Balance at the beginning	332	352
Add : Reclassified from assets held for sale (Refer note 2.9)	21	24
Less: Revenue recognized during the period	195	555
Add: Changes due to Business Combinations	1	4
Add: Invoiced during the period but not recognized as revenues	275	606
Add: Translation loss / (gain)	-	3
Balance at the end	434	434

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as of the end of the reporting period and an explanation as to when the Group expects to recognize these amounts in revenue. Applying the practical expedient as given in IFRS 15, the Group has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as of Dec 31, 2018, other than those meeting the exclusion criteria mentioned above, is \$ 6,734 million. Out of this, the Group expects to recognize revenue of around 50% within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

The impact on account of applying the erstwhile IAS 18 - Revenue instead of IFRS 15- Revenue from contract with customers on the financials results of the Group for the three months and nine months ended and as at December 31, 2018 is insignificant. On account of adoption of IFRS 15, unbilled revenues of \$435 million as of December 31, 2018 has been considered as Non financial asset.

2.16 Break-up of expenses and other income, net

Accounting Policy

2.16.1 Gratuity

The Group provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees of Infosys and its Indian subsidiaries. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the group.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The company fully contributes all ascertained liabilities to the Infosys Limited Employees' Gratuity Fund Trust (the Trust). In case of Infosys BPM (formerly Infosys BPO) and EdgeVerve, contributions are made to the Infosys BPM Employees' Gratuity Fund Trust and EdgeVerve Systems Limited Employees' Gratuity Fund Trust, respectively. Trustees administer contributions made to the Trusts and contributions are invested in a scheme with Life Insurance Corporation of India as permitted by law of India.

The Group recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability / asset are recognized in other comprehensive income and not reclassified to profit and loss in subsequent period. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments are recognized in net profits in the statement of comprehensive income.

2.16.2 Superannuation

Certain employees of Infosys, Infosys BPM (formerly Infosys BPO) and EdgeVerve are participants in a defined contribution plan. The Group has no further obligations to the Plan beyond its monthly contributions which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India.

2.16.3 Provident fund

Eligible employees of Infosys receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The company contributes a portion of the contributions to the Infosys Limited Employees' Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

In respect of Indian subsidiaries, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the eligible employee and the respective companies make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The companies have no further obligation to the plan beyond its monthly contributions.

2.16.4 Compensated absences

The Group has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

2.16.5 Other income

Other income is comprised primarily of interest income, dividend income, gain/loss on investment and exchange gain/loss on forward and options contracts and on translation of other assets and liabilities. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

During the three months ended June 30, 2018, the company has adopted IFRS interpretation IFRIC 22- Foreign Currency Transactions and Advance Consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on account of adoption of this amendment was insignificant.

2.16.6 Operating Profits

Operating profit of the Group is computed considering the revenues, net of cost of sales, selling and marketing expenses and administrative expenses.

Cost of sales

(Dollars in millions)

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Employee benefit costs	1,452	1,364	4,251	3,990
Depreciation and amortization	81	77	212	218
Travelling costs	63	56	191	171
Cost of technical sub-contractors	226	161	633	495
Cost of software packages for own use	34	34	97	102
Third party items bought for service delivery to clients	64	39	166	114
Operating lease payments	13	12	37	37
Consultancy and professional charges	2	1	5	5
Communication costs	8	9	25	27
Repairs and maintenance	13	12	38	35
Provision for post-sales client support	0	8	4	13
Others	-	-	1	1
Total	1,956	1,773	5,660	5,208

Sales and marketing expenses

(Dollars in millions)

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Employee benefit costs	114	105	337	310
Travelling costs	15	12	44	35
Branding and marketing	18	11	50	36
Operating lease payments	3	3	8	9
Consultancy and professional charges	10	3	19	8
Communication costs	0	1	2	2
Others	1	1	4	5
Total	161	136	464	405

Administrative expenses

(Dollars in millions)

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Employee benefit costs	56	59	166	173
Consultancy and professional charges	37	33	111	104
Repairs and maintenance	34	30	96	95
Power and fuel	7	8	24	24
Communication costs	7	9	24	29
Travelling costs	9	9	27	27
Rates and taxes	6	6	19	25
Operating lease payments	5	5	15	16
Insurance charges	2	2	7	7
Impairment loss recognized/(reversed) under expected credit loss model	12	4	33	10
Commission to non-whole time directors	-	-	1	1
Contributions towards Corporate Social Responsibility	10	5	29	21
Others	10	7	26	23
Total	195	177	578	555

Other income, net

(Dollars in millions)

Particulars	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Interest income on financial assets carried at amortized cost	47	71	150	200
Interest income on financial assets fair valued through other comprehensive income	25	23	72	85
Gain/(loss) on investments carried at fair value through profit or loss	3	10	15	33
Exchange gains / (losses) on forward and options contracts	83	28	(2)	20
Exchange gains / (losses) on translation of other assets and liabilities	(76)	(21)	39	8
Others	23	38	43	67
Total	105	149	317	413

2.17 Capital allocation policy

2.17.1 Update on capital allocation policy

In line with the capital allocation policy announced in April 2018, the Board, at its meeting on January 11, 2019, approved the Buyback of Equity Shares, from the open market route through the Indian stock exchanges, amounting to ₹8,260 crore (Maximum Buyback Size) (approximately \$1,184 million) at a price not exceeding ₹800/- per share (Maximum Buyback Price) (approximately \$11.46 per share), subject to shareholders' approval by way of Postal Ballot. Further, the Board also approved a special dividend of ₹4/- per share (approximately \$0.06 per share) that would result in a payout of approximately ₹2,107 crore (approximately \$302 million) (including dividend distribution tax and dividend on treasury shares).

2.17.2 Dividend

The final dividend on shares is recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

The Company declares and pays dividends in Indian rupees. The remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable distribution taxes. Dividend distribution tax paid by subsidiaries may be reduced / available as credit against dividend distribution tax payable by Infosys Limited.

Amount of per share dividend recognised as distribution to equity shareholders:

Particulars	Nine Months ended December 31, 2018		Nine Months ended December 31, 2017	
	in ₹	in US Dollars	in ₹	in US Dollars
Final dividend for fiscal 2018	10.25	0.16	-	-
Special dividend for fiscal 2018	5.00	0.08	-	-
Interim dividend for fiscal 2018	7.00	0.10	-	-
Final dividend for fiscal 2017	-	-	7.38	0.12
Interim dividend for fiscal 2017	-	-	6.50	0.10

Note: Dividend per equity share disclosed in the above table represents dividends declared previously, retrospectively adjusted for September 2018 bonus issue.

The Board of Directors in their meeting on October 16, 2018 declared an interim dividend of ₹7/- per equity share (\$0.10/- per equity share) which resulted in a net cash outflow of \$497 million, (excluding dividend paid on treasury shares) inclusive of corporate dividend tax.

Effective from Financial Year 2018, the Company's policy is to payout up to 70% of the free cash flow of the corresponding Financial Year in such manner (including by way of dividend and / or share buyback) as may be decided by the Board from time to time, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure as per the consolidated statement of cash flows prepared under IFRS. Dividend payout includes dividend distribution tax.

2.17.3 Buyback

The Board, at its meeting on August 19, 2017, approved a proposal for the Company to buyback its fully paid-up equity shares of face value of ₹5/- each from the eligible equity shareholders of the Company for an amount not exceeding ₹13,000 crore (\$2 billion). The shareholders approved the said proposal of Buyback of Equity Shares through the postal ballot that concluded on October 7, 2017. The Buyback offer comprised a purchase of 113,043,478 Equity Shares aggregating 4.92% of the paid-up equity share capital of the Company at a price of ₹1,150 per Equity share. The buyback was offered to all eligible equity shareholders (including those who became equity shareholders as on the Record date by cancelling American Depository Shares and withdrawing underlying Equity shares) of the Company as on the Record Date (i.e. November 1, 2017) on a proportionate basis through the "Tender offer" route. The Company concluded the buyback procedures on December 27, 2017 and 113,043,478 equity shares were extinguished. The company utilized its securities premium and general reserve for the buyback of its shares. In accordance with section 69 of the Companies Act, 2013, the company created 'Capital Redemption Reserve' of \$9 million equal to the nominal value of the shares bought back as an appropriation from general reserve during the year ended March 31, 2018.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or buy back issued shares. As of December 31, 2018, the Company has only one class of equity shares and has no debt. Consequent to the above capital structure there are no externally imposed capital requirements

2.17.4 Bonus issue

The Company has allotted 2,18,41,91,490 fully paid up equity shares (including treasury shares) of face value ₹5/- each during the three months ended September 30, 2018 pursuant to a bonus issue approved by the shareholders through postal ballot. Record date fixed by the Board of Directors was September 5, 2018. The bonus shares were issued by capitalization of profits transferred from general reserve. Bonus share of one equity share for every equity share held, and a bonus issue, viz., a stock dividend of one American Depository Share (ADS) for every ADS held, respectively, has been allotted. Consequently, the ratio of equity shares underlying the ADSs held by an American Depository Receipt holder remains unchanged. Options granted under the stock option plan have been adjusted for bonus shares.

The bonus shares allotted ranks pari passu in all respects and carry the same rights as the existing equity shareholders and are entitled to participate in full, in any dividend and other corporate action, recommended and declared after the new equity shares are allotted.

2.18 Share capital and share premium

The Company has only one class of shares referred to as equity shares having a par value of ₹5/- each. 20,709,738 shares and 10,801,956 shares(not adjusted for September 2018 bonus issue) were held by controlled trust, as at December 31, 2018 and March 31, 2018, respectively.

The amount received in excess of the par value has been classified as share premium. Additionally, share-based compensation recognized in net profit in the consolidated statement of comprehensive income is credited to share premium.

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

Nandan M. Nilekani
Chairman

Salil Parekh
*Chief Executive officer
and Managing Director*

U. B. Pravin Rao
*Chief Operating Officer
and Whole-time Director*

D. Sundaram
Director

Jayesh Sanghrajka
Interim Chief Financial officer

A. G. S. Manikantha
Company Secretary

Bengaluru
January 11, 2019