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, 2020

Index

Infosys Limited and Subsidiaries

(Dollars in millions except equity share data)

Condensed Consolidated Balance Sheet as at	Note	December 31, 2020	March 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	2.1	3,022	2,465
Current investments	2.2	454	615
Trade receivables		2,629	2,443
Unbilled revenue	2.17	1,050	941
Prepayments and other current assets	2.4	809	739
Income tax assets	2.12	-	1
Derivative financial instruments	2.3	23	8
Total current assets		**7,987**	**7,212**
Non-current assets			
Property, plant and equipment	2.7	1,866	1,810
Right-of-use assets	2.8	617	551
Goodwill	2.9	848	699
Intangible assets		307	251
Non-current investments	2.2	1,094	547
Deferred income tax assets	2.12	169	231
Income tax assets	2.12	746	711
Other non-current assets	2.4	235	248
Total Non-current assets		**5,882**	**5,048**
Total assets		**13,869**	**12,260**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		339	377
Lease Liabilities	2.8	92	82
Derivative financial instruments	2.3	5	65
Current income tax liabilities	2.12	210	197
Client deposits		-	2
Unearned revenue		544	395
Employee benefit obligations		278	242
Provisions	2.6	102	76
Other current liabilities	2.5	1,496	1,321
Total current liabilities		**3,066**	**2,757**
Non-current liabilities			
Lease liabilities	2.8	600	530
Deferred income tax liabilities	2.12	115	128
Employee benefit obligations		9	5
Other non-current liabilities	2.5	218	139
Total liabilities		**4,008**	**3,559**
Equity			
Share capital - ₹5 ($0.16) par value 4,800,000,000 (4,800,000,000) equity shares authorized, issued and outstanding 4,243,291,429 (4,240,753,210) equity shares fully paid up, net of 16,296,404 (18,239,356) treasury shares as at December 31, 2020 and March 31, 2020	2.19	332	332
Share premium		337	305
Retained earnings		11,469	11,014
Cash flow hedge reserve		(2)	(2)
Other reserves		829	594
Capital redemption reserve		17	17
Other components of equity		(3,182)	(3,614)
Total equity attributable to equity holders of the company		**9,800**	**8,646**
Non-controlling interests		61	55
Total equity		**9,861**	**8,701**
Total liabilities and equity		**13,869**	**12,260**

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

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Chairman

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Chief Executive Officer and Managing Director

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Chief Operating Officer and Whole-time Director

Sanjiv V. Pilgaonkar
Partner
Membership No. 039826

D. Sundaram
Director

Nilanjan Roy
Chief Financial Officer

A.G.S. Manikantha
Company Secretary

Mumbai
January 13, 2021

Bengaluru
January 13, 2021

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		Nine months ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenues	2.16	**3,516**	**3,243**	**9,948**	**9,583**
Cost of sales	2.18	2,275	2,159	6,471	6,420
Gross profit		**1,241**	**1,084**	**3,477**	**3,163**
Operating expenses:					
Selling and marketing expenses	2.18	156	169	459	502
Administrative expenses	2.18	192	204	577	612
Total operating expenses		**348**	**373**	**1,036**	**1,114**
Operating profit		**893**	**711**	**2,441**	**2,049**
Other income, net	2.18	83	116	222	312
Finance cost	2.8	6	6	19	18
Profit before income taxes		**970**	**821**	**2,644**	**2,343**
Income tax expense	2.12	263	194	718	597
Net profit		**707**	**627**	**1,926**	**1,746**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurements of the net defined benefit liability/asset, net		17	(16)	37	(22)
Equity instrument through other comprehensive income, net		16	(6)	15	(5)
		33	(22)	52	(27)
Items that will be reclassified subsequently to profit or loss:					
Fair valuation of investments, net		4	(1)	5	1
Fair value changes on derivatives designated as cash flow hedge, net		(3)	(4)	-	(5)
Foreign currency translation		121	(40)	377	(247)
		122	(45)	382	(251)
Total other comprehensive income/(loss), net of tax		**155**	**(67)**	**434**	**(278)**
Total comprehensive income		**862**	**560**	**2,360**	**1,468**
Profit attributable to:					
Owners of the company		705	626	1,916	1,741
Non-controlling interests		2	1	10	5
		707	**627**	**1,926**	**1,746**
Total comprehensive income attributable to:					
Owners of the company		860	559	2,348	1,465
Non-controlling interests		2	1	12	3
		862	**560**	**2,360**	**1,468**
Earnings per equity share					
Basic ($)		0.17	0.15	0.45	0.41
Diluted ($)		0.17	0.15	0.45	0.41
Weighted average equity shares used in computing earnings per equity share	2.13				
Basic		4,242,867,494	4,23,96,07,543	4,241,962,125	4,26,35,69,478
Diluted		4,250,606,654	4,24,57,16,437	4,249,697,808	4,27,05,09,294

The accompanying notes form an integral part of the interim condensed consolidated financial statements.
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Infosys Limited and Subsidiaries

Condensed Consolidated Statement 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, 2019	**4,335,954,462**	**339**	**277**	**11,248**	**384**	**10**	**3**	**(2,870)**	**9,391**	**9**	**9,400**
Impact on account of adoption of IFRS 16*	**-**	**-**	**-**	**(6)**	**-**	**-**	**-**	**-**	**(6)**	**-**	**(6)**
	4,335,954,462	**339**	**277**	**11,242**	**384**	**10**	**3**	**(2,870)**	**9,385**	**9**	**9,394**
Changes in equity for nine months ended December 31, 2019											
Net profit	-	-	-	1,741	-	-	-	-	1,741	5	1,746
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	(22)	(22)	-	(22)
Equity instruments through other comprehensive income*	-	-	-	-	-	-	-	(5)	(5)	-	(5)
Fair value changes on investments, net*	-	-	-	-	-	-	-	1	1	-	1
Fair value changes on derivatives designated as cash flow hedge*	-	-	-	-	-	-	(5)	-	(5)	-	(5)
Foreign currency translation	-	-	-	-	-	-	-	(245)	(245)	(2)	(247)
Total comprehensive income for the period	**-**	**-**	**-**	**1,741**	**-**	**-**	**(5)**	**(271)**	**1,465**	**3**	**1,468**
Shares issued on exercise of employee stock options (Refer note 2.11)	1,679,240	-	1	-	-	-	-	-	1	-	1
Buyback of equity shares	(97,867,266)	(7)	-	(895)	-	-	-	-	(902)	-	(902)
Transaction cost relating to buyback *	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Amount transferred to capital redemption reserve upon buyback	-	-	-	(7)	-	7	-	-	-	-	-
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	46	46
Transfer to other reserves	-	-	-	(291)	291	-	-	-	-	-	-
Transfer from other reserves on utilization	-	-	-	115	(115)	-	-	-	-	-	-
Financial liability under option arrangements	-	-	-	(86)	-	-	-	-	(86)	-	(86)
Employee stock compensation expense (Refer note 2.11)	-	-	26	-	-	-	-	-	26	-	26
Income tax benefit arising on exercise of stock options	-	-	1	-	-	-	-	-	1	-	1
Effect of modification of equity settled share based payment awards to cash settled awards	-	-	(5)	(1)	-	-	-	-	(6)	-	(6)
Dividends paid to non controlling interest of subsidiary	-	-	-	-	-	-	-	-	-	(5)	(5)
Dividends (including dividend distribution tax)	-	-	-	(1,359)	-	-	-	-	(1,359)	-	(1,359)
Balance as at December 31, 2019	**4,239,766,436**	**332**	**300**	**10,458**	**560**	**17**	**(2)**	**(3,141)**	**8,524**	**53**	**8,577**

Infosys Limited and Subsidiaries

(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, 2020	**4,240,753,210**	**332**	**305**	**11,014**	**594**	**17**	**(2)**	**(3,614)**	**8,646**	**55**	**8,701**
Changes in equity for nine months ended December 31, 2020											
Net profit	-	-	-	1,916	-	-	-	-	1,916	10	1,926
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	37	37	-	37
Equity instruments through other comprehensive income*	-	-	-	-	-	-	-	15	15	-	15
Fair value changes on investments, net*	-	-	-	-	-	-	-	5	5	-	5
Fair value changes on derivatives designated as cash flow hedge*	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	-	375	375	2	377
Total comprehensive income for the period	**-**	**-**	**-**	**1,916**	**-**	**-**	**-**	**432**	**2,348**	**12**	**2,360**
Shares issued on exercise of employee stock options (Refer note 2.11)	2,538,219	-	2	-	-	-	-	-	2	-	2
Effect of modification of share based payment awards	-	-	1	-	-	-	-	-	1	-	1
Transfer from other reserves on utilization	-	-	-	91	(91)	-	-	-	-	-	-
Transfer to other reserves	-	-	-	(326)	326	-	-	-	-	-	-
Employee stock compensation expense (Refer note 2.11)	-	-	27	-	-	-	-	-	27	-	27
Income tax benefit arising on exercise of stock options	-	-	2	-	-	-	-	-	2	-	2
Payment towards acquisition of minority interest	-	-	-	(4)	-	-	-	-	(4)	(3)	(7)
Dividends paid to non controlling interest of subsidiary	-	-	-	-	-	-	-	-	-	(3)	(3)
Dividends	-	-	-	(1,222)	-	-	-	-	(1,222)	-	(1,222)
Balance as at December 31, 2020	**4,243,291,429**	**332**	**337**	**11,469**	**829**	**17**	**(2)**	**(3,182)**	**9,800**	**61**	**9,861**

** net of tax*

[1] excludes treasury shares of 16,296,404 as at December 31, 2020 18,239,356 as at April 1, 2020, 18,781,564 as at December 31, 2019 and 20,324,982 as at April 1, 2019, held by consolidated trust.

[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.

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No.039826

Mumbai
January 13, 2021

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

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Company Secretary

Bengaluru
January 13, 2021

Infosys Limited and Subsidiaries

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, 2020	December 31, 2019
Operating activities:			
Net Profit		1,926	1,746
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	2.18	327	304
Interest and dividend income		(54)	(55)
Finance Cost	2.8	19	18
Income tax expense	2.12	718	597
Effect of exchange rate changes on assets and liabilities		2	15
Impairment loss under expected credit loss model		24	13
Stock compensation expense	2.11	35	26
Other adjustments		(9)	(23)
Changes in working capital			
Trade receivables and unbilled revenue		(176)	(403)
Prepayments and other assets		4	15
Trade payables		(55)	(189)
Unearned revenue		127	42
Other liabilities and provisions		190	242
Cash generated from operations		**3,078**	**2,348**
Income taxes paid		(673)	(421)
Net cash provided by operating activities		**2,405**	**1,927**
Investing activities:			
Expenditure on property, plant and equipment and intangibles		(231)	(374)
Deposits placed with corporation		(18)	(8)
Interest and dividend received		58	43
Payment towards acquisition of business, net of cash acquired		(164)	(72)
Payment of contingent consideration pertaining to acquisition of business		(21)	-
Redemption of escrow pertaining to Buyback		-	37
Payments to acquire Investments			
Liquid mutual fund units and fixed maturity plan securities		(3,168)	(3,778)
Quoted debt securities		(945)	(335)
Equity and preference securities		-	(6)
Other Investments		(1)	(3)
Proceeds on sale of Investments			
Quoted debt securities		477	442
Equity and preference securities		8	-
Certificate of deposits		154	360
Commercial papers		-	72
Liquid mutual fund units and fixed maturity plan securities		3,172	3,842
Other Investments		3	2
Other payments		(5)	-
Other receipts		5	5
Net cash (used)/generated in investing activities		**(676)**	**227**

Infosys Limited and Subsidiaries

Financing activities:			
Payment of Lease Liabilities	2.8	(72)	(62)
Payment of dividends (including dividend distribution tax)		(1,226)	(1,359)
Payment of dividend to non controlling interests of subsidiary		(3)	(5)
Shares issued on exercise of employee stock options		2	1
Payment towards purchase of minority interest		(7)	-
Other receipts		11	-
Buy back of equity shares including transaction costs	2.19.1	-	(1,070)
Net cash used in financing activities		**(1,295)**	**(2,495)**
Effect of exchange rate changes on cash and cash equivalents		123	(66)
Net increase / (decrease) in cash and cash equivalents		434	(341)
Cash and cash equivalents at the beginning of the period	2.1	2,465	2,829
Cash and cash equivalents at the end of the period	2.1	**3,022**	**2,422**
Supplementary information:			
Restricted cash balance	2.1	60	51

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

Mumbai
January 13, 2021

Bengaluru
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Infosys Limited and Subsidiaries

Overview and Notes to the financial statements

1. Overview

1.1 Company overview

Infosys Limited ('the Company' or Infosys) provides consulting, technology, outsourcing and next-generation digital services, to enable clients to execute strategies for their digital transformation.

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 in India. The company's American Depositary Shares (ADS) representing equity shares are listed on the New York Stock Exchange (NYSE).

The Group's interim condensed consolidated financial statements are authorized for issue by the company's Board of Directors on January 13, 2021.

1.2 Basis of preparation of financial statements

The interim condensed consolidated financial statements have been prepared in compliance with IAS 34, Interim Financial Reporting as issued by International Accounting Standards Board, under the historical cost convention on the accrual basis except for certain financial instruments which have been measured at fair values. Accordingly, these interim condensed consolidated financial statements do not include all the information required for a complete set of financial statements. These interim 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, 2020. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

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. The 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 interim condensed consolidated financial statements.

Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of these interim condensed consolidated financial statements including the recoverability of carrying amounts of financial and non financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group has, at the date of approval of these condensed financial statements, used internal and external sources of information including credit reports and related information and economic forecasts and expects that the carrying amount of these assets will be recovered. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these interim condensed consolidated financial statements.

1.5 Critical accounting estimates and judgements

a. Revenue recognition
The Group's contracts with customers include promises to transfer multiple products and services to a customer. Revenues from customer contracts are considered for recognition and measurement when the contract has been approved, in writing, by the parties to the contract, the parties to contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligations to determine the deliverables and the ability of the customer to benefit independently from such deliverables, and allocation of transaction price to these distinct performance obligations involves significant judgement.

Fixed price maintenance revenue is recognized ratably on a straight-line basis when services are performed through an indefinite number of repetitive acts over a specified period. Revenue from fixed price maintenance contract is recognized ratably using a percentage of completion method when the pattern of benefits from the services rendered to the customer and Group's costs to fulfil the contract is not even through the period of the contract because the services are generally discrete in nature and not repetitive. The use of method to recognize the maintenance revenues requires judgment and is based on the promises in the contract and nature of the deliverables.

The Group uses the percentage-of-completion method in accounting for other fixed-price contracts. Use of the percentage-of-completion method requires the Group to determine the actual efforts or costs expended to date as a proportion of the estimated total efforts or costs to be incurred. Efforts or costs expended are used to measure progress towards completion as there is a direct relationship between input and productivity. The estimation of total efforts or costs involves significant judgement and is assessed throughout the period of the contract to reflect any changes based on the latest available information.

Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

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 2.12).

c. Business combinations and intangible assets
Business combinations are accounted for using IFRS 3 (Revised), Business Combinations. IFRS 3 requires us to fair value identifiable intangible assets and contingent consideration to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Estimates are required to be made in determining the value of contingent consideration, value of option arrangements and intangible assets. These valuations are conducted by external valuation experts. These measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management.

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 (Refer to note 2.7).

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 (CGUs) is less than it's carrying amount. For the impairment test, goodwill is allocated to the CGU or groups of CGUs which benefit from the synergies of the acquisition and which represent the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of CGUs is determined based on higher of value-in-use and fair value less cost to sell. Key assumptions in the cash flow projections are prepared based on current economic conditions and comprises estimated long term growth rates, weighted average cost of capital and estimated operating margins.

f. Leases
IFRS 16 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Group makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to Infosys's operations taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. After considering current and future economic conditions, the Group has concluded that no material changes are required to lease period relating to the existing lease contracts (Refer note 2.8).

g. Allowance for credit losses on receivables and unbilled revenue
The Group determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The group considered current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

1.6 Recent accounting pronouncements

New and revised IFRS Standards in issue but not yet effective:

Amendments to IAS 16 Property, Plant and Equipment	Proceeds before Intended Use
Amendments to IAS 37 Onerous Contracts	Cost of Fulfilling a Contract
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform—Phase 2

Amendments to IAS 16

On May 14, 2020 International Accounting Standards Board (IASB) has issued amendment to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) which amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The effective date for adoption of this amendment is annual periods beginning on or after January 1, 2022, although early adoption is permitted. The Group is in the process of evaluating the impact of the amendment.

Amendments to IAS 37

On May 14, 2020 IASB has issued Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) which specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The effective date for adoption of this amendment is annual periods beginning on or after January 1, 2022, although early adoption is permitted. The Group is in the process of evaluating the impact of the amendment.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

The International Accounting Standards Board (Board) has finalized its response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks by issuing a package of amendments to IFRS Standards in August 2020. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The amendments in this final phase relate to practical expedient for particular changes in contractual cash flows, relief from specific hedge accounting requirements and certain disclosure requirement.

The effective date for adoption of this amendment is annual periods beginning on or after January 1, 2021, although early adoption is permitted.

The Group is in the process of evaluating the impact of the amendment.

Infosys Limited and Subsidiaries

2. Notes to the interim Condensed Consolidated Financial Statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Dollars in millions)

Particulars	As at	
	December 31, 2020	**March 31, 2020**
Cash and bank deposits	2,226	1,624
Deposits with financial institutions	796	841
Total Cash and cash equivalents	**3,022**	**2,465**

Cash and cash equivalents as at December 31, 2020 and March 31, 2020 include restricted cash and bank balances of $60 million and $52 million, respectively. The restrictions are primarily on account of bank balances held by irrevocable trusts controlled by the company and bank balances held as margin money deposits against guarantees.

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.

2.2 Investments

The carrying value of investments are as follows:

(Dollars in millions)

Particulars	As at December 31, 2020	As at March 31, 2020
(i) Current		
Fair value through profit or loss		
Liquid Mutual funds	358	278
Fixed maturity plan securities	-	65
Fair Value through Other comprehensive income		
Quoted debt securities	96	123
Certificate of deposits	-	149
Total current investments	**454**	**615**
(ii) Non-current		
Amortized cost		
Quoted debt securities	295	244
Fair value through Other comprehensive income		
Quoted debt securities	767	281
Unquoted equity and preference securities	21	14
Fair value through profit or loss		
Unquoted Preference securities	1	1
Others[(1)]	10	7
Total Non-current investments	**1,094**	**547**
Total investments	**1,548**	**1,162**
Investment carried at amortized cost	295	244
Investments carried at fair value through other comprehensive income	884	567
Investments carried at fair value through profit or loss	369	351

[(1)] Uncalled capital commitments outstanding as on December 31, 2020 and March 31, 2020 was $7 million and $8 million, respectively.

Refer note 2.3 for accounting policies on financial instruments.

Method of fair valuation: *(Dollars in millions)*

Class of investment	Method	Fair value As at December 31, 2020	Fair value As at March 31, 2020
Liquid mutual fund units	Quoted price	358	278
Fixed maturity plan securities	Market observable inputs	-	65
Quoted debt securities- carried at amortized cost	Quoted price and market observable inputs	348	284
Quoted debt securities- carried at Fair value through other comprehensive income	Quoted price and market observable inputs	863	404
Certificate of deposits	Market observable inputs	-	149
Unquoted equity and preference securities at fair value through other comprehensive income	Discounted cash flows method, Market multiples method, Option pricing model, etc.	21	14
Unquoted equity and preference securities - carried at fair value through profit or loss	Discounted cash flows method, Market multiples method, Option pricing model, etc.	1	1
Others	Discounted cash flows method, Market multiples method, Option pricing model, etc.	10	7
		1,601	**1,202**

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

2.3 Financial instruments

Accounting Policy

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 and financial liability under option arrangements 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 transaction. .

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.

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 consolidated statement of comprehensive income.

Infosys Limited and Subsidiaries

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at December 31, 2020 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 note 2.1)	3,022	-	-	-	-	3,022	3,022	
Investments (Refer to Note 2.2)								
Liquid mutual fund units	-	-	358	-	-	358	358	
Quoted debt securities	295	-	-	-	863	1,158	1,211	(1)
Unquoted equity and preference securities:	-	-	1	21	-	22	22	
Unquoted investment others	-	-	10	-	-	10	10	
Trade receivables	2,629	-	-	-	-	2,629	2,629	
Unbilled revenues (Refer note 2.17)[3]	476	-	-	-	-	476	476	
Prepayments and other assets (Refer to Note 2.4)	517	-	-	-	-	517	508	(2)
Derivative financial instruments	-	-	22	-	1	23	23	
Total	**6,939**	**-**	**391**	**21**	**864**	**8,215**	**8,259**	
Liabilities:								
Trade payables	339	-	-	-	-	339	339	
Lease liabilities	692		-	-	-	692	692	
Derivative financial instruments	-	-	2	-	3	5	5	
Financial liability under option arrangements	-	-	96	-	-	96	96	
Other liabilities including contingent consideration (Refer to note 2.5)	1,126	-	23	-	-	1,149	1,149	
Total	**2,157**	**-**	**121**	**-**	**3**	**2,281**	**2,281**	

[1] *On account of fair value changes including interest accrued*
[2] *Excludes interest accrued on quoted debt securities carried at amortized cost of $ 9 million.*
[3] *Excludes unbilled revenue for contracts where the right to consideration is dependent on completion of contractual milestones*

Infosys Limited and Subsidiaries

The carrying value and fair value of financial instruments by categories as at March 31, 2020 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)	2,465	-	-	-	-	2,465	2,465	
Investments (Refer note 2.2)								
Liquid mutual fund units	-	-	278	-	-	278	278	
Fixed maturity plan securities	-	-	65	-	-	65	65	
Quoted debt securities	244	-	-	-	404	648	688	(1)
Certificate of deposits	-	-	-	-	149	149	149	
Unquoted equity and preference securities	-	-	1	14	-	15	15	
Unquoted investment others	-	-	7	-	-	7	7	
Trade receivables	2,443	-	-	-	-	2,443	2,443	
Unbilled revenues(Refer note 2.17)[3]	369	-	-	-	-	369	369	
Prepayments and other assets (Refer to Note 2.4)	476	-	-	-	-	476	465	(2)
Derivative financial instruments	-	-	7	-	1	8	8	
Total	**5,997**	**-**	**358**	**14**	**554**	**6,923**	**6,952**	
Liabilities:								
Trade payables	377	-	-	-	-	377	377	
Lease liabilities	612	-	-	-	-	612	612	
Derivative financial instruments	-	-	62	-	3	65	65	
Financial liability under option arrangements	-	-	82	-	-	82	82	
Other liabilities including contingent consideration (Refer to note 2.5)	1,054	-	45	-	-	1,099	1,099	
Total	**2,043**	**-**	**189**	**-**	**3**	**2,235**	**2,235**	

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

[(2)] *Excludes interest accrued on quoted debt securities carried at amortized cost of $11 million.*

[(3)] *Excludes unbilled revenue for contracts where the right to consideration is dependent on completion of contractual milestones*

Infosys Limited and Subsidiaries

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, 2020

(Dollars in millions)

Particulars	As at December 31, 2020	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)	358	358	-	-
Investments in quoted debt securities (Refer to Note 2.2)	1,211	988	223	-
Investments in unquoted equity and preference securities (Refer to Note 2.2)	22	-	-	22
Investments in unquoted investments others (Refer to Note 2.2)	10	-	-	10
Derivative financial instruments - gain on outstanding foreign exchange forward and option contracts	23	-	23	-
Liabilities				
Derivative financial instruments - loss on outstanding foreign exchange forward and option contracts	5	-	5	-
Financial liability under option arrangements	96	-	-	96
Liability towards contingent consideration (Refer to note 2.5)*	23	-	-	23

*Discount rate pertaining to contingent consideration ranges from 8% to 14%

During the nine months ended December 31, 2020, quoted debt securities of $23 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 $216 million were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

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The following table presents fair value hierarchy of assets and liabilities as at March 31, 2020

(Dollars in millions)

Particulars	As at March 31, 2020	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)	278	278	-	-
Investments in fixed maturity plan securities (Refer to Note 2.2)	65	-	65	-
Investments in quoted debt securities (Refer to Note 2.2)	688	618	70	-
Investments in certificate of deposit (Refer to Note 2.2)	149	-	149	-
Investments in unquoted equity and preference securities (Refer to Note 2.2)	15	-	-	15
Investments in unquoted investments others (Refer to Note 2.2)	7	-	-	7
Derivative financial instruments- gain on outstanding foreign exchange forward and option contracts	8	-	8	-
Liabilities				
Derivative financial instruments- loss on outstanding foreign exchange forward and option contracts	65	-	65	-
Financial liability under option arrangements	82	-	-	82
Liability towards contingent consideration (Refer to Note 2.5)*	45	-	-	45

*Discount rate pertaining to contingent consideration ranges from 8% to 14%

During the year ended March 31, 2020 quoted debt securities of $87 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 $7 million were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

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.

Majority of investments of the Group are fair valued based on Level 1 or Level 2 inputs. These investments primarily include investment in liquid mutual fund units, fixed maturity plan securities, certificates of deposit, commercial papers, quoted bonds issued by government and quasi-government organizations and non-convertible debentures. The Group invests after considering counterparty risks based on multiple criteria including Tier I capital, Capital Adequacy Ratio, Credit Rating, Profitability, NPA levels and Deposit base of banks and financial institutions. These risks are monitored regularly as per its risk management program.

Infosys Limited and Subsidiaries

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:

(Dollars in millions)

Particulars	As at	
	December 31, 2020	March 31, 2020
Current		
Rental deposits	4	4
Security deposits	1	1
Loans to employees	19	32
Prepaid expenses(1)	147	128
Interest accrued and not due	81	62
Withholding taxes and others(1)	232	209
Advance payments to vendors for supply of goods(1)	5	19
Deposit with corporations*	267	237
Deferred contract cost(1)	8	4
Net investment in sublease of right of use asset	5	5
Other non financial assets(1)	1	4
Other financial assets	39	34
Total Current prepayment and other assets	**809**	**739**
Non-current		
Loans to employees	4	3
Security deposits	7	7
Deposit with corporations *	5	7
Defined benefit plan assets(1)	5	20
Prepaid expenses(1)	6	11
Deferred contract cost(1)	14	13
Withholding taxes and others(1)	107	103
Net investment in sublease of right of use asset	49	53
Rental Deposits	29	29
Other non financial assets	2	-
Other financial assets	7	2
Total Non- current prepayment and other assets	**235**	**248**
Total prepayment and other assets	**1,044**	**987**
Financial assets in prepayments and other assets	**517**	**476**

(1) Non financial assets

Withholding taxes and others primarily consist of input tax credits and Cenvat recoverable from Government of India. As at December 31, 2020, Cenvat recoverable includes $51 million which are pending adjudication. The Group expects these amounts to be sustainable on adjudication and recoverable on final resolution.

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

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2.5 Other liabilities

Other liabilities comprise the following:

(Dollars in millions)

Particulars	As at December 31, 2020	As at March 31, 2020
Current		
Accrued compensation to employees	429	391
Accrued defined benefit plan liability [1]	-	9
Accrued expenses	607	518
Withholding taxes and others [1]	372	232
Retention money	2	10
Liabilities of controlled trusts	27	25
Deferred income - government grants [1]	2	-
Liability towards contingent consideration	11	29
Capital creditors	27	37
Others non financial liabilities [1]	1	1
Other financial liabilities	18	69
Total Current other liabilities	**1,496**	**1,321**
Non-Current		
Liability towards contingent consideration	12	16
Accrued compensation to employees	6	3
Accrued defined benefit plan liability [1]	34	28
Deferred income - government grants [1]	6	6
Deferred income [1]	3	3
Financial liability under option arrangements	96	82
Withholding taxes and others [1]	51	-
Other financial liabilities	10	1
Total Non-current other liabilities	**218**	**139**
Total other liabilities	**1,714**	**1,460**
Financial liabilities included in other liabilities	1,245	1,181
Financial liability towards contingent consideration on an undiscounted basis	26	48

[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.

2.6 Provisions and other contingencies

Accounting Policy

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.

Contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Post sales client support
The Group provides its clients with a fixed-period post sales support for 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, 2020	**March 31, 2020**
Provision for post sales client support and other provisions	102	76
	102	**76**

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 1 year.

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, 2020 and March 31, 2020, claims against the Group, not acknowledged as debts, (excluding demands from income tax authorities- Refer to Note 2.12) amounted to $79 million (₹578 crore) and $30 million (₹230 crore), respectively.

Legal Proceedings

On the matters pertaining to the whistle blower allegations, previously disclosed by the Company on October 22, 2019, the Company has responded to all the inquires received from the Indian regulatory authorities.

The Group is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Group's management reasonably expects that these legal actions, when ultimately concluded and determined, will not have a material and adverse effect on the Group'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[(1)]	5 years
Computer equipment	3-5 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	Lower of useful life of the asset or lease term

[(1)] *includes solar plant with a useful life of 20 years*

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 consolidated statement of comprehensive income.

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.

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Following are the changes in the carrying value of property, plant and equipment for three months ended December 31, 2020:

(Dollars in millions)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at October 1, 2020	**188**	**1,367**	**648**	**989**	**402**	**6**	**3,600**
Additions	1	30	8	24	5	-	68
Additions- Business Combinations (Refer Note 2.10)	-	-	-	1	-	-	1
Deletions	-	-	(1)	(13)	(1)	-	(15)
Translation difference	1	17	6	10	3	-	37
Gross carrying value as at December 31, 2020	**190**	**1,414**	**661**	**1,011**	**409**	**6**	**3,691**
Accumulated depreciation as at October 1, 2020	**-**	**(472)**	**(459)**	**(720)**	**(274)**	**(4)**	**(1,929)**
Depreciation	-	(13)	(16)	(33)	(12)	(1)	(75)
Accumulated depreciation on deletions	-	-	1	12	1	-	14
Translation difference	-	(5)	(5)	(7)	(1)	1	(17)
Accumulated depreciation as at December 31, 2020	**-**	**(490)**	**(479)**	**(748)**	**(286)**	**(4)**	**(2,007)**
Capital work-in progress as at December 31, 2020							182
Carrying value as at December 31, 2020	**190**	**924**	**182**	**263**	**123**	**2**	**1,866**
Capital work-in progress as at October 1, 2020							198
Carrying value as at October 1, 2020	**188**	**895**	**189**	**269**	**128**	**2**	**1,869**

Following are the changes in the carrying value of property, plant and equipment for three months ended December 31, 2019:

(Dollars in millions)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at October 1, 2019	**185**	**1,325**	**625**	**881**	**375**	**6**	**3,397**
Additions	-	5	11	42	12	-	70
Deletions	-	-	-	(6)	-	-	(6)
Translation difference	(1)	(5)	(4)	(5)	(1)	-	(16)
Gross carrying value as at December 31, 2019	**184**	**1,325**	**632**	**912**	**386**	**6**	**3,445**
Accumulated depreciation as at October 1, 2019	**-**	**(437)**	**(412)**	**(639)**	**(238)**	**(3)**	**(1,729)**
Depreciation	-	(12)	(17)	(30)	(12)	(1)	**(72)**
Accumulated depreciation on deletions	-	-	-	6	-	-	**6**
Translation difference	-	2	3	3	1	-	**9**
Accumulated depreciation as at December 31, 2019	**-**	**(447)**	**(426)**	**(660)**	**(249)**	**(4)**	**(1,786)**
Capital work-in progress as at December 31, 2019							237
Carrying value as at December 31, 2019	**184**	**878**	**206**	**252**	**137**	**2**	**1,896**
Capital work-in progress as at October 1, 2019							210
Carrying value as at October 1, 2019	**185**	**888**	**213**	**242**	**137**	**3**	**1,878**

Infosys Limited and Subsidiaries

Following are the changes in the carrying value of property, plant and equipment for nine months ended December 31, 2020:

(Dollars in millions)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2020	**174**	**1,324**	**621**	**882**	**381**	**6**	**3,388**
Additions	10	37	20	112	16	-	195
Additions- Business Combinations (Refer Note 2.10)	-	-	-	1	-	-	1
Deletions	-	-	(3)	(19)	(3)	-	(25)
Translation difference	6	53	23	35	15	-	132
Gross carrying value as at December 31, 2020	**190**	**1,414**	**661**	**1,011**	**409**	**6**	**3,691**
Accumulated depreciation as at April 1, 2020	**-**	**(434)**	**(418)**	**(646)**	**(243)**	**(4)**	**(1,745)**
Depreciation	-	(39)	(48)	(96)	(36)	(1)	(220)
Accumulated depreciation on deletions	-	-	3	18	3	-	24
Translation difference	-	(17)	(16)	(24)	(10)	1	(66)
Accumulated depreciation as at December 31, 2020	**-**	**(490)**	**(479)**	**(748)**	**(286)**	**(4)**	**(2,007)**
Capital work-in progress as at December 31, 2020							182
Carrying value as at December 31, 2020	**190**	**924**	**182**	**263**	**123**	**2**	**1,866**
Capital work-in progress as at April 1, 2020							167
Carrying value as at April 1, 2020	**174**	**890**	**203**	**236**	**138**	**2**	**1,810**

Following are the changes in the carrying value of property, plant and equipment for nine months ended December 31, 2019:

(Dollars in millions)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2019	**276**	**1,291**	**572**	**845**	**321**	**5**	**3,310**
Additions	1	75	80	105	76	1	**338**
Additions- Business Combinations	-	-	-	9	1	-	**10**
Deletions	-	-	(1)	(20)	(2)	-	**(23)**
Reclassified on account of adoption of IFRS 16	(86)	-	-	-	-	-	**(86)**
Translation difference	(7)	(41)	(19)	(27)	(10)	-	**(104)**
Gross carrying value as at December 31, 2019	**184**	**1,325**	**632**	**912**	**386**	**6**	**3,445**
Accumulated depreciation as at April 1, 2019	**(5)**	**(423)**	**(390)**	**(606)**	**(223)**	**(3)**	**(1,650)**
Depreciation	-	(37)	(50)	(93)	(35)	(1)	**(216)**
Accumulated depreciation on deletions	-	-	1	20	2	-	**23**
Reclassified on account of adoption of IFRS 16	5	-	-	-	-	-	**5**
Translation difference	-	13	13	19	7	-	**52**
Accumulated depreciation as at December 31, 2019	**-**	**(447)**	**(426)**	**(660)**	**(249)**	**(4)**	**(1,786)**
Capital work-in progress as at December 31, 2019							237
Carrying value as at December 31, 2019	**184**	**878**	**206**	**252**	**137**	**2**	**1,896**
Capital work-in progress as at April 1, 2019							271
Carrying value as at April 1, 2019	**271**	**868**	**182**	**239**	**98**	**2**	**1,931**

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

The contractual commitments for capital expenditure primarily comprise of commitments for infrastructure facilities and computer equipments aggregating to $102 million and $180 million as at December 31, 2020 and March 31, 2020, respectively.

2.8 Leases

Accounting Policy

The Group as a lessee

The Group's lease asset classes primarily consist of leases for land and buildings. The group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether: (1) the contract involves the use of an identified asset (2) the group has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. .

Right of use assets 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.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the group changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Group as a lessor

Leases for which the group is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

Following are the changes in the carrying value of right of use assets for the three months ended December 31, 2020

(Dollars in millions)

Particulars	**Category of ROU asset**				
	Land	**Buildings**	**Vehicle**	**Computer**	**Total**
Balance as of October 1, 2020	**86**	**472**	**3**	**8**	**569**
Additions*	-	60	-	7	67
Deletions	-	(7)	-	-	(7)
Depreciation	(1)	(20)	-	(1)	(22)
Translation difference	1	8	-	1	10
Balance as of December 31, 2020	**86**	**513**	**3**	**15**	**617**

** Net of lease incentives of $5 million related to lease of Buildings*

Following are the changes in the carrying value of right of use assets for the three months ended December 31, 2019

(Dollars in millions)

Particulars	**Category of ROU asset**				
	Land	**Buildings**	**Vehicle**	**Computer**	**Total**
Balance as of October 1, 2019	**88**	**458**	**3**	**3**	**552**
Additions	-	21	-	3	24
Deletions	-	(14)	-	-	(14)
Depreciation	-	(19)	(1)	(1)	(21)
Translation difference	-	(2)	-	1	(1)
Balance as of December 31, 2019	**88**	**444**	**2**	**6**	**540**

Following are the changes in the carrying value of right of use assets for the nine months ended December 31, 2020

(Dollars in millions)

Particulars	**Category of ROU asset**				
	Land	**Buildings**	**Vehicle**	**Computer**	**Total**
Balance as of April 1, 2020	**83**	**461**	**2**	**5**	**551**
Additions*	1	109	1	11	122
Deletions	-	(19)	-		(19)
Depreciation	(1)	(60)	-	(2)	(63)
Translation difference	3	22	-	1	26
Balance as of December 31, 2020	**86**	**513**	**3**	**15**	**617**

** Net of lease incentives of $11 million related to lease of Buildings*

Following are the changes in the carrying value of right of use assets for the nine months ended December 31, 2019

(Dollars in millions)

Particulars	Category of ROU asset				
	Land	Buildings	Vehicle	Computer	Total
Balance as of April 1, 2019	**-**	**419**	**1**	**-**	**420**
Reclassified on account of adoption of IFRS 16	92	-	-	-	92
Additions	-	83	-	7	90
Additions through business combination	-	26	2	-	28
Deletions	-	(15)	-	-	(15)
Depreciation	(1)	(55)	(1)	(1)	(58)
Translation difference	(3)	(14)	-	-	(17)
Balance as of December 31, 2019	**88**	**444**	**2**	**6**	**540**

The aggregate depreciation expense on ROU assets is included in cost of sales in the consolidated Statement of Comprehensive Income.

The following is the break-up of current and non-current lease liabilities as of December 31, 2020 and March 31, 2020

(Dollars in millions)

Particulars	**As at**	
	December 31, 2020	**March 31, 2020**
Current lease liabilities	92	82
Non-current lease liabilities	600	530
Total	**692**	**612**

2.9 Goodwill

Accounting Policy

Goodwill represents purchase consideration 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 purchase consideration, the fair value of net assets acquired is reassessed and the bargain purchase gain is recognized immediately in the 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 the recoverable amount of a cash generating unit (CGU) is less than its carrying amount. For the impairment test, goodwill is allocated to the CGU or groups of CGU's which benefit from the synergies of the acquisition. 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:

(Dollars in millions)

Particulars	As at	
	December 31, 2020	March 31, 2020
Carrying value at the beginning	699	512
Goodwill on HIPUS acquisition	-	16
Goodwill on Stater acquisition	-	57
Goodwill on Simplus acquisition	-	130
Goodwill on Kaleidoscope acquisition	22	-
Goodwill on GuideVision acquisition	14	-
Goodwill on Blue Acorn acquisition	66	-
Translation differences	47	(16)
Carrying value at the end	**848**	**699**

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or groups of CGUs, which benefit from the synergies of the acquisition.

2.10 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. Contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognized in the Statement of Comprehensive Income.

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 accounted for at carrying value of the assets and liabilities in the Group's consolidated financial statements.

The payments related to options issued by the Group over the non-controlling interests in its subsidiaries are accounted as financial liabilities and initially recognized at the estimated present value of gross obligations. Such options are subsequently measured at fair value in order to reflect the amount payable under the option at the date at which it becomes exercisable. In the event that the option expires unexercised, the liability is derecognised.

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.

Kaleidoscope Animations, Inc.

On October 9, 2020, Infosys Nova Holdings LLC (a wholly owned subsidiary of Infosys Limited) acquired 100% of voting interests in Kaleidoscope Animations, Inc. a US based Product Design and Development services focused primarily on medical devices, for a total consideration of upto $43 million (approximately ₹320 crore), comprising of cash consideration of $30 million (approximately ₹224 crore), contingent consideration of upto $12 million (approximately ₹91 crore) and retention payouts of upto $1 million (approximately ₹5 crore), payable to the employees of Kaleidoscope Animations, Inc over the next three years, subject to their continuous employment with the group along with achievement of set targets for respective years. Retention bonus is recognized in employee benefit expenses in the statement of comprehensive Income over the period of service.

This acquisition is expected to strengthen Infosys digital offerings at the intersection of new software technologies, consumer products and medical devices. The excess of the purchase consideration paid over the fair value of net assets acquired has been attributed to goodwill. Goodwill includes the value expected from addition of new customers and estimated synergies which does not qualify as an intangible asset.

The provisional purchase price allocation is based on management's estimates and 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#	-	10	10
Intangible assets – Brand#	-	3	3
	5	**13**	**18**
Goodwill			22
Total purchase price			**40**

** Includes cash and cash equivalents acquired of $ 1 million.*
 # Useful lives are in the range of 2 to 6 years

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	30
Fair value of contingent consideration	10
Total purchase price	**40**

The gross amount of trade receivables acquired, and its fair value is $4 million as of acquisition date and as of December 31, 2020 the amount is substantially collected.

At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 13.5% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as of December 31, 2020 was $11 million.

The transaction costs is less than $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, 2020.

GuideVision, s.r.o

On October 1, 2020, Infy Consulting Company Limited (Wholly-owned subsidiary of Infosys Consulting Holding AG) acquired 100% of voting interests in GuideVision s.r.o , a ServiceNow Elite Partner in Europe for a total consideration of upto Euro 31 million (approximately $35 million), comprising of cash consideration of Euro 21 million (approximately $24 million), contingent consideration of upto Euro 4 million (approximately $4 million) and retention payouts of upto Euro 6 million (approximately $7 million), payable to the employees of GuideVision s.r.o over the next two to three years, subject to their continuous employment with the group. Retention bonus is recognized in employee benefit expenses in the statement of comprehensive Income over the period of service.

GuideVision is an enterprise service management consultancy specialized in offering strategic advisory, consulting, implementations, training and support on the ServiceNow platform. The excess of the purchase consideration paid over the fair value of net assets acquired has been attributed to goodwill. Goodwill includes the value expected from addition of new customers and estimated synergies which does not qualify as an intangible asset.

The provisional purchase price allocation is based on management's estimates and appraisal of fair values as follows:

Dollars in millions

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net Assets*	3	-	3
Intangible assets –			
Customer contracts and Relationships#	-	6	6
Service now Relationships#	-	3	3
Brand#	-	1	1
Software license#	-	4	4
Deferred tax liabilities on intangible assets	-	(3)	(3)
	3	11	14
Goodwill			14
Total purchase price			28

*Includes cash and cash equivalents acquired of $3 million.
 # Useful lives are in the range of 1 to 5 years
Goodwill is not 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	24
Fair value of contingent consideration	4
Total purchase price	28

The gross amount of trade receivables acquired, and its fair value is approximately $5 million as of acquisition date and as of December 31, 2020 the amounts have been largely collected.

The transaction costs is less than $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, 2020.

Blue Acorn iCi

On October 27, 2020, Infosys Nova Holdings LLC (a wholly owned subsidiary of Infosys Limited) acquired 100% of voting interests in Beringer Commerce Inc. and Beringer Capital Digital Group Inc., collectively known as Blue Acorn iCi, an Adobe Platinum partner in the US, and a leader in digital customer experience, commerce and analytics for a cash consideration of $121 million (approximately ₹899 crore) and retention bonus payout of upto $9 million (approximately ₹67 crore), payable to the employees of Blue Acorn iCi over the next two or three years, subject to their continuous employment with the group along with achievement of set targets for the respective years. Retention bonus is recognized in employee benefit expenses in the statement of comprehensive income over the period of service.

Blue Acorn iCi brings to Infosys, cross-technology capabilities through the convergence of customer experience, digital commerce, analytics, and experience driven commerce services. The excess of the purchase consideration paid over the fair value of net assets acquired has been attributed to goodwill. Goodwill majorly includes the value expected from increase in revenues from various other streams of business and estimated synergies which does not qualify as an intangible asset.

The provisional purchase price allocation is based on management's estimates and appraisal of fair values as follows:

. Dollars in millions

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net Assets*	10	-	10
Intangible assets –			
Adobe-Magento Partnership#	-	33	33
Customer Contracts and Relationships #	-	8	8
Brand#	-	4	4
	10	45	55
Goodwill			66
Total purchase price			121

**Includes cash and cash equivalents acquired of $ 7 million.*
 # Useful lives are in the range of 1 to 7 years
Substantial portion of the goodwill is not tax deductible.

The fair value of cash consideration as of the acquisition date is $ 121 million. The gross amount of trade receivables acquired and its fair value is approximately $6 million as of acquisition date and as of December 31, 2020 the amount is substantially collected.

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, 2020.

Business transfer- Kallidus Inc. and Skava Systems Private Limited

On October 11, 2019, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with its wholly-owned subsidiaries, Kallidus Inc. and Skava Systems Private Limited (together referred to as "Skava"), to transfer the business of Skava to Infosys Limited, for a consideration based on an independent valuation. The company entered into a business transfer agreement to transfer the business of Kallidus Inc. and Skava Systems Private Limited for a consideration of $23 million (₹171 crore) and $9 million (₹66 crore) respectively, subject to securing the requisite regulatory approvals. The transaction was between a holding company and a wholly owned subsidiary and therefore was accounted for at carrying values and did not have any impact on the consolidated financial statements. Subsequently the Board of Skava has approved voluntary winding up of the entity.

Infosys Limited and Subsidiaries

2.11 Employees' Stock Option Plans (ESOP)

Accounting Policy

The Group recognizes compensation expense relating to share-based payments in net profit based on estimated fair-values of the awards on the grant date. The estimated fair value of awards is recognized as an expense in net profit in the consolidated statement of comprehensive 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.

Infosys Expanded Stock Ownership Program 2019 (the 2019 Plan)

On June 22, 2019 pursuant to approval by the shareholders in the Annual General Meeting, the Board has been authorized to introduce, offer, issue and provide share-based incentives to eligible employees of the Company and its subsidiaries under the 2019 Plan. The maximum number of shares under the 2019 plan shall not exceed 50,000,000 equity shares. To implement the 2019 Plan, upto 45,000,000 equity shares may be issued by way of secondary acquisition of shares by Infosys Expanded Stock Ownership Trust. The RSUs granted under the 2019 plan shall vest based on the achievement of defined annual performance parameters as determined by the administrator (Nomination and Remuneration Committee). The performance parameters will be based on a combination of relative Total Shareholder Return (TSR) against selected industry peers and certain broader market domestic and global indices and operating performance metrics of the company as decided by administrator. Each of the above performance parameters will be distinct for the purposes of calculation of quantity of shares to vest based on performance. These instruments will generally vest between a minimum of 1 to maximum of 3 years from the grant date.

2015 Stock Incentive Compensation Plan (the 2015 Plan) :

On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board was 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). 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.

The equity settled and cash settled RSUs and stock options would vest generally over a period of 4 years and shall be exercisable within the period as approved by the Nomination and Remuneration Committee (NARC). 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.

Controlled trust holds 16,296,404 and 18,239,356 shares as at December 31, 2020 and March 31, 2020, respectively under the 2015 plan. Out of these shares, 2,00,000 equity shares each have been earmarked for welfare activities of the employees as at December 31, 2020 and March 31, 2020, respectively.

The following is the summary of grants during three months and nine months ended December 31, 2020 and December 31, 2019

Particulars	2019 Plan				2015 Plan			
	Three months ended December 31,		Nine months ended December 31,		Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019	2020	2019	2020	2019
Equity settled RSU								
KMPs	-	-	207,808	187,793	-	-	204,097	212,096
Employees other than KMP	-	-	-	-	33,900	1,939,180	58,500	1,976,030
	-	**-**	**207,808**	**187,793**	**33,900**	**1,939,180**	**262,597**	**2,188,126**
Cash settled RSU								
KMPs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Employees other than KMP	**-**	**-**	**-**	**-**	**-**	**98,480**	**-**	**98,480**
	-	**-**	**-**	**-**	**-**	**98,480**	**-**	**98,480**
Total grants	**-**	**-**	**207,808**	**187,793**	**33,900**	**2,037,660**	**262,597**	**2,286,606**

Notes on grants to KMP:

CEO & MD

Under the 2015 plan:

In accordance with the employee agreement which has been approved by the shareholders, the CEO is eligible to receive an annual grant of RSUs of fair value ₹3.25 crore (approximately $0.50 million) which will vest overtime in three equal annual installments upon the completion of each year of service from the respective grant date. Though the annual time based grants for the remaining employment term ending on March 31, 2023 have not been granted as of December 31, 2020, 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 Board, on April 20, 2020, based on the recommendations of the Nomination and Remuneration Committee, in accordance with the terms of his employment agreement, approved the performance-based grant of RSUs amounting to ₹13 crore (approximately $2 million) for the fiscal 2021 under the 2015 Plan. These RSUs will vest in line with the employment agreement based on achievement of certain performance targets. Accordingly, 192,964 performance based RSU's were granted effective May 2, 2020.

Under the 2019 plan:

The Board, on April 20, 2020, based on the recommendations of the Nomination and Remuneration Committee, approved performance-based grant of RSUs amounting to ₹10 crore (approximately $1.50 million) for fiscal 2021 under the 2019 Plan. These RSUs will vest in line with the employment agreement based on achievement of certain performance targets. Accordingly, 148,434 performance based RSU's were granted effective May 2, 2020.

COO and Whole time director

Under the 2019 plan:

The Board, on April 20, 2020, based on the recommendations of the Nomination and Remuneration Committee, approved performance-based grant of RSUs amounting to ₹4 crore (approximately $0.50 million) for fiscal 2021 under the 2019 Plan. These RSUs will vest in line with the employment agreement based on achievement of certain performance targets. Accordingly, 59,374 performance based RSU's were granted effective May 2, 2020.

Other KMP

Under the 2015 plan:

On April 20, 2020, based on the recommendations of the Nomination and Remuneration Committee, in accordance with employment agreement, the Board, approved performance-based grant of 11,133 RSUs to other KMP under the 2015 Plan. The grants were made effective May 2, 2020. The performance based RSUs will vest over three years based on certain performance targets.

Break-up of employee stock compensation expense: -

(Dollars in millions)

Particulars	**Three months ended December 31, 2020**	**Three months ended December 31, 2019**	**Nine months ended December 31, 2020**	**Nine months ended December 31, 2019**
Granted to:				
KMP	3	2	8	6
Employees other than KMP	8	7	27	20
Total(1)	**11**	**9**	**35**	**26**
(1) Cash settled stock compensation expense included in the above	2	-	8	-

The fair value of the awards are estimated using the Black-Scholes Model for time and non-market performance based options and Monte Carlo simulation model is used for TSR based options.

The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, expected term and the risk free rate of interest. Expected volatility during the expected term of the options 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 options. Expected volatility of the comparative company have been modelled based on historical movements in the market prices of their publicly traded equity shares during a period equivalent to the expected term of the options. Correlation coefficient is calculated between each peer entity and the indices as a whole or between each entity in the peer group.

The fair value of each equity settled award is estimated on the date of grant using the following assumptions:

Particulars	'For options granted in			
	Fiscal 2021-Equity Shares-RSU	Fiscal 2021-ADS-RSU	Fiscal 2020-Equity Shares-RSU	Fiscal 2020-ADS-RSU
Weighted average share price (₹) / ($ ADS)	683	11.55	728	10.52
Exercise price (₹)/ ($ ADS)	5.00	0.07	5.00	0.07
Expected volatility (%)	30-40	30-43	22-30	22-26
Expected life of the option (years)	1-4	1-4	1-4	1-4
Expected dividends (%)	2-3	2-3	2-3	2-3
Risk-free interest rate (%)	4-5	0.1 - 0.3	6-7	1-3
Weighted average fair value as on grant date (₹) / ($ ADS)	574	10.68	607	7.84

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.

2.12 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. 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:

(Dollars in millions)

Particulars	**Three months ended December 31, 2020**	**Three months ended December 31, 2019**	**Nine months ended December 31, 2020**	**Nine months ended December 31, 2019**
Current taxes				
Domestic taxes	204	156	534	464
Foreign taxes	58	53	139	166
	262	**209**	**673**	**630**
Deferred taxes				
Domestic taxes	12	(1)	59	3
Foreign taxes	(11)	(14)	(14)	(36)
	1	**(15)**	**45**	**(33)**
Income tax expense	**263**	**194**	**718**	**597**

Income tax expense for the three months ended December 31, 2020 and December 31, 2019 includes reversal (net of provisions) of $8 million and $11 million, respectively. Income tax expense for the nine months ended December 31, 2020 and December 31, 2019 includes reversal (net of provisions) of $39 million and $28 million respectively. These reversals pertain to prior periods on account of adjudication of certain disputed matters in favor of the Company and upon filing of return 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:

(Dollars in millions)

Particulars	Three months ended December 31, 2020	Three months ended December 31, 2019	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Profit before income taxes	970	821	2,644	2,343
Enacted tax rates in India	34.94%	34.94%	34.94%	34.94%
Computed expected tax expense	338	287	923	819
Tax effect due to non-taxable income for Indian tax purposes	(98)	(113)	(254)	(281)
Overseas taxes	25	28	73	86
Tax provision (reversals)	(8)	(11)	(39)	(28)
Effect of differential tax rates	(4)	(7)	(14)	(10)
Effect of exempt non operating income	(2)	(1)	(4)	(4)
Effect of unrecognized deferred tax assets	(2)	2	2	9
Effect of non-deductible expenses	4	9	13	15
Branch profit tax (net of credits)	(1)	(5)	(3)	(13)
Others	11	5	21	4
Income tax expense	**263**	**194**	**718**	**597**

The applicable Indian corporate statutory tax rate for the three months ended and nine months ended December 31, 2020 and December 31, 2019 is 34.94% each.

Deferred income tax for the three months ended and nine months ended December 31, 2020 and December 31, 2019 substantially relates to origination and reversal of temporary differences.

As at December 31, 2020, claims against the Group not acknowledged as debts from the Indian Income tax authorities amounted to $456 million (₹3,334 crore). Amount paid to statutory authorities against this amounted to $829 million (₹6,059 crore).

As at March 31, 2020, claims against the Group not acknowledged as debts from the Indian Income tax authorities amounted to $443 million (₹3,353 crore). Amount paid to statutory authorities against this amounted to $707 million (₹5,352 crore).

The claims against the group majorly represent demands arising on completion of assessment proceedings under the Income Tax Act, 1961. These claims are on account of multiple issues of disallowances such as disallowance of profits earned from STP Units and SEZ Units, disallowance of deductions in respect of employment of new employees under section 80JJAA, disallowance of expenditure towards software being held as capital in nature, payments made to Associated Enterprises held as liable for withholding of taxes.

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.

Infosys Limited and Subsidiaries

2.13 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.

Infosys Limited and Subsidiaries

2.14 Related party transactions

Refer Note 2.20 "Related party transactions" in the Company's 2020 Annual Report on Form 20-F for the full names and other details of the Company's subsidiaries and controlled trusts.

Changes in Subsidiaries

During the nine months ended December 31, 2020, the following are the changes in the subsidiaries:

- On June 1, 2020, Fluido Oy, acquired 100% of the voting interests in Simplus U.K Ltd and Simplus Ireland Ltd. from Simplus Europe Ltd.

- Brilliant Basics (MENA) DMCC, a wholly-owned subsidiary of Brilliant Basics Holdings Limited, has been liquidated effective July 17, 2020.

- Infosys Limited Bulgaria EOOD, a wholly-owned subsidiary of Infosys Ltd, was incorporated on September 11, 2020.

- On October 1, 2020, Infy Consulting Company Limited, a Wholly-owned subsidiary of Infosys Consulting Holding AG) acquired 100% of voting interests in GuideVision s.r.o along with its five subsidiaries GuideVision Deutschland GmbH, GuideVision Suomi Oy, GuideVision Magyarország Kft., GuideVision Polska SP. Z O.O. and GuideVision UK Ltd (Refer to note 2.10)

- On October 9, 2020, Infosys Nova Holdings LLC, a wholly owned subsidiary of Infosys Limited, acquired 100% voting interest in Kaleidoscope Animations, Inc. along with its subsidiary Kaleidoscope Prototyping LLC (Refer to note 2.10)

- Infosys Consulting Sp. z.o.o was merged with Infosys Poland Sp. z.o.o, effective October 21, 2020

- On October 27, 2020, Infosys Nova Holding LLC, a wholly-owned subsidiary of Infosys Limited, acquired 100% voting interest in Beringer Commerce Inc and Beringer Capital Digital Group Inc along with its subsidiaries Mediotype LLC, Beringer Commerce Holdings LLC, SureSource LLC, Blue Acorn LLC, Simply Commerce LLC and iCiDIGITAL LLC.

- Lodestone Management Consultants Portugal, Unipessoal, Lda, a wholly subsidiary of Infosys Consulting Holding AG, has been liquidated effective November 19, 2020.

- Infosys BPM UK Limited, a wholly owned subsidiary of Infosys BPM Ltd, incorporated, effective December 9, 2020

- Fluido Newco AB merged into Fluido Sweden AB (Extero), effective December 18, 2020.

- Stater Deutschland Verwaltungs-GmbH and Stater Deutschland GmbH & Co. KG merged into Stater Duitsland B.V., effective December 18, 2020. Stater Duitsland B.V. merged with Stater N.V., effective December 23, 2020.

- Infosys Consulting s.r.o. v likvidaci (formerly called Infosys Consulting s.r.o.)

- On December 29, 2020, Stater Participation B.V acquired non-controlling interest of 28.01% of the voting interests in Stater Belgium NV

- Infosys Turkey Bilgi Teknolojikeri Limited Sirketi, a wholly owned subsidiary of Infosys Ltd, incorporated on December 30, 2020.

Changes in key management personnel

The following are the changes in the key management personnel:

- D.N. Prahlad resigned as director of the Company effective April 20, 2020.
- Uri Levine appointed as independent director of the Company effective April 20, 2020.
- Bobby Parikh appointed as independent director of the Company effective July 15, 2020.

Transactions with key management personnel

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

(Dollars in millions)

Particulars	Three months ended December 31, 2020	Three months ended December 31, 2019	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Salaries and other employee benefits to whole-time directors and executive officers[(1)(2)]	5	4	14	13
Commission and other benefits to non-executive/ independent directors	-	-	1	1
Total	**5**	**4**	**15**	**14**

(1) Total employee stock compensation expense for the three months ended December 31, 2020 and December 31, 2019 includes a charge of $ 3 million and $2 million respectively, towards key managerial personnel. For the nine months ended December 31, 2020 and December 31, 2019, includes a charge of $8 million and $6 million respectively, towards key managerial personnel. (Refer note 2.11)

(2) Does not include post-employment benefit based on actuarial valuation as this is done for the Company as a whole.

2.15 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. The Chief Operating Decision Maker 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.

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 and amortization, 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 is given in note 2.16 Revenue from operations

Infosys Limited and Subsidiaries

2.15.1 Business Segments

Three months ended December 31, 2020 and December 31, 2019

(Dollars in millions)

Particulars	Financial Services(1)	Retail(2)	Communication(3)	Energy, Utilities, resources and Services	Manufacturing	Hi Tech	Life Sciences(4)	Others(5)	Total
Revenues	**1,163**	**515**	**436**	**441**	**328**	**289**	**248**	**96**	**3,516**
	1,021	*496*	*421*	*414*	*334*	*246*	*219*	*92*	*3,243*
Identifiable operating expenses	645	242	245	232	170	162	129	62	1,887
	529	*244*	*248*	*218*	*181*	*145*	*118*	*54*	*1,737*
Allocated expenses	200	85	82	81	64	42	42	28	624
	230	*100*	*86*	*81*	*72*	*43*	*43*	*36*	*691*
Segment operating income	**318**	**188**	**109**	**128**	**94**	**85**	**77**	**6**	**1,005**
	262	*152*	*87*	*115*	*81*	*58*	*58*	*2*	*815*
Unallocable expenses									112
									104
Operating profit									**893**
									711
Other income, net (Refer Note 2.18)									83
									116
Finance cost									6
									6
Profit before Income taxes									**970**
									821
Income tax expense									263
									194
Net profit									**707**
									627
Depreciation and amortization									112
									103
Non-cash expenses other than depreciation and amortization									-
									1

(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

Infosys Limited and Subsidiaries

Nine months ended December 31, 2020 and December 31, 2019

(Dollars in millions)

Particulars	Financial Services (1)	Retail(2)	Communication (3)	Energy, Utilities, resources and Services	Manufacturing	Hi Tech	Life Sciences(4)	Others(5)	Total
Revenues	**3,207**	**1,455**	**1,270**	**1,249**	**927**	**863**	**681**	**296**	**9,948**
	3,029	*1,478*	*1,273*	*1,241*	*960*	*729*	*618*	*255*	*9,583*
Identifiable operating expenses	1,707	686	742	646	494	480	345	192	5,292
	1,585	*738*	*755*	*656*	*531*	*435*	*339*	*151*	*5,190*
Allocated expenses	600	268	248	251	184	129	119	89	1,888
	672	*292*	*254*	*250*	*216*	*128*	*125*	*100*	*2,037*
Segment operating income	**900**	**501**	**280**	**352**	**249**	**254**	**217**	**15**	**2,768**
	772	*448*	*264*	*335*	*213*	*166*	*154*	*4*	*2,356*
Unallocable expenses									327
									307
Operating profit									**2,441**
									2,049
Other income, net (Refer Note 2.18)									222
									312
Finance cost									19
									18
Profit before Income taxes									**2,644**
									2,343
Income tax expense									718
									597
Net profit									**1,926**
									1,746
Depreciation and amortization									327
									304
Non-cash expenses other than depreciation and amortization									-
									3

(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

2.15.2 Significant clients

No client individually accounted for more than 10% of the revenues for the three months and nine months ended December 31, 2020 and December 31, 2019, respectively.

2.16 Revenue from Operations

Accounting Policy:

The Group derives revenues primarily from IT services comprising software development and related services, maintenance, consulting and package implementation, licensing of software products and platforms across the Group's core and digital offerings (together called as "software related services") and business process management services. Contracts with customers are either on a time-and-material, unit of work, fixed-price or on a fixed-timeframe basis.

Revenues from customer contracts are considered for recognition and measurement when the contract has been approved by the parties, in writing, to the contract, the parties to contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. Revenue is recognized upon transfer of control of promised products or services ("performance obligations") to customers in an amount that reflects the consideration the Group has received or expects to receive in exchange for these products or services ("transaction price"). When there is uncertainty as to collectability, revenue recognition is postponed until such uncertainty is resolved.

The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. The Group allocates the transaction price to each distinct performance obligation based on the 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 the absence of such evidence, the primary method used to estimate standalone selling price is the expected cost plus a margin, under which the Group estimates the cost of satisfying the performance obligation and then adds an appropriate margin based on similar services.

The Group's contracts may include variable consideration including rebates, volume discounts and penalties. The Group includes variable consideration as part of transaction price when there is a basis to reasonably estimate the amount of the variable consideration and when it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue on time-and-material and unit of work based contracts, are recognized as the related services are performed. Fixed price maintenance revenue is recognized ratably either on a straight-line basis when services are performed through an indefinite number of repetitive acts over a specified period or ratably using a percentage of completion method when the pattern of benefits from the services rendered to the customer and Group's costs to fulfil the contract is not even through the period of contract because the services are generally discrete in nature and not repetitive. Revenue from other fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time is recognized using the percentage-of-completion method. Efforts or costs expended are used to determine progress towards completion as there is a direct relationship between input and productivity. Progress towards completion is measured as the ratio of costs or efforts incurred to date (representing work performed) to the estimated total costs or efforts. Estimates of transaction price and total costs or efforts are continuously monitored over the term of the contracts and are recognized in net profit in the period when these estimates change or when the estimates are revised. Revenues and the estimated total costs or efforts are subject to revision as the contract progresses. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

The billing schedules agreed with customers include periodic performance based billing and / or milestone based progress billings. Revenues in excess of billing are classified as unbilled revenue while billing 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, 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 measures 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).When implementation services are provided in conjunction with the licensing arrangement and the license and implementation have been identified as two distinct 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 Group uses the expected cost plus margin approach in estimating the standalone selling price. 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 on a straight line basis over the period in which the services are rendered.

Contracts with customers includes subcontractor services or third-party vendor equipment or software in certain integrated services arrangements. In these types of arrangements, revenue from sales of third-party vendor products or services is recorded net of costs when the Group is acting as an agent between the customer and the vendor, and gross when the Group is the principal for the transaction. In doing so, the group first evaluates whether it controls the good or service before it is transferred to the customer. The Group considers whether it has the primary obligation to fulfil the contract, inventory risk, pricing discretion and other factors to determine whether it controls the goods or service and therefore is acting as a principal or an agent.

The incremental costs of obtaining a contract (i.e., costs that would not have been incurred if the contract had not been obtained) are recognized as an asset if the Group expects to recover them. Any capitalized contract costs are amortized, with the expense recognised as the Group transfers the related goods or services to the customer.

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

Revenues for the three months ended and nine months ended December 31, 2020 and December 31, 2019 is as follows

(Dollars in millions)

Particulars	Three months ended December 31, 2020	Three months ended December 31, 2019	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Revenue from software services	3,266	3,048	9,233	9,005
Revenue from products and platforms	250	195	715	578
Total revenue from operations	**3,516**	**3,243**	**9,948**	**9,583**

The Group has evaluated the impact of COVID–19 resulting from (i) the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Group has concluded that the impact of COVID–19 is not material based on these estimates. Due to the nature of the pandemic, the Group continues to monitor developments to identify significant uncertainties relating to revenue in future periods.

Disaggregated revenue information

The table below presents disaggregated revenues from contracts with customers by geography and offerings 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, 2020 and December 31, 2019

(Dollars in millions)

Particulars	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	707	343	234	244	173	271	173	21	2,166
	602	*326*	*252*	*229*	*186*	*228*	*144*	*22*	*1,989*
Europe	220	143	104	159	134	6	71	7	844
	216	*139*	*68*	*150*	*133*	*7*	*71*	*6*	*790*
India	52	2	6	1	2	10	-	19	92
	46	*2*	*10*	*1*	*3*	*9*	*1*	*19*	*91*
Rest of the world	184	27	92	37	19	2	4	49	414
	157	*29*	*91*	*34*	*12*	*2*	*3*	*45*	*373*
Total	**1,163**	**515**	**436**	**441**	**328**	**289**	**248**	**96**	**3,516**
	1,021	***496***	***421***	***414***	***334***	***246***	***219***	***92***	***3,243***
Revenue by offerings									
Digital	560	278	230	224	165	147	115	42	1,761
	430	*223*	*180*	*162*	*128*	*92*	*75*	*28*	*1,318*
Core	603	237	206	217	163	142	133	54	1,755
	591	*273*	*241*	*252*	*206*	*154*	*144*	*64*	*1,925*
Total	**1,163**	**515**	**436**	**441**	**328**	**289**	**248**	**96**	**3,516**
	1,021	***496***	***421***	***414***	***334***	***246***	***219***	***92***	***3,243***

(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
** Geographical revenues is based on the domicile of customer*

Infosys Limited and Subsidiaries

Nine months ended December 31, 2020 and December 31, 2019

(Dollars in millions)

Particulars	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	1,897	953	691	701	504	814	465	70	6,095
	1,770	*964*	*786*	*686*	*540*	*687*	*397*	*56*	*5,886*
Europe	641	417	281	436	385	15	203	21	2,399
	631	*422*	*194*	*440*	*374*	*19*	*207*	*17*	*2,304*
India	154	5	24	2	5	28	2	62	282
	137	*5*	*22*	*1*	*9*	*20*	*5*	*50*	*249*
Rest of the world	515	80	274	110	33	6	11	143	1,172
	491	*87*	*271*	*114*	*37*	*3*	*9*	*132*	*1,144*
Total	**3,207**	**1,455**	**1,270**	**1,249**	**927**	**863**	**681**	**296**	**9,948**
	3,029	***1,478***	***1,273***	***1,241***	***960***	***729***	***618***	***255***	***9,583***
Revenue by offerings									
Digital	1,513	746	631	592	435	411	282	107	4,717
	1,192	*636*	*501*	*459*	*359*	*263*	*190*	*67*	*3,667*
Core	1,694	709	639	657	492	452	399	189	5,231
	1,837	*842*	*772*	*782*	*601*	*466*	*428*	*188*	*5,916*
Total	**3,207**	**1,455**	**1,270**	**1,249**	**927**	**863**	**681**	**296**	**9,948**
	3,029	***1,478***	***1,273***	***1,241***	***960***	***729***	***618***	***255***	***9,583***

(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
** Geographical revenues is based on the domicile of customer*

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, Panaya platform, Skava platform, Stater digital platform and Infosys McCamish- insurance platform.

Trade Receivables and Contract Balances

The timing of revenue recognition, billings and cash collections results in receivables, unbilled revenue, and unearned revenue on the Group's Consolidated Balance Sheet. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., monthly or quarterly) or upon achievement of contractual milestones.

The Group's receivables are rights to consideration that are unconditional. Unbilled revenues comprising revenues in excess of billings from time and material contracts and fixed price maintenance contracts are classified as financial asset when the right to consideration is unconditional and is due only after a passage of time.

Invoicing to the clients for other fixed price contracts is based on milestones as defined in the contract and therefore the timing of revenue recognition is different from the timing of invoicing to the customers. Therefore, unbilled revenues for other fixed price contracts (contract asset) are classified as non-financial asset because the 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 Balance Sheet.

2.17 Unbilled revenue

(Dollars in millions)

Particulars	As at	
	December 31, 2020	March 31, 2020
Unbilled financial asset (1)	476	369
Unbilled non financial asset (2)	574	572
Total	**1,050**	**941**

(1) *Right to consideration is unconditional and is due only after a passage of time.*
(2) *Right to consideration is dependent on completion of contractual milestones.*

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2.18 Break-up of expenses and other income, net

Accounting Policy

2.18.1 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 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 or 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.

2.18.2 Superannuation

Certain employees of Infosys, Infosys BPM 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.

2.18.3 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.

2.18.4 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.

The Code on Social Security, 2020 (‘Code’) relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

2.18.5 Other income, net

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.

2.18.6 Foreign Currency

Transactions and translations

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are recognized in the Consolidated Statement of Comprehensive Income and reported within exchange gains/ (losses) on translation of assets and liabilities, net, except when deferred in Other Comprehensive Income as qualifying cash flow hedges. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. The related revenue and expense are recognised using the same exchange rate.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

The translation of financial statements of the foreign subsidiaries to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed off, in full, the relevant amount is transferred to net profit in the Statement of Comprehensive Income. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

Other Comprehensive Income, net of taxes includes translation differences on non-monetary financial assets measured at fair value at the reporting date, such as equities classified as financial instruments and measured at fair value through other comprehensive income (FVOCI).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the Balance Sheet date.

2.18.7 Government grants

The Group recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants related to assets are treated as deferred income and are recognized in the net profit in the statement of comprehensive income on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate.

2.18.8 Operating Profits

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

The table below provides details of break-up of expenses:

Cost of sales

(Dollars in millions)

Particulars	Three months ended		Nine months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Employee benefit costs	1,707	1,629	4,902	4,816
Depreciation and amortization	112	103	327	304
Travelling costs	15	61	45	218
Cost of technical sub-contractors	249	242	684	711
Cost of software packages for own use	40	37	117	106
Third party items bought for service delivery to clients	115	54	303	168
Short term leases	1	1	3	8
Consultancy and professional charges	2	2	5	5
Communication costs	11	11	34	32
Repairs and maintenance	15	19	51	51
Provision for post-sales client support	5	(1)	5	-
Others	3	1	(5)	1
Total	**2,275**	**2,159**	**6,471**	**6,420**

Selling and marketing expenses

Particulars	Three months ended		Nine months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Employee benefit costs	135	132	406	385
Travelling costs	1	14	2	42
Branding and marketing	14	18	34	54
Short term leases	-	-	-	1
Consultancy and professional charges	3	3	8	14
Communication costs	-	1	1	2
Others	3	1	8	4
Total	**156**	**169**	**459**	**502**

Infosys Limited and Subsidiaries

Administrative expenses

Particulars	**Three months ended**		**Nine months ended**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Employee benefit costs	69	64	203	188
Consultancy and professional charges	38	45	103	121
Repairs and maintenance	30	32	90	111
Power and fuel	5	8	15	25
Communication costs	10	7	30	21
Travelling costs	1	11	5	31
Rates and taxes	9	6	25	18
Short-term leases	2	2	4	1
Insurance charges	5	4	13	9
Commission to non-whole time directors	-	-	1	1
Impairment loss recognized/(reversed) under expected credit loss model	3	1	25	14
Contributions towards Corporate Social Responsibility	10	12	45	36
Others	10	12	18	36
Total	**192**	**204**	**577**	**612**

Other income, net

Particulars	**Three months ended**		**Nine months ended**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Interest income on financial assets carried at amortized cost	41	42	122	137
Interest income on financial assets carried at fair value through other comprehensive income	13	9	38	37
Dividend income on investments carried at fair value through profit or loss	-	-	1	-
Gain/(loss) on investments carried at fair value through profit or loss	5	6	9	21
Gain/(loss) on investments carried at fair value through other comprehensive income	3	1	11	5
Interest income on income tax refund	-	34	-	35
Exchange gains / (losses) on forward and options contracts	15	(18)	63	(3)
Exchange gains / (losses) on translation of other assets and liabilities	(6)	38	(45)	59
Others	12	4	23	21
Total	**83**	**116**	**222**	**312**

Infosys Limited and Subsidiaries

2.19 Equity

Accounting policy

Ordinary Shares

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

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 Securities premium.

Description of reserves

Retained earnings

Retained earnings represent the amount of accumulated earnings of the Group.

Share premium

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.

Other Reserves

The Special Economic Zone Re-investment reserve has been 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 Company 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.

Capital Redemption Reserve

In accordance with section 69 of the Indian Companies Act, 2013, the Company creates capital redemption reserve equal to the nominal value of the shares bought back as an appropriation from general reserve.

Other components of equity

Other components of equity consist of currency translation, remeasurement of net defined benefit liability / asset, equity instruments fair valued through other comprehensive income, changes on fair valuation of investments and changes in fair value of derivatives designated as cash flow hedges, net of taxes.

Cash flow hedge reserve

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. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the net profit in the consolidated Statement of Comprehensive Income upon the occurrence of the related forecasted transaction.

2.19.1 Capital Allocation Policy

Effective from fiscal 2020, the company expects to return approximately 85% of the free cash flow cumulatively over a 5-year period through a combination of semi annual dividends and/or share buyback and/or special dividends, 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 and buyback include applicable taxes.

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, 2020, 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.

2.19.2 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. Income tax consequences of dividends on financial instruments classified as equity will be recognized according to where the entity originally recognized those past transactions or events that generated distributable profits.

The Company declares and pays dividends in Indian rupees. The Finance Act 2020 has repealed the Dividend Distribution Tax (DDT). Companies are now required to pay/distribute dividend after deducting applicable taxes. The remittance of dividends outside India is also subject to withholding tax at applicable rates.

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

Particulars	Nine months ended December 31, 2020		Nine months ended December 31, 2019	
	in ₹	in US Dollars	in ₹	in US Dollars
Final dividend for fiscal 2019	-	-	10.50	0.15
Interim dividend for fiscal 2020	-	-	8.00	0.11
Final dividend for fiscal 2020	9.50	0.13	-	-
Interim dividend for fiscal 2021	12.00	0.16	-	-

The Board of Directors in their meeting on April 20, 2020 recommended a final dividend of ₹9.50/- per equity share (approximately $0.13 per equity share) for the financial year ended March 31, 2020. The same was approved by the shareholders at the Annual General Meeting held on June 27, 2020 which resulted in a cash outflow of ₹4,029 crore (approximately $539 million) excluding dividend paid on treasury shares.

The Board of Directors in their meeting on October 14, 2020 declared an interim dividend of ₹12/- per equity share (approximately $0.16 per equity share) which resulted in a net cash outflow of ₹5,091 crore ($687 million) excluding dividend paid on treasury shares.

2.19.3 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. 16,296,404 shares and 18,239,356 shares were held by controlled trust, as at December 31, 2020 and March 31, 2020, respectively.

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

Nilanjan Roy
Chief Financial Officer

A.G.S. Manikantha
Company Secretary

Bengaluru
January 13, 2021